

Great Wolf Resorts, Inc.
Form 10-Q
November 09, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

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 000-51064

GREAT WOLF RESORTS, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

51-0510250
(I.R.S. Employer
Identification No.)

525 Junction Road, Suite 6000 South

Madison, Wisconsin 53717
(Address of principal executive offices)

53717
(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

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 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 (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

The number of shares outstanding of the issuer's common stock was 200 as of November 9, 2012.

Great Wolf Resorts, Inc.

Quarterly Report on Form 10-Q

For the Quarter Ended September 30, 2012

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FORWARD-LOOKING STATEMENTS	

Some of the statements contained or that may be included in this report or in 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 financing needs, are forward-looking statements. Those statements include statements regarding our intent, belief or current expectations and those of the 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 market, changes in family vacation patterns and consumer spending habits, regional or national economic downturns or other economic disruptions, 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 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 and extreme weather conditions, reductions in the availability of credit to indoor waterpark resorts generally or to us and our subsidiaries, increases in operating costs and other expense items and costs, 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, 2011. 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.

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)**

	September 30, 2012 Successor	December 31, 2011 Predecessor
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 35,531	\$ 33,767
Escrows	5,758	2,618
Accounts receivable, net of allowance for doubtful accounts of \$2 and \$5	7,244	3,660
Accounts receivable affiliate	2,041	3,243
Inventory	7,013	7,570
Other current assets	10,404	6,212
Total current assets	67,991	57,070
Property and equipment, net	624,489	576,262
Investments in and advances to affiliate	25,623	24,311
Other assets	10,162	20,556
Goodwill	97,497	1,365
Intangible assets	50,636	25,310
Total assets	\$ 876,398	\$ 704,874
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 67,201	\$ 67,678
Accounts payable	3,620	5,301
Accounts payable affiliate	17	27
Accrued interest payable	14,081	8,012
Accrued expenses	24,751	24,211
Advance deposits	9,853	7,715
Other current liabilities	8,645	7,529
Total current liabilities	128,168	120,473
Mortgage debt	399,707	366,951
Other long-term debt	60,893	80,545
Deferred tax liability	17,200	11,907
Deferred compensation liability	2,086	1,502
Total liabilities	608,054	581,378
Commitments and contingencies		
Great Wolf Resorts Inc. stockholders equity:		
Common stock, \$0.01 par value; 250,000,000 shares authorized; 200 and 32,470,524 shares issued and outstanding	0	325
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, no shares issued or outstanding	0	0
Additional paid-in-capital	264,973	404,714
Accumulated deficit	(1,490)	(281,314)
Deferred compensation	0	(200)

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Total Great Wolf Resorts, Inc. stockholders' equity	263,483	123,525
Noncontrolling interest	4,861	(29)
Total equity	268,344	123,496
Total liabilities and equity	\$ 876,398	\$ 704,874

See accompanying notes to the condensed consolidated financial statements.

GREAT WOLF RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Successor Three months ended September 30, 2012	Predecessor Three months ended September 30, 2011	Successor Period May 5, 2012 through September 30, 2012	Predecessor Period January 1, 2012 through May 4, 2012	Predecessor Nine months ended September 30, 2011
Revenues:					
Rooms	\$ 52,223	\$ 50,340	\$ 80,277	\$ 63,793	\$ 137,358
Food and beverage	13,414	12,829	21,535	17,273	36,020
Other	13,601	12,920	20,868	15,920	35,638
Management and other fees	1,181	912	1,661	1,398	2,319
Management and other fees affiliates	1,002	957	1,537	1,414	2,984
	81,421	77,958	125,878	99,798	214,319
Other revenue from managed properties	3,129	2,969	5,007	4,193	8,751
Other revenue from managed properties affiliates	2,811	2,624	4,540	3,901	8,091
Total revenues	87,361	83,551	135,425	107,892	231,161
Operating expenses by department:					
Rooms	7,082	6,676	11,304	9,458	19,299
Food and beverage	9,603	9,318	15,732	12,946	27,067
Other	10,621	9,743	17,206	13,450	28,305
Other operating expenses:					
Selling, general and administrative	18,104	15,356	31,480	42,205	49,261
Selling, general and administrative affiliates	1,008	0	1,008	0	0
Property operating costs	9,471	8,544	14,345	11,347	25,824
Depreciation and amortization	11,766	14,799	19,545	16,469	41,362
Loss on disposition of assets	151	330	151	47	1,368
	67,806	64,766	110,771	105,922	192,486
Other expenses from managed properties	3,129	2,969	5,007	4,193	8,751
Other expenses from managed properties affiliates	2,811	2,624	4,540	3,901	8,091
Total operating expenses	73,746	70,359	120,318	114,016	209,328
Net operating income (loss)	13,615	13,192	15,107	(6,124)	21,833
Investment income affiliates	(220)	(220)	(357)	(303)	(682)
Interest income	(48)	(50)	(79)	(82)	(156)
Interest expense	10,015	11,969	16,274	16,016	36,174
Income (loss) from continuing operations before income taxes and equity in (income) loss of unconsolidated affiliates	3,868	1,493	(731)	(21,755)	(13,503)
Income tax expense	250	218	529	269	839
Equity in (income) loss of unconsolidated affiliates, net of tax	(138)	(101)	264	(551)	(552)
Net income (loss) from continuing operations	3,756	1,376	(1,524)	(21,473)	(13,790)
Discontinued operations, net of tax	(2)	105	(9)	23	(6,704)

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Net income (loss)	3,758	1,271	(1,515)	(21,496)	(7,086)
Net (income) loss attributable to noncontrolling interest, net of tax	(14)	18	(25)	(15)	(14)
Net income (loss) attributable to Great Wolf Resorts, Inc.	\$ 3,772	\$ 1,253	\$ (1,490)	\$ (21,481)	\$ (7,072)

See accompanying notes to the condensed consolidated financial statements.

GREAT WOLF RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; dollars in thousands)

	Successor	Predecessor	
	Period May 5, 2012 through September 30, 2012	Period January 1, 2012 through May 4, 2012	Nine months ended September 30, 2011
Operating activities:			
Net loss	\$ (1,515)	\$ (21,496)	\$ (7,086)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	19,545	16,469	41,462
Bad debt expense	116	26	38
Amortization of debt fair value	(2,078)	0	0
Non-cash employee compensation and professional fees expense	1,120	3,348	1,638
Loss on disposition of assets	151	47	1,368
Gain on disposition of property included in discontinued operations	0	0	(6,667)
Equity in loss (income) of unconsolidated affiliates	260	(559)	(653)
Deferred tax expense	163	73	159
Changes in operating assets and liabilities:			
Accounts receivable and other assets	(6,177)	103	(3,207)
Accounts payable, accrued expenses and other liabilities	4,859	3,667	217
Net cash provided by operating activities	16,444	1,678	27,269
Investing activities:			
Capital expenditures for property and equipment	(6,168)	(2,237)	(7,720)
Loan repayment from unconsolidated affiliates	0	0	807
Investment in development	(43)	(75)	(316)
Proceeds from sale of a discontinued operation	0	0	4,200
Proceeds from the sale of assets	0	3	2
Increase in restricted cash	(488)	(3,464)	(1,910)
Net cash used in investing activities	(6,699)	(5,773)	(4,937)
Financing activities:			
Principal payments on debt	(3,021)	(1,777)	(79,239)
Proceeds from issuance of long-term debt	0	0	56,000
Payment of loan costs	(59)	(120)	(1,549)
Capital contributions	1,091	0	0
Net cash used in financing activities	(1,989)	(1,897)	(24,788)
Net increase (decrease) in cash and cash equivalents	7,756	(5,992)	(2,456)
Cash and cash equivalents, beginning of period	27,775	33,767	36,988
Cash and cash equivalents, end of period	\$ 35,531	\$ 27,775	\$ 34,532
Supplemental Cash Flow Information:			
Cash paid for interest	\$ 7,272	\$ 20,499	\$ 28,946
Cash paid for income taxes	\$ 470	\$ 211	\$ 662
Non-cash items:			

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Transfer of fixed assets to inventory	\$	0	\$	0	\$	1,883
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See accompanying notes to the condensed consolidated financial statements.

GREAT WOLF RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1. ORGANIZATION

The terms Great Wolf Resorts, us, we, our and Company 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 based on the number of resorts in operation. 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 target customer base: families with children ranging in ages from 2 to 14 years old that live within a convenient driving distance of our resorts. 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 have entered into licensing and management arrangements with third parties relating to the operation of resorts under the Great Wolf Lodge brand name.

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, full-service adult spa, kid spa, game arcade, gift shop, miniature golf, interactive game attraction, family tech center 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 March 24, 2011, we sold our Blue Harbor Resort in Sheboygan, WI. We continue to license the Blue Harbor Resort and related trade names to the buyer at no fee. As of March 24, 2011, we no longer operated this resort or managed the condominium units there.

On May 4, 2012, the Company merged with K-9 Acquisition, Inc., a Delaware corporation (Merger Sub), in the Merger (as defined and discussed in Note 4 below). 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. The Merger was accounted for as a business combination using the acquisition method of accounting and Successor financial statements reflect a new basis of accounting that is based on the fair value of assets acquired and liabilities assumed as of the effective time of the Merger. The determination of these fair values reflects appraisals prepared by independent third parties and is based on actual tangible and identifiable intangible assets and liabilities that existed as of the effective time of 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.

The following table presents an overview of our portfolio of resorts. As of September 30, 2012, we operated, managed and/or had licensing arrangements relating to the operation of 11 Great Wolf Lodge resorts (our signature Northwoods-themed resorts). We anticipate that most of our future resorts will be licensed and/or developed under our Great Wolf Lodge brand, but we may operate and/or enter into licensing arrangements with other resorts using different brands in appropriate markets.

	Ownership Percentage	Opened	Number of Guest Suites	Indoor Entertainment Area (1) (Approx. sq. ft)
Wisconsin Dells, WI (3)		1997	385(2)	102,000
Sandusky, OH (3)		2001	271	41,000
Traverse City, MI	100%	2003	280	57,000
Kansas City, KS	100%	2003	281	57,000
Williamsburg, VA (4)	100%	2005	405	87,000
Pocono Mountains, PA (4)	100%	2005	401	101,000
Niagara Falls, ONT (5)		2006	406	104,000
Mason, OH (4)	100%	2006	401	105,000
Grapevine, TX (4)	100%	2007	605	110,000
Grand Mound, WA (6)	49%	2008	398	74,000
Concord, NC (4)	100%	2009	402	97,000

- (1) Our indoor entertainment areas generally include our indoor waterpark, game arcade, children's activity room, family tech center, MagiQuest® (an interactive game attraction) and fitness room, as well as our spa in the resorts that have such amenities.
- (2) Total number of guest suites includes 77 condominium units that are individually owned and we manage.
- (3) These properties are owned by CNL Lifestyle Properties, Inc. (CNL), a real estate investment trust focused on leisure and lifestyle properties. We currently manage both properties and license the Great Wolf Lodge brand to these resorts.
- (4) Five of our properties (Great Wolf Lodge resorts in Williamsburg, VA; Pocono Mountains, PA; Mason, OH; Grapevine, TX and Concord, NC) each had a book value of fixed assets equal to ten percent or more of our total assets as of September 30, 2012 and each of those five properties had total revenues equal to ten percent or more of our total revenues for the three months ended September 30, 2012, the period January 1 – May 4, 2012, and the period May 5 – September 30, 2012.
- (5) An affiliate of Ripley Entertainment, Inc. (Ripley), our licensee, owns this resort. We have granted Ripley a license to use the Great Wolf Lodge name for this resort through April 2016.
- (6) This property is owned by a joint venture. The Confederated Tribes of the Chehalis Reservation (Chehalis) owns a 51% interest in the joint venture, and we own a 49% interest. We operate the property and license the Great Wolf Lodge brand to the joint venture under long-term agreements through April 2057, subject to earlier termination in certain situations. The joint venture leases the land for the resort from the United States Department of the Interior, which is trustee for Chehalis.

2. REVISION OF PRIOR PERIOD FINANCIAL STATEMENTS

In connection with the preparation of our condensed consolidated financial statements for the second quarter of 2012, we identified an error in the manner in which deferred tax balances were calculated. 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. This non-cash revision does not impact our operating income or cash flows for any prior period.

The following tables present the effect of this correction on the Company's Consolidated Balance Sheets, Statements of Operations, Statements of Equity and Statements of Cash Flows for all Predecessor periods affected:

	As Previously Reported	Adjustment	As Revised
March 31, 2012			
Condensed Consolidated Balance Sheet			
Other current assets	\$ 8,459	\$ (955)	\$ 7,504
Total current assets	72,403	(955)	71,448
Other assets	25,977	(5,373)	20,604
Total assets	715,439	(6,328)	709,111
Deferred tax liability	0	11,961	11,961
Total liabilities	582,517	11,961	594,478
Accumulated deficit	(272,223)	(18,289)	(290,512)
Total Great Wolf Resorts, Inc. stockholders' equity	132,964	(18,289)	114,675
Total equity	132,922	(18,289)	114,633

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Total liabilities and equity	715,439	(6,328)	709,111
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	As Previously Reported	Adjustment	As Revised
Three Months Ended March 31, 2012			
Condensed Consolidated Statement of Operations			
Income tax expense	\$ 441	\$ (66)	\$ 375
Equity in income of unconsolidated affiliates, net of tax	(92)	(1)	(93)
Net loss from continuing operations	(9,241)	67	(9,174)
Net loss	(9,277)	67	(9,210)
Net income attributable to noncontrolling interest, net of tax	(13)	1	(12)
Net loss attributable to Great Wolf Resorts, Inc.	(9,264)	66	(9,198)
Loss per share of common stock basic and diluted:			
Loss from continuing operations, net of net income attributable to noncontrolling interest, net of tax	\$ (0.29)	\$ 0.00	\$ (0.29)
Income (loss) from discontinued operations, net of tax	(0.00)	0.00	0.00
Basic and diluted loss per common share	\$ (0.29)	\$ 0.00	\$ (0.29)
Condensed Consolidated Statement of Cash Flow			
Net loss	\$ (9,277)	\$ 67	\$ (9,210)
Deferred tax expense	120	(67)	53

	As Previously Reported	Adjustment	As Revised
December 31, 2011			
Consolidated Balance Sheet			
Other current assets	\$ 7,167	\$ (955)	\$ 6,212
Total current assets	58,025	(955)	57,070
Other assets	26,049	(5,493)	20,556
Total assets	711,322	(6,448)	704,874
Deferred tax liability	0	11,907	11,907
Total liabilities	569,471	11,907	581,378
Accumulated deficit	(262,959)	(18,355)	(281,314)
Total Great Wolf Resorts, Inc. stockholders equity	141,880	(18,355)	123,525
Total equity	141,851	(18,355)	123,496
Total liabilities and equity	711,322	(6,448)	704,874
Year Ended December 31, 2011			
Consolidated Statement of Operations			
Income tax expense	\$ 7,086	\$ (5,954)	\$ 1,132
Equity in loss of unconsolidated affiliates, net of tax	18	(5)	13
Net loss from continuing operations	(32,324)	5,959	(26,365)
Net loss	(25,690)	5,959	(19,731)
Net income attributable to noncontrolling interest, net of tax	(27)	9	(18)

	As Previously Reported	Adjustment	As Revised
Net loss attributable to Great Wolf Resorts, Inc.	(25,663)	5,950	(19,713)
Loss per share of common stock basic and diluted:			
Loss from continuing operations, net of net income attributable to noncontrolling interest, net of tax	\$ (1.03)	\$ 0.19	\$ (0.84)
Income from discontinued operations, net of tax	0.21	0.00	0.21
Basic and diluted loss per common share	\$ (0.82)	\$ 0.19	\$ (0.63)
Consolidated Statement of Equity			
Net loss attributable to Great Wolf Resorts, Inc.	\$ (25,663)	\$ 5,950	\$ (19,713)
Accumulated deficit	(262,959)	(18,355)	(281,314)
Consolidated Statement of Cash Flow			
Net loss	\$ (25,690)	\$ 5,959	\$ (19,731)
Deferred tax expense	6,167	(5,959)	208

	As Previously Reported	Adjustment	As Revised
September 30, 2011			
Condensed Consolidated Balance Sheet			
Other assets	\$ 29,470	\$ (8,234)	\$ 21,236
Total assets	729,783	(8,234)	721,549
Deferred tax liability	0	11,853	11,853
Total liabilities	574,175	11,853	586,028
Accumulated deficit	(248,586)	(20,087)	(268,673)
Total Great Wolf Resorts, Inc. stockholders' equity	155,634	(20,087)	135,547
Total equity	155,608	(20,087)	135,521
Total liabilities and equity	729,783	(8,234)	721,549
Three Months Ended September 30, 2011			
Condensed Consolidated Statement of Operations			
Income tax expense	\$ 39	\$ 179	\$ 218
Equity in income of unconsolidated affiliates, net of tax	(184)	83	(101)
Net income from continuing operations	1,638	(262)	1,376
Net income	1,533	(262)	1,271
Net income attributable to Great Wolf Resorts, Inc.	1,515	(262)	1,253
Income per share of common stock basic and diluted:			
Income from continuing operations, net of net income attributable to noncontrolling interest, net of tax	\$ 0.05	\$ (0.01)	\$ 0.04
Income from discontinued operations, net of tax	0.00	0.00	0.00
Basic and diluted loss per common share	\$ 0.05	\$ (0.01)	\$ 0.04

	As Previously Reported	Adjustment	As Revised
Nine Months Ended September 30, 2011			
Condensed Consolidated Statement of Operations			
Income tax expense	\$ 5,175	\$ (4,336)	\$ 839
Equity in income of unconsolidated affiliates, net of tax	(667)	115	(552)
Net loss from continuing operations	(18,011)	4,221	(13,790)
Net loss	(11,307)	4,221	(7,086)
Net income attributable to noncontrolling interest, net of tax	(17)	3	(14)
Net loss attributable to Great Wolf Resorts, Inc.	(11,290)	4,218	(7,072)
Loss per share of common stock basic and diluted:			
Loss from continuing operations, net of net income attributable to noncontrolling interest, net of tax	\$ (0.58)	\$ 0.13	\$ (0.45)
Income from discontinued operations, net of tax	0.22	0.00	0.22
Basic and diluted loss per common share	\$ (0.36)	\$ 0.13	\$ (0.23)
Condensed Consolidated Statement of Cash Flow			
Net loss	\$ (11,307)	\$ 4,221	\$ (7,086)
Deferred tax expense	4,380	(4,221)	159

	As Previously Reported	Adjustment	As Revised
June 30, 2011			
Condensed Consolidated Balance Sheet			
Other assets	\$ 30,704	\$ (8,026)	\$ 22,678
Total assets	744,470	(8,026)	736,444
Deferred tax liability	0	11,798	11,798
Total liabilities	590,908	11,798	602,706
Accumulated deficit	(250,101)	(19,824)	(269,925)
Total Great Wolf Resorts, Inc. stockholders' equity	153,607	(19,824)	133,783
Total equity	153,562	(19,824)	133,738
Total liabilities and equity	744,470	(8,026)	736,444

	As Previously Reported	Adjustment	As Revised
Three Months Ended June 30, 2011			
Condensed Consolidated Statement of Operations			
Income tax expense	\$ 134	\$ 214	\$ 348
Equity in income of unconsolidated affiliates, net of tax	(332)	(12)	(344)
Net loss from continuing operations	(6,745)	(202)	(6,947)
Discontinued operations, net of tax	107	(172)	(65)
Net loss	(6,852)	(30)	(6,882)
Net income attributable to noncontrolling interest, net of tax	(21)	(2)	(23)
Net loss attributable to Great Wolf Resorts, Inc.	(6,831)	(28)	(6,859)
Loss per share of common stock basic and diluted:			
Loss from continuing operations, net of net income attributable to noncontrolling interest, net of tax	\$ (0.22)	\$ 0.00	\$ (0.22)
Income from discontinued operations, net of tax	0.00	0.00	0.00
Basic and diluted loss per common share	\$ (0.22)	\$ 0.00	\$ (0.22)

	As Previously Reported	Adjustment	As Revised
Six months Ended June 30, 2011			
Condensed Consolidated Statement of Operations			
Income tax expense	\$ 5,136	\$ (4,515)	\$ 621
Equity in (income) loss of unconsolidated affiliates, net of tax	(483)	32	(451)
Net loss from continuing operations	(19,649)	4,483	(15,166)
Net loss	(12,840)	4,483	(8,357)
Net income attributable to noncontrolling interest, net of tax	(35)	3	(32)
Net loss attributable to Great Wolf Resorts, Inc.	(12,805)	4,480	(8,325)
Loss per share of common stock basic and diluted:			
Loss from continuing operations, net of net income attributable to noncontrolling interest, net of tax	\$ (0.63)	\$ 0.14	\$ (0.49)
Income from discontinued operations, net of tax	0.22	0.00	0.22
Basic and diluted loss per common share	\$ (0.41)	\$ 0.14	\$ (0.27)
Condensed Consolidated Statement of Cash Flow			
Net loss	\$ (12,840)	\$ 4,483	\$ (8,357)
Deferred tax expense	4,589	(4,483)	106
March 31, 2011			
Condensed Consolidated Balance Sheet			
Other assets	\$ 31,496	\$ (8,053)	\$ 23,443
Total assets	761,625	(8,053)	753,572
Deferred tax liability	0	11,744	11,744
Total liabilities	601,655	11,744	613,399
Accumulated deficit	(243,270)	(19,797)	(263,067)
Total Great Wolf Resorts, Inc. stockholders' equity	159,993	(19,797)	140,196
Total equity	159,970	(19,797)	140,173
Total liabilities and equity	761,625	(8,053)	753,572
Three Months Ended March 31, 2011			
Condensed Consolidated Statement of Operations			
Income tax expense	\$ 5,002	\$ (4,729)	\$ 273
Equity in income of unconsolidated affiliates, net of tax	(151)	44	(107)
Net loss from continuing operations	(12,904)	4,685	(8,219)
Discontinued operations, net of tax	(6,916)	172	(6,744)
Net loss	(5,988)	4,513	(1,475)
Net income attributable to noncontrolling interest, net of tax	(14)	5	(9)
Net loss attributable to Great Wolf Resorts, Inc.	(5,974)	4,508	(1,466)
Loss per share of common stock basic and diluted:			
Loss from continuing operations, net of net income attributable to noncontrolling interest, net of tax	\$ (0.41)	\$ 0.14	\$ (0.27)
Income from discontinued operations, net of tax	0.22	0.00	0.22
Basic and diluted loss per common share	\$ (0.19)	\$ 0.14	\$ (0.05)
Condensed Consolidated Statement of Cash Flow			
Net loss	\$ (5,988)	\$ 4,513	\$ (1,475)
Deferred tax expense	4,562	(4,513)	49

	As Previously Reported	Adjustment	As Revised
December 31, 2010			
Consolidated Balance Sheet			
Other assets	\$ 38,649	\$ (12,615)	\$ 26,034
Total assets	771,238	(12,615)	758,623
Deferred tax liability	0	11,690	11,690
Total liabilities	605,468	11,690	617,158
Accumulated deficit	(237,296)	(24,305)	(261,601)
Total Great Wolf Resorts, Inc. stockholders equity	165,779	(24,305)	141,474
Total equity	165,770	(24,305)	141,465
Total liabilities and equity	771,238	(12,615)	758,623
Year Ended December 31, 2010			
Consolidated Statement of Operations			
Income tax expense (benefit)	\$ (5,403)	\$ 6,188	\$ 785
Equity in loss of unconsolidated affiliates, net of tax	576	72	648
Net loss from continuing operations	(50,563)	(6,260)	(56,823)
Discontinued operations, net of tax	455	54	509
Net loss	(51,018)	(6,314)	(57,332)
Net loss attributable to Great Wolf Resorts, Inc.	(51,009)	(6,314)	(57,323)
Loss per share of common stock basic and diluted:			
Loss from continuing operations, net of net income attributable to noncontrolling interest, net of tax	\$ (1.63)	\$ (0.20)	\$ (1.83)
Loss from discontinued operations, net of tax	(0.02)	0.00	(0.02)
Basic and diluted loss per common share	\$ (1.65)	\$ (0.20)	\$ (1.85)
Consolidated Statement of Equity			
Net loss attributable to Great Wolf Resorts, Inc.	\$ (51,009)	\$ (6,314)	\$ (57,323)
Accumulated deficit	(237,296)	(24,305)	(261,601)
Consolidated Statement of Cash Flow			
Net loss	\$ (51,018)	\$ (6,314)	\$ (57,332)
Deferred tax expense	(6,408)	6,314	(94)

	As Previously Reported	Adjustment	As Revised
Year Ended December 31, 2009			
Consolidated Statement of Operations			
Income tax expense	\$ 220	\$ (40)	\$ 180
Equity in loss of unconsolidated affiliates, net of tax	2,435	(3)	2,432
Net loss from continuing operations	(30,518)	43	(30,475)
Discontinued operations, net of tax	27,958	(41)	27,917
Net loss	(58,476)	84	(58,392)
Loss per share of common stock basic and diluted:			
Loss from continuing operations, net of net income attributable to noncontrolling interest, net of tax	\$ (0.99)	\$ (0.00)	\$ (0.99)
Loss from discontinued operations, net of tax	(0.91)	0.00	(0.91)
Basic and diluted loss per common share	\$ (1.90)	\$ 0.00	\$ (1.90)

	As Previously Reported	Adjustment	As Revised
Consolidated Statement of Equity			
Net loss	\$ (58,476)	\$ 84	\$ (58,392)
Accumulated deficit	(186,287)	(17,991)	(204,278)
Consolidated Statement of Cash Flow			
Net loss	\$ (58,476)	\$ 84	\$ (58,392)
Deferred tax expense	131	(84)	47

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General We have prepared these unaudited condensed consolidated interim financial statements according to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, we have omitted certain information and footnote disclosures that are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP). The December 31, 2011 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. These interim financial statements should be read in conjunction with the financial statements, accompanying notes and other information included in our Annual Report on Form 10-K for the year ended December 31, 2011.

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, which are of a normal and recurring nature, necessary for a fair presentation of the financial condition and results of operations and cash flows for the periods presented. The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our actual results could differ from those estimates. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the entire year.

Certain 2011 amounts have been reclassified to conform to the 2012 presentation:

On our condensed consolidated balance sheet, we have reclassified and presented as a separate line item accrued interest payable, which was previously included with accrued expenses; and

On our condensed consolidated balance sheet, we have reclassified and presented as a separate line item goodwill, which was previously included with intangible assets.

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

Intangibles Our intangible assets consist of the value of our brand names, management contracts and patented and unpatented technologies. A summary of our intangibles is as follows:

	Successor September 30, 2012	Predecessor December 31, 2011
Brand names	\$ 40,800	\$ 23,829
Management contracts, net of amortization	8,015	
Patented and unpatented technologies	1,821	1,481
	\$ 50,636	\$ 25,310

The brand name intangible assets have indefinite useful lives. We do not amortize the brand name intangibles, but instead test them for possible impairment at least annually or when circumstances warrant, by comparing the fair value of the intangible asset with its carrying amount. We amortize our management contract intangibles over the remaining life of the contracts, ranging from 4 years to 45 years. We amortize our patented and unpatented technologies over 15 years.

Goodwill The excess of the purchase price of entities that are considered to be purchases of businesses over the estimated fair value of tangible and identifiable intangible assets acquired is recorded as goodwill. We are required to assess goodwill for impairment annually, or more

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frequently if circumstances indicate impairment may have occurred. Recoverability of goodwill is measured at the reporting unit level and determined using a two-step process. The first step compares the carrying amount of the reporting unit to its estimated fair value. If the estimated fair value of a reporting unit

exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. To the extent that the carrying value of the reporting unit exceeds its estimated fair value, a second step is performed, wherein the reporting unit's carrying value of goodwill is compared to the implied fair value of goodwill. To the extent that the carrying value exceeds the implied fair value, impairment exists and must be recognized. We determine our reporting units' fair values using a discounted cash flow model.

In connection with the acquisition of the majority interest in Creative Kingdoms, LLC (CK) in 2010, we recorded \$1,365 of goodwill. In 2012 in connection with the Merger, we recorded \$97,497 of goodwill as part of purchase accounting.

Balance as of January 1, 2011 (Predecessor)	
Goodwill recorded related to the acquisition of the majority interest in CK	\$ 1,365
Balance as of December 31, 2011 and May 4, 2012 (Predecessor)	\$ 1,365
Goodwill removed as a result of the Merger	(1,365)
Goodwill recorded related to the Merger	97,497
Balance as of September 30, 2012 (Successor)	\$ 97,497

Noncontrolling Interests We record the interests in CK not owned by us as a separate component of our consolidated equity on our condensed consolidated balance sheet. The net earnings attributable to the controlling and noncontrolling interests are included on the face of our statements of operations.

Discontinued Operations We record the results of the operations of an entity that has been disposed of as a discontinued operation in the consolidated statements of operations when 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. During the nine months ended September 30, 2011 we disposed of our Blue Harbor Resort property and have included that property's operations and gain on sale in discontinued operations for all periods presented. The operations of Blue Harbor Resort were formerly included in our Resort Ownership/Operation segment.

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.

Segments We have two reportable segments:

Resort ownership/operation-revenues derived from our consolidated owned resorts; and

Resort third-party management/licensing-revenues derived from management, license and other related fees from unconsolidated managed resorts. The following summarizes significant financial information regarding our segments:

The Other column in the table 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. Included in net operating loss in the other column are \$1,626, \$2,678 and \$15,970 of merger-related transaction costs for the three months ended September 30, 2012 and the periods May 5, 2012 – September 30, 2012, and January 1, 2012 – May 4, 2012, respectively. Total assets at the corporate level primarily consist of cash, our investment in affiliates, and intangibles. At September 30, 2012 goodwill in the amounts of \$92,688 and \$4,809 have been assigned to the Resort Ownership/Operation and Other segments, respectively.

	Resort Ownership/ Operation	Resort Third-Party Management /License	Other	Totals per Financial Statements
Three months ended September 30, 2012 (Successor)				
Revenues	\$ 77,425	\$ 8,123	\$ 1,813	\$ 87,361
Depreciation and amortization	(10,520)		(1,246)	(11,766)
Net operating income (loss)	14,551	2,183	(3,119)	13,615
Investment income affiliates				(220)
Interest income				(48)
Interest expense				