Great Wolf Resorts, Inc.
Form 10-Q/A
November 30, 2005

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

FORM 10-Q/A
AMENDMENT NO. 1

(Mark One)

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

For the Quarterly period ended June 30, 2005

OR

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

Commission File Number 000-51064

GREAT WOLF RESORTS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**51-0510250**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
122 West Washington Avenue Madison, Wisconsin 53703 *(Address of principal executive offices)*	**53703** *(Zip Code)*

Registrant s telephone number, including area code
608 661-4700

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 o No þ
Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No o
The number of shares outstanding of the issuer s common equity was 30,262,308 as of August 8, 2005.

Great Wolf Resorts, Inc.
Quarterly Report on Form 10-Q/A
For the Quarter Ended June 30, 2005
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EXPLANATORY NOTE

Great Wolf Resorts, Inc. (the Company) is filing this Report on Form 10-Q/A for the quarterly period ended June 30, 2005 to reflect the restatement of its condensed consolidated financial statements, the notes thereto, and related disclosures.

During the fourth quarter of 2005, the Company determined that it was necessary to restate previously issued financial statements for changes in the application of purchase accounting for certain transactions entered into in December 2004. Due to errors in the application of purchase accounting for those transactions, and due to other reclassifications of assets, the Company has recorded adjustments (the Adjustments) to restate the previously issued financial statements for the quarterly period ended June 30, 2005.

The Adjustments result primarily from the application of Emerging Issues Task Force (EITF) Issues No. 98-3 and No. 04-1 with regard to the Company s recording of its formation transactions in December 2004. The Company recorded the formation transactions by applying the purchase method of accounting in connection with the acquisition of seven resort-owning entities. This accounting was presented in the Company s filings with the SEC for the quarterly period ended June 30, 2005.

The Adjustments had the effect of decreasing the Company s cash and cash equivalents by $2.0 million, increasing condominiums under development by $14.4 million, increasing other current assets by $2.0 million, increasing property and equipment by $59.4 million, increasing other intangible assets by $19.1 million, decreasing goodwill by $63.5 million, increasing deferred tax liability by $29.5 million as of June 30, 2005, increasing the Company s previously-reported net loss by $169 thousand and $182 thousand for the three month and six month periods, respectively, ended June 30, 2005, and increasing net cash used in operating activities by $10.2 million and decreasing net cash used in investing activities by $10.1 million for the six month period ended June 30, 2005. The Adjustments are described in the table in Note 8 to the consolidated financial statements.

This Form 10-Q/A has not been updated except as required to reflect the effects of the restatement. This amendment and restatement includes changes to Part I, Items 1, 2 and 4. Except as identified in the prior sentence, no other items included in the original Form 10-Q have been amended, and such items remain in effect as of the filing date of the original Form 10-Q. Additionally, this Form 10-Q/A does not purport to provide an update or a discussion of any other developments at the Company subsequent to the original filing.

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PART I. FINANCIAL INFORMATION

ITEM 1. ***FINANCIAL STATEMENTS***

GREAT WOLF RESORTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2005 (as restated, see Note 8)	December 31, 2004
	(Dollars in thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,252	$ 79,409
Accounts receivable, net of allowance for doubtful accounts of $85 and $183	1,179	881
Inventory	2,590	1,848
Condominiums under development	14,371	2,412
Other current assets	9,358	5,929
Total current assets	59,750	90,479
Property and equipment, net	410,326	347,374
Other assets	10,914	9,862
Other intangible assets	19,114	19,114
Goodwill	138,732	155,196
Total assets	$ 638,837	$ 622,025
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 1,680	$ 27,794
Accounts payable	16,771	31,506
Accrued expenses	7,925	10,075
Advance deposits	4,864	3,129
Other current liabilities	3,827	2,138
Total current liabilities	35,067	74,642
Long-term debt	155,158	102,813
Other long-term debt	12,190	12,058
Other long-term liabilities	391	391
Deferred tax liability	50,024	40,909
Deferred compensation liability	2,725	2,891
Total liabilities	255,555	233,704
Commitments and contingencies		
Stockholders Equity:		
	303	303

Common stock, $0.01 par value, 250,000,000 shares authorized, 30,262,308 shares issued and outstanding		
Additional paid in capital	394,060	394,060
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued or outstanding		
Accumulated deficit	(8,882)	(3,842)
Shares of common stock held in deferred compensation plan	(2,200)	(2,200)
Total stockholders equity	383,281	388,321
Total liabilities and stockholders equity	$ 638,837	$ 622,025

See accompanying notes to condensed consolidated and combined financial statements.

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GREAT WOLF RESORTS, INC. AND SUBSIDIARIES AND
GREAT LAKES PREDECESSOR
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

	Great Wolf Resorts, Inc.	Predecessor	Great Wolf Resorts, Inc.	Predecessor
	Three months ended June 30,		Six months ended June 30,	
	2005 (as restated, see Note 8)	2004	2005 (as restated, see Note 8)	2004
	(Unaudited, dollars in thousands, except per share data)			
Revenues:				
Rooms	$ 17,023	$ 7,441	$ 35,099	$ 14,684
Food and beverage	4,524	1,937	9,219	3,724
Other resort operations	4,485	1,845	8,710	3,462
Management fees related parties		304		709
Development and other fees related parties		148		508
	26,032	11,675	53,028	23,087
Other revenue from managed properties		3,669		7,009
Total revenues	26,032	15,344	53,028	30,096
Operating expenses by department:				
Rooms	2,958	1,211	5,596	2,260
Food and beverage	4,228	1,726	7,991	3,187
Other	3,979	1,529	7,247	2,806
Other operating expenses:				
Selling, general and administrative	7,327	3,414	14,565	6,620
Property operating costs	4,346	2,351	10,403	4,138
Depreciation and amortization	6,085	3,198	13,234	5,914
	28,923	13,429	59,036	24,925
Other expenses from managed properties		3,669		7,009
Total operating expenses	28,642	17,098	59,036	31,934
Net operating loss	(2,891)	(1,754)	(6,008)	(1,838)
Interest income	(356)	(83)	(648)	(161)
Interest expense	1,968	1,529	3,024	2,812
Gain on sale of investments				(1,072)
Interest on mandatorily redeemable shares		474		2,166
Loss before income taxes and minority interests	(4,503)	(3,674)	(8,384)	(5,583)
Income tax benefit	(1,802)		(3,344)	
Minority interests		(47)		(18)

Loss from continuing operations	(2,702)	(3,627)	(5,040)	(5,565)
Income from discontinued operations		815		835
Net loss	$ (2,702)	$ (2,812)	$ (5,040)	$ (4,730)
Basic loss per share	$ (0.09)		$ (0.17)	
Diluted loss per share	$ (0.09)		$ (0.17)	
Weighted average common shares outstanding:				
Basic	30,132,896		30,132,896	
Diluted	30,132,896		30,132,896	

See accompanying notes to condensed consolidated and combined financial statements.

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GREAT WOLF RESORTS, INC. AND SUBSIDIARIES AND
GREAT LAKES PREDECESSOR
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

	Great Wolf Resorts, Inc.	Predecessor
	Six months ended June 30,	
	2005 (as restated, See Note 8)	2004
	(Unaudited, dollars in thousands)	
Operating activities:		
Net loss	$ (5,040)	$ (4,730)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,234	6,569
Non-cash employee compensation expense	(246)	
Gain on sale of assets		(548)
Gain on sale of investments		(1,072)
Minority interests		91
Deferred tax benefit	(3,344)	
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(17,524)	(2,957)
Accounts payable, accrued expenses and other liabilities	(3,883)	4,269
Net cash (used in) provided by operating activities	(16,803)	1,622
Investing activities:		
Capital expenditures for property and equipment	(56,062)	(55,433)
Proceeds from sale of assets		10,475
Increase in restricted cash	(15)	
Decrease in escrows	1,027	
Increase in equity escrow		(5,940)
Net cash used in investing activities	(55,050)	(50,898)
Financing activities:		
Principal payments on long-term debt	(49,151)	(1,996)
Proceeds from issuance of long-term debt	75,514	34,639
Payment of loan costs	(1,667)	(2,283)
Member contributions		25,860
Member distributions		(6,804)
Changes in mandatorily redeemable ownership interests		2,166
Net distributions to minority investors		495

Net cash provided by financing activities	24,696	52,077
Net increase (decrease) in cash and cash equivalents	(47,157)	2,801
Cash and cash equivalents, beginning of period	79,409	3,553
Cash and cash equivalents, end of period	$ 32,252	$ 6,354
Supplemental Cash Flow Information-		
Cash paid for interest, net of capitalized interest	$ 2,599	$ 2,755

See accompanying notes to condensed consolidated and combined financial statements.

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GREAT WOLF RESORTS, INC. AND SUBSIDIARIES AND
GREAT LAKES PREDECESSOR
NOTES TO CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

1. ORGANIZATION

Background

The terms Great Wolf Resorts, us, we and our are used in this report to refer to Great Wolf Resorts, Inc. Throug our controlling interest in GWR Operating Partnership, L.L.L.P., or the Operating Partnership, and the subsidiaries of the Operating Partnership, we develop, own and operate family entertainment resorts under the Great Wolf Lodge and Blue Harbor Resort brand names.

We were formed to succeed to certain businesses of the Great Lakes Predecessor (the Predecessor), which was not a legal entity but rather a combination of numerous entities. The Predecessor consisted of the following, all of which were under common management:

The Great Lakes Companies, Inc. (GLC), and its consolidated subsidiaries;

Great Wolf Lodge of Traverse City, LLC;

Great Wolf Lodge of Kansas City, LLC;

Blue Harbor Resort Sheboygan, LLC;

Great Wolf Lodge of Williamsburg, LLC; and

Great Wolf Lodge of the Poconos, LLC.

The Predecessor financial statements did not include entities that owned Great Wolf Lodge resorts in Wisconsin Dells, Wisconsin and Sandusky, Ohio. These entities, although they were managed by GLC, were controlled by affiliates of AIG SunAmerica, Inc.

The Predecessor had developed and operated hotels and multifamily housing projects since 1995. In 1999 the Predecessor began its resort operations by purchasing the Great Wolf Lodge in Wisconsin Dells, Wisconsin and developing the Great Wolf Lodge in Sandusky, Ohio, which opened in 2001. In 2003 the Predecessor opened two additional Great Wolf Lodge resorts, one in Traverse City, Michigan and the other in Kansas City, Kansas. In 2004 the Predecessor opened the Blue Harbor Resort in Sheboygan, Wisconsin. Additionally in 2004, the Predecessor had two additional Great Wolf Lodge resorts under construction, one in Williamsburg, Virginia and the other in the Pocono Mountains region of Pennsylvania, and had licensed a resort owned by a third party that was under construction in Niagara Falls, Ontario (Canada).

We were incorporated in May 2004 as a Delaware corporation in anticipation of the initial public offering of our common stock (the IPO). The IPO closed on December 20, 2004, concurrently with the completion of various formation transactions (the Formation Transactions).

Pursuant to the Formation Transactions:

The Predecessor contributed its hotel management and multifamily housing management and development assets, which were unrelated to the resort business, to two subsidiaries of the Predecessor and then distributed the interests in those subsidiaries to the former shareholders of GLC.

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We effected, through our Operating Partnership, the acquisition of GLC and each resort-owning entity. Pursuant to these acquisitions, investors of GLC and the resort-owning entities received cash, unregistered shares of our common stock or a combination of cash and unregistered shares of our common stock. We issued 13,901,947 shares of our common stock and paid approximately $97,600 in cash in connection with these acquisitions.

We issued an aggregate of 130,949 shares of unregistered common stock to holders of tenant in common interests in two of our resorts.

These transactions consolidated the ownership of our resort properties and property interests into Great Wolf Resorts. During the period from our formation until we commenced operations upon closing of the IPO on December 20, 2004, we did not have any material corporate activity.

The IPO consisted of the sale of 16,100,000 shares of common stock at a price per share of $17.00, generating gross proceeds of $273,700. The net proceeds to us were approximately $248,700 after deducting an aggregate of $19,200 in underwriting discounts and commissions paid to the underwriters and $5,800 in other expenses directly related to the issuance of common stock (such as professional fees and printing fees) incurred in connection with the IPO.

In March 2005, we opened our Great Wolf Lodge resort in Williamsburg, Virginia. As of June 30, 2005, we own and operate five Great Wolf Lodge resorts, our signature northwoods-themed resorts, and one Blue Harbor Resort, a nautical-themed property. In addition, we own one Great Wolf Lodge resort in the Pocono Mountains, Pennsylvania that we are developing and that is under construction and scheduled to open in Fall 2005. We are also the licensor and manager of an additional Great Wolf Lodge resort in Niagara Falls, Ontario that is owned and under development by an affiliate of Ripley Entertainment Inc., or Ripley s.

As of June 30, 2005, we are engaged in the following development activities:

- On May 4, 2005, we announced a joint venture with Paramount Parks, Inc., a unit of Viacom Inc., to develop a 39-acre, $100,000+ Great Wolf Lodge resort and conference center at Paramount s Kings Island in Mason, Ohio. We will operate the resort under our Great Wolf Lodge brand and will maintain a majority of the equity position in the project. Paramount will have a minority equity interest in the development by contributing the land needed for the resort. The resort will have 401 suites and a comprehensive package of first-class destination lodging amenities and activities. Construction on the resort began in July 2005, with opening slated for late 2006.

- On June 14, 2005, we announced plans to develop an additional 100 guest suites at our Williamsburg resort. The planned expansion also includes multiple new attractions within the waterpark. Construction for the expansion is scheduled to start in Fall 2005 with expected completion in Fall 2006.

- On June 29, 2005, we announced a joint venture with The Confederated Tribes of the Chehalis Reservation, to develop a 39-acre, $80,000+ Great Wolf Lodge resort and conference center in Chehalis, Washington. We will operate the resort under our Great Wolf Lodge brand, The Confederated Tribes of the Chehalis Reservation will contribute the land needed for the resort, and they will have a minority equity interest in the joint venture. Construction on the resort is scheduled to begin in Fall 2005 with expected completion in late 2006.

- At June 30, 2005, we had 77 individually owned condominium units under construction at our Wisconsin Dells resort. Expected completion of the condominium units is July/August 2005. Also, in June 2005, our Wisconsin Dells resort began construction of a 35,000 square foot expansion to its waterpark. Expected completion of the waterpark expansion is Spring 2006.

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, operator and developer in the United States of drive-to family resorts featuring indoor waterparks and other family-oriented entertainment activities. 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 from our resorts. Our resorts are open year-round and provide a consistent and comfortable environment where our guests can enjoy our various amenities and activities.

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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, an ice cream shop and confectionery, full-service spa, game arcade, gift shop and meeting space. We also expect to generate revenues from licensing arrangements, management fees and construction fees with respect to properties owned by third parties, such as the licensing agreement we have entered into and management arrangement we have agreed to enter into with Ripley s in connection with the Great Wolf Lodge resort under construction in Niagara Falls, Ontario.

The following table presents an overview of our portfolio of operating resorts and resorts announced or under construction:

Location	Opened/Target Opening	Rooms	Indoor Entertainment Area(1) (Approx. ft2)
Existing Resorts:			
Wisconsin Dells, WI	May 1997(2)	309(3)	64,000(4)
Sandusky, OH(5)	March 2001	271	41,000
Traverse City, MI	March 2003	281	51,000
Kansas City, KS	May 2003	281	49,000
Sheboygan, WI(6)	June 2004	183(7)	54,000
Williamsburg, VA	March 2005	301(8)	66,000
Resorts Announced or Under Construction:			
Pocono Mountains, PA	Fall 2005	400	91,000
Niagara Falls, ONT(9)	Spring 2006	404	94,000
Mason, OH (10)	Late 2006	401	92,000
Chehalis, WA(11)	Late 2006	317	65,000

(1) Our indoor entertainment areas generally include our indoor waterpark, game arcade, children s activity room and fitness room, as well as our Aveda concept spa, 3D virtual reality theatre, Wiley s Woods and party room in the resorts that have such amenities.

(2) We purchased this property in

November 1999.

(3) Our Wisconsin Dells property includes an additional 77 individually owned condominium units under construction as of June 30, 2005.

(4) Our Wisconsin Dells property has started a 35,000 square foot expansion of their existing waterpark. Construction on the expansion began in June 2005 with expected completion in the Spring 2006.

(5) Prior to May 2004 we operated this resort as a Great Bear Lodge.

(6) Our Sheboygan property is branded as a Blue Harbor Resort. This resort is subject to a 98-year and 11-month ground lease with the Redevelopment Authority of the City of Sheboygan.

(7) Our Sheboygan resort includes an additional 64

individually owned condominium units.

(8) Our Williamsburg property will be adding an additional 100 guest suites. Construction for the expansion is scheduled to start in Fall 2005 with expected completion in Fall 2006.

(9) Ripley s, our licensee, owns this resort. We are assisting Ripley s with construction management and other pre-opening matters related to the Great Wolf Lodge in Niagara Falls. We have granted Ripley s a license to use the Great Wolf Lodge name for this resort and other intellectual property for ten years after opening. We have agreed to enter into a management agreement, pursuant to which we expect to operate the resort on behalf of Ripley s for five years, and a

central reservations agreement. In conjunction with this project, we will receive a one-time construction fee and ongoing license, central reservation and management fees.

(10) We have entered into a joint venture with Paramount Parks, Inc., a unit of Viacom Inc. to build this resort. We will operate the resort under our Great Wolf Lodge brand and will maintain a majority of the equity position in the project. Paramount will have a minority equity interest in the development by contributing the land needed for the resort. Construction on the resort began in July 2005 with expected completion in late 2006.

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(11) We have entered into a joint venture with The Confederated Tribes of the Chehalis Reservation. We will operate the resort under our Great Wolf Lodge brand. The Confederated Tribes of the Chehalis Reservation will contribute the land needed for the resort, and they will have a minority equity interest in the joint venture. Construction on the resort is scheduled to begin in Fall 2005 with expected completion in late 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General We have prepared these unaudited condensed consolidated and combined interim financial statements according to the rules and regulations of the Securities and Exchange Commission. Accordingly, we have omitted certain information and footnote disclosures that are normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America. These interim condensed consolidated and combined financial statements should be read in conjunction with the consolidated financial statements, accompanying notes and other information included in our Annual Report on Form 10-K/A for the year ended December 31, 2004. Certain 2004 amounts have been reclassified to conform with the 2005 presentation. The amounts reflected in the combined statement of operations for the three and six months ended June 30, 2004, have been adjusted to include the effect of consolidating Historic Hollywood Hillview LLC. The impact of the adjustment was to decrease net loss by approximately $1.3 million.

In our opinion, the accompanying unaudited condensed consolidated and combined 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 accounting principles generally accepted in the United States of America 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 revenue 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.

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. The rate determined is used in providing for income taxes on a year-to-date basis.

Stock Based Compensation We have issued stock options under our 2004 Incentive Stock Plan. As permitted under Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation, we have elected to account for such options in accordance with APB Opinion No. 25 (APB 25), Accounting for Stock Issued to Employees. Under APB 25, the total compensation expense recognized is equal to the difference between the award s exercise price and the underlying stock s market price at the measurement date. Our stock options were granted with an exercise price equal to their fair market value; therefore no compensation expense was recorded in the six months ended June 30, 2005. Had compensation costs been determined under the fair value method as set forth in SFAS 123, our pro forma net loss and net loss per share for the three months and six months ended June 30, 2005 would have been as follows:

	Three months ended June 30, 2005	Six months ended June 30, 2005
Net loss, as reported	$ (2,702)	$ (5,040)
Compensation expense, SFAS 123 fair value method	(359)	(687)
Pro forma net loss	$ (3,061)	$ (5,727)
Pro forma net loss per share Basic	$ (0.10)	$ (0.19)
Pro forma net loss per share Diluted	$ (0.10)	$ (0.19)

The weighted average fair value for the options granted is $5.14 for the three months ended June 30, 2005. The SFAS 123 fair value of options granted in the three months ended June 30, 2005, was estimated using a Black-Scholes option-pricing model with the following assumptions:

	Three months ended June 30, 2005
Dividend yield	
Weighted-average, risk free interest rate	3.65%
Weighted-average, expected life of option	6.0 years
Expected stock price volatility	40%

Segments We view our operations as principally one segment, and the financial information disclosed herein represents all of the

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financial information related to our principal segment.

Recent Accounting Pronouncements In December 2004 the FASB issued Statement No. 123 (revised 2004), Share-Based Payment (SFAS 123R), which requires companies to expense the value of employee stock options, discounts on employee stock purchase plans and similar awards. Under SFAS 123R, share-based payment awards result in compensation expense that will be measured at fair value on the awards grant date, based on the estimated number of awards that are expected to vest. SFAS 123R is effective for periods beginning the first fiscal year after June 15, 2005, and applies to all outstanding and unvested share-based payment awards at the adoption date. We have not completed our evaluation of the impact of adopting SFAS 123R.

Other Intangible Assets Our other intangible assets consist of the value of our Great Wolf Lodge trade name. This intangible asset has an indefinite useful life. In accordance with Statement of Financial Accounting Standards No. 142., we do not amortize this intangible, but instead test it for possible impairment at least annually by comparing the fair value of the intangible asset with its carrying amount.

3. PURCHASE ACCOUNTING IN CONNECTION WITH THE IPO

The IPO closed on December 20, 2004. In conjunction with the Formation Transactions completed on that date, we issued a total of 14,032,896 shares of our common stock. We also paid cash of approximately $97,600 to buy-out certain investors in the resort-owning entities and interests held by AIG SunAmerica, Inc. in the Wisconsin Dells and Sandusky entities.

For the five resort-owning entities with operating resorts at the time of the Formation Transactions, we recorded the Formation Transactions by applying the purchase method of accounting in connection with our acquisition of the five resort-owning entities. In conjunction with purchase accounting we:

Recorded property and equipment, other assets, debt and other liabilities at their preliminarily estimated fair values;

Recorded a deferred tax liability resulting from the difference between the preliminarily estimated fair values and the tax bases of assets acquired from the five resort-owning entities. We recorded this liability at our anticipated effective tax rate of 40%;

Eliminated mandatorily redeemable interests of the Predecessor due to the conversion of those ownership interests to our common stock in conjunction with the Formation Transactions; and

Recorded as goodwill the excess of consideration in the purchase transaction over the fair value of net tangible assets acquired from the five resort-owning entities.

As a result of this process, we had $155,196 of goodwill at December 31, 2004, all of which related to the application of purchase accounting in conjunction with the Formation Transactions. Some of the values and amounts used in the initial application of purchase accounting for our consolidated balance sheet were based on preliminary estimates and assumptions. In 2005, we continued to refine and finalize these estimates and assumptions. During the three months ended March 31, 2005, we recorded adjustments to the estimated fair market values of property and equipment acquired, resulting in an increase to property and equipment of $30,700, an increase to accrued expenses of $301, an increase in deferred tax liability of $12,059, and a decrease in goodwill of $18,340. During the three months ended June 30, 2005, we recorded adjustments to the estimated fair market values of property and equipment acquired, resulting in a decrease to property and equipment of $3,012, an increase to accrued expenses of $69, a decrease in deferred tax liability of $1,205, and an increase in goodwill of $1,876.

The following table reconciles the balance of goodwill recorded as of December 31, 2004 to the balance recorded as of June 30, 2005:

Balance, December 31, 2004	$ 155,196
Change due to adjustments to the estimated fair market values of property and equipment in first quarter 2005	(18,340)
	1,876

Change due to adjustments to the estimated fair market values of property and equipment in second quarter 2005	
Balance, June 30, 2005	$ 138,732

We expect to continue our process of refining and finalizing our purchase accounting estimates and assumptions. As a result, these preliminary estimates and assumptions are subject to additional changes as we finalize them in 2005, based on information we are waiting to obtain.

For the two resort-owning entities with resorts under construction at the time of the Formation Transactions, we recorded the Formation Transactions as a purchase of assets of those two entities. In conjunction with this accounting we:

Recorded all identifiable tangible and intangible assets at their estimated fair values as of December 20, 2004;

Allocated the excess consideration paid over the estimated fair value of the net assets acquired to all identifiable tangible and intangible assets pro rata based on their estimated fair values;

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Recorded a deferred tax liability resulting from the difference between the total estimated fair values (including the excess amount described in the previous item) and the tax bases of the assets acquired from the two resort-owning entities. We recorded this liability at our anticipated effective tax rate of 40%.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30, 2005	December 31 2004
Land	$ 35,122	$ 12,064
Building and improvements	134,163	89,294
Furniture, fixtures and equipment	138,439	82,470
Construction in process	113,965	164,160
	421,689	347,988
Less accumulated depreciation	(11,363)	(614)
Property and equipment, net	$ 410,326	$ 347,374

Included in property and equipment at June 30, 2005 and December 31, 2004 is $8,998 and $18,578, respectively, of construction in process that is unpaid and is included in accounts payable.

5. LONG-TERM DEBT AND OTHER LONG-TERM DEBT

Long-term debt and other long-term debt consists of the following:

	June 30, 2005	December 31, 2004
Long-Term Debt:		
Senior credit facility	$	$
Traverse City/Kansas City Mortgage Loan	74,531	75,000
Sheboygan Mortgage Loan	29,234	29,475
Junior Subordinated Debentures	51,550	
Other mortgage debt	1,523	1,523
Williamsburg Construction Loan		19,011
Poconos Construction Loan		5,598
Other Long-Term Liabilities:		
City of Sheboygan bonds	8,129	8,063
City of Sheboygan loan	4,061	3,995
	169,028	142,665
Less current portion of long-term debt	(1,680)	(27,794)
	$ 167,348	$ 114,871

Senior Credit Facility Upon closing the IPO, we entered into a $75,000 senior secured revolving credit facility with a syndicate of banks. The loan is secured by our Wisconsin Dells and Sandusky resorts and is not drawn as of June 30, 2005. Future borrowings under this facility will bear interest at LIBOR plus a margin of 2.25% to 3.00% depending upon our leverage ratio from time to time. The maximum amount of indebtedness we may incur under the facility is equal to 3.75 times the combined EBITDA (adjusted for non-recurring items, unusual items, infrequent

items and asset impairment charges) of the two resorts securing the facility plus up to $5,400 relating to enhancements to the waterpark facility for the Wisconsin Dells property. The facility has customary bank covenants including the maximum level of total debt, the minimum level of interest coverage, and the minimum level of fixed charge coverage. The facility also includes an annual unused commitment fee of 0.5%.

Traverse City/Kansas City Mortgage Loan Upon closing the IPO, we entered into a $75,000 ten-year loan secured by our Traverse City and Kansas City resorts. The loan bears interest at a fixed rate of 6.96% and is subject to a 25-year principal amortization schedule, with a baloon principal payment due after ten years. The loan has customary financial and operating debt compliance covenants, including a minimum debt service coverage ratio, representing the combined EBITDA (adjusted for non-recurring items, unusual items, infrequent items and asset impairment charges) of the two resorts divided by their combined annual interest expense and principal amortization. The loan also has customary prohibitions on our ability to prepay the loan prior to maturity. We were in compliance with all mortgage loan

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covenants at June 30, 2005.

Sheboygan Mortgage Loan The Sheboygan mortgage loan is secured by our Sheboygan resort. The loan converted from a construction loan into a mortgage loan in January 2005. The loan matures in January 2008 and bears interest at a floating rate of prime plus 200 basis points and is subject to a 20-year principal amortization schedule. The loan has customary covenants associated with a single asset mortgage. There are no prohibitions or fees associated with the repayment of the loan principal. We were in compliance with the mortgage loan covenants at June 30, 2005.

Junior Subordinated Debentures In March 2005 we completed a private offering of $50,000 of trust preferred securities through Great Wolf Capital Trust I (the Trust), a Delaware statutory trust which is our subsidiary. The securities pay holders cumulative cash distributions at an annual rate which is fixed at 7.80% through March 2015 and then floats at LIBOR + 310 basis points thereafter. The securities mature in March 2035 and are callable at no premium after March 2010. In addition, we invested $1,500 in the Trust s common securities, representing 3% of the total capitalization of the Trust.

The Trust used the proceeds of the offering and our investment to purchase from us $51,550 of our junior subordinated debentures with payment terms that mirror the distribution terms of the trust securities. The costs of the trust preferred offering totaled $1,600, including $1,500 of underwriting commissions and expenses and $100 of costs incurred directly by the Trust. The Trust paid these costs utilizing an investment from us. These costs are being amortized over a 30-year period. The proceeds from our debenture sale, net of the costs of the trust preferred offering and our investment in the Trust, were $48,400. We used the net proceeds to retire the Poconos construction loan and for future development.

As a result of the issuance of a revision to FASB Interpretation No. 46, Consolidation of Variable Interest Entities and the accounting profession s application of the guidance provided by the FASB, issuer trusts, like the Trust, are generally variable interest entities. We have determined that we are not the primary beneficiary under the Trust, and accordingly we do not include the financial statements of the Trust in our consolidated financial statements.

Based on the foregoing accounting authority, our consolidated financial statements present the debentures issued to the Trust as long-term debt. Our investment in the Trust is accounted as a cost investment and is included in other assets. For financial reporting purposes, we record interest expense on the corresponding debentures in our consolidated statements of operations.

Williamsburg Construction Loan The Williamsburg construction loan was incurred to construct the Williamsburg resort property. In February 2005 after drawing an additional $10,242 on this loan, we retired the loan in full using cash on hand.

Poconos Construction Loan The Poconos construction loan was incurred to construct the Poconos resort property. In March 2005, after drawing an additional $13,550 on this loan, we retired the loan in full using cash on hand and the proceeds of junior subordinated debentures we issued in March 2005.

City of Sheboygan Bonds The City of Sheboygan (the City) bonds amount represents the face amount of bond anticipation notes (BANs) issued by the City in November 2003 in conjunction with the construction of the Blue Harbor Resort in Sheboygan, Wisconsin. In accordance with the provisions of EITF Issue No. 91-10, we have recognized as a liability the obligations for these BANs. The notes bear interest at an annual rate of 3.95% and mature in 2008. The notes are not a general obligation of the City and are payable from (a) the proceeds of bond anticipation notes or other funds appropriated by the City for the payment of interest on the BANs and (b) the proceeds to be delivered from the issuance and sale of securities by the City. We have an obligation to fund payment of these BANs. Our obligation to fund repayment of the notes will be satisfied by certain minimum guaranteed amounts of room tax payments to be made by the Blue Harbor Resort through 2028.

City of Sheboygan Loan The City of Sheboygan loan amount represents a loan made by the City in 2004 in conjunction with the construction of the Blue Harbor Resort in Sheboygan, Wisconsin. The loan is noninterest bearing and matures in 2018. Our obligation to repay the loan will be satisfied by certain minimum guaranteed amounts of real and personal property tax payments to be made by the Blue Harbor Resort through 2018.

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Future Maturities Future principal requirements on long-term debt and other long-term liabilities are as follows:

	Through June 30,
2006	$ 1,680
2007	1,838
2008	29,815
2009	1,587
2010	1,705
Thereafter	132,403
Total	$ 169,028

6. EARNINGS PER SHARE

We calculate our basic earnings per common share by dividing net loss available to common shareholders by the weighted average number of shares of common stock outstanding. Our diluted earnings per common share assumes the issuance of common stock for all potentially dilutive stock equivalents outstanding. In periods in which there is a loss, potentially dilutive stock equivalents are excluded from the computation of diluted weighted average shares outstanding as the effect of those potentially dilutive items is anti-dilutive. Total options outstanding at June 30, 2005, were 1,459.

The trust that holds the assets to pay obligations under our deferred compensation plan has 129,412 shares of our common stock. In accordance with the provisions of EITF Issue No. 97-14, Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested, those shares of common stock are treated as treasury stock for purposes of our earnings per share computations and therefore excluded from the basic and diluted earnings per share calculations. Basic and diluted earnings per common share are as follows:

	Three months ended June 30, 2005	Six months ended June 30, 2005
Net loss attributable to common shares (as restated, see Note 8)	$ (2,702)	$ (5,040)
Weighted average common shares outstanding basic and diluted	30,132,896	30,132,896
Net loss per share basic and diluted	$ (0.09)	$ (0.17)

7. DISCONTINUED OPERATIONS

As of June 30, 2004, the Predecessor had two hotels classified as held for sale. Operating results and the gain on disposition for the hotels classified as held for sale are included in income (loss) from discontinued operations in the combined statements of operations for the three and six months ended June 30, 2004.

On December 20, 2004, in connection with the Formation Transactions, the Predecessor spun-off its non-resort interests to the existing shareholders of GLC. As a result, we have included the operations of the spun-off entities in discontinued operations for the three and six months ended June 30, 2004.

Operating activity of the discontinued operations consisted of the following:

	Three months ended June 30, 2004	Six months ended June 30, 2004
Revenues	$ 1,963	$ 3,464
Expenses	(1,587)	(3,068)
Gain on sale	548	548

Minority interest	(109)	(109)
Income (loss) from discontinued operations	$ 815	$ 835

8. RESTATEMENT

Subsequent to the issuance of our consolidated financial statements for the quarter ended June 30, 2005, we determined that:

The acquisition of each of our Williamsburg and Pocono Mountains resorts in conjunction with the Formation Transactions in December 2004 did not constitute an acquisition of a business, as that term is defined in Emerging Issues Task Force (EITF) Issue No. 98-3, Determining Whether a Non-Monetary Transaction Involves Receipt of Productive Assets of a Business, and that we should have recorded each of those acquisitions as a purchase of assets, rather than a purchase of a

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business. As a result, the amounts previously recorded as goodwill in connection with the Williamsburg and Poconos resorts have now been recorded as increases to identifiable intangible assets, and property and equipment.

The provisions of EITF Issue No. 04-1, Accounting for Preexisting Relationships between the Parties to a Business Combination, were applicable to us as of the date of the Formation Transactions in December 2004, and that some portion of the amounts previously recorded as goodwill in connection with the five operating resorts purchased at that time should have been recorded as increases to identifiable intangible assets.

Additionally, we determined that certain amounts and activity related to restricted cash and condominium assets required reclassification in our consolidated balance sheet and consolidated statement of cash flows. As a result of these items, we have restated our financial results for the quarter ended June 30, 2005 to properly reflect these items. We also recorded certain other immaterial reclassifications. A summary of the significant effects of the restatement is as follows:

	As Previously Reported	As Restated
June 30, 2005:		
Cash and cash equivalents	$ 34,275	$ 32,252
Condominiums under development		14,371
Other current assets	7,335	9,358
Property and equipment, net	350,972	410,326
Other intangible assets		19,114
Goodwill	202,263	138,732
Total assets	609,528	638,837
Deferred tax liability	20,534	50,024
Total liabilities	226,065	255,555
Total stockholders equity	383,463	383,281
Three Months Ended June 30, 2005:		
Statement of operations:		
Depreciation and amortization	5,804	6,085
Loss from continuing operations	(2,533)	(2,702)
Net loss	(2,533)	(2,702)
Basic loss per share	$ (0.08)	$ (0.09)
Diluted loss per share	$ (0.08)	$ (0.09)
Six Months Ended June 30, 2005:		
Statement of operations:		
Depreciation and amortization	12,931	13,234
Loss from continuing operations	(4,858)	(5,040)
Net loss	(4,858)	(5,040)
Basic loss per share	$ (0.16)	$ (0.17)
Diluted loss per share	$ (0.16)	$ (0.17)
Statement of cash flows:		
Net loss	(4,858)	(5,040)
Depreciation and amortization	12,931	13,234
Deferred tax benefit	(3,223)	(3,344)
Change in prepaid expenses and other assets	(4,538)	(17,524)
Change in accounts payable, accrued expenses and other liabilities	(6,709)	(3,883)
Net cash used in operating activities	(6,643)	(16,803)
Capital expenditures for property and equipment	(65,195)	(56,062)

Increase in restricted cash		(15)
Decrease in escrows		1,027
Net cash used in investing activities	(65,195)	(55,050)

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

As described in Note 8 to the condensed consolidated and combined financial statements, subsequent to the issuance of the consolidated and combined financial statements for the year ended December 31, 2004, we determined that it was necessary to restate our previously issued financial statements for changes in our application of purchase accounting for certain transaction entered into in December 2004. Due to errors in the application of purchase accounting for those transactions, and due to other reclassifications of assets, we have recorded adjustments (the Adjustments) to restate the previously issued financial statements for the quarterly period ended June 30, 2005. The Adjustments result primarily from the application of Emerging Issues Task Force (EITF) Issues No. 98-3 and No. 04-1 with regard to our recording of our formation transactions in December 2004. We recorded the formation transactions by applying the purchase method of accounting in connection with the acquisition of seven resort-owning entities. This accounting was presented in our filings with the SEC for the quarterly period ended June 30, 2005. The Adjustments had the effect of decreasing our cash and cash equivalents by $2.0 million, increasing condominiums under development by $14.4 million, increasing other current assets by $2.0 million, increasing property and equipment by $59.4 million, increasing other intangible assets by $19.1 million, decreasing goodwill by $63.5 million, and increasing deferred tax liability by $29.5 million as of June 30, 2005, increasing our previously reported net loss by $169 thousand and $182 thousand for the three month and six month periods, respectively, ended June 30, 2005, and increasing net cash used in operating activities by $10.2 million and decreasing net cash used in investing activities by $10.1 million for the six month period ended June 30, 2005.

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. We make statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in Item 1 of our Annual Report on Form 10-K/A entitled, Forward-Looking Statements. All dollar amounts in this discussion, except for per share data and operating statistics, are in thousands.

Overview

Formation. The terms Great Wolf Resorts, us, we and our are used in this report refer to Great Wolf Resorts, Inc Through our controlling interest in Great Wolf Resort Operating Partnership, L.L.L.P., or the Operating Partnership, of which we are the sole general partner, and the subsidiaries of the Operating Partnership, we develop, own and operate family entertainment resorts under the Great Wolf Lodge and Blue Harbor Resort brand names.

We were formed to succeed to certain businesses of the Great Lakes Predecessor (the Predecessor), which was not a legal entity but rather a combination of numerous entities. The Predecessor consisted of the following, all of which were under common management:

The Great Lakes Companies, Inc. (GLC) and its consolidated subsidiaries;

Great Wolf Lodge of Traverse City, LLC;

Great Wolf Lodge of Kansas City, LLC;

Blue Harbor Resort Sheboygan, LLC;

Great Wolf Lodge of Williamsburg, LLC; and

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Great Wolf Lodge of the Poconos, LLC.

The Predecessor financial statements did not include entities that owned Great Wolf Lodge resorts in Wisconsin Dells, Wisconsin and Sandusky, Ohio. These entities, although they were managed by GLC, were controlled by affiliates of AIG SunAmerica, Inc.

The Predecessor had developed and operated hotels and multifamily housing projects since 1995. In 1999 the Predecessor began its resort operations by purchasing the Great Wolf Lodge in Wisconsin Dells, Wisconsin and developing the Great Wolf Lodge in Sandusky, Ohio, which opened in 2001. In 2003 the Predecessor opened two additional Great Wolf Lodge resorts, one in Traverse City, Michigan and the other in Kansas City, Kansas. In 2004 the Predecessor opened the Blue Harbor Resort in Sheboygan, Wisconsin. Subsequently, the Predecessor had two additional Great Wolf Lodge resorts under construction, one in Williamsburg, Virginia and the other in the Pocono Mountains region of Pennsylvania, and had licensed a resort owned by a third party that was under construction in Niagara Falls, Ontario (Canada).

We were incorporated in May 2004 as a Delaware corporation in anticipation of our initial public offering of common stock (the IPO). The IPO closed on December 20, 2004, concurrently with the completion of various formation transactions (the Formation Transactions).

Pursuant to the Formation Transactions:

The Predecessor contributed its hotel management and multifamily housing management and development assets, which were unrelated to the resort business, to two subsidiaries of the Predecessor and then distributed the interests in those subsidiaries to the former shareholders of GLC.

We effected, through our Operating Partnership, the acquisition of GLC and each resort-owning entity. Pursuant to these acquisitions, investors of GLC and the resort-owning entities received cash, unregistered shares of our common stock or a combination of cash and unregistered shares of our common stock. We issued 13,901,947 shares of our common stock and paid approximately $97,600 in cash in connection with these acquisitions.

We issued an aggregate of 130,949 shares of unregistered common stock to holders of tenant in common interests in two of our resorts.

These transactions consolidated the ownership of our resort properties and property interests into Great Wolf Resorts. During the period from our formation until we commenced operations upon closing of our IPO on December 20, 2004, we did not have any material corporate activity.

The IPO consisted of the sale of 16,100,000 shares of common stock at a price per share of $17.00, generating gross proceeds of $273,700. The net proceeds to us were approximately $248,700 after deducting an aggregate of $19,200 in underwriting discounts and commissions paid to the underwriters and $5,800 in other expenses directly related to the issuance of common stock (such as professional fees and printing fees) incurred in connection with the IPO.

In March 2005, we opened our Great Wolf Lodge resort in Williamsburg, Virginia. As of June 30, 2005, we own and operate five Great Wolf Lodge resorts, our signature northwoods-themed resorts, and one Blue Harbor Resort, a nautical-themed property. In addition, we own one Great Wolf Lodge resort in the Pocono Mountains, Pennsylvania that we are developing and that is under construction and scheduled to open in Fall 2005. We are also the licensor and manager of an additional Great Wolf Lodge resort in Niagara Falls, Ontario that is owned and under development by an affiliate of Ripley Entertainment Inc., or Ripley s.

As of June 30, 2005, we are engaged in the following development activities:

§ On May 4, 2005, we announced a joint venture with Paramount Parks, Inc., a unit of Viacom Inc., to develop a 39-acre, $100,000+ Great Wolf Lodge resort and conference center at Paramount s Kings Island in Mason, Ohio. We will operate the resort under our Great Wolf Lodge brand and will maintain a majority of the equity position in the project. Paramount will have a minority equity interest in the development by contributing the land needed for the resort. The resort will have 401 suites and a comprehensive package of first-class

destination lodging amenities and activities. Construction on the resort began in July 2005, with opening slated for late 2006.

§ On June 14, 2005, we announced plans to develop an additional 100 guest suites at our Williamsburg resort. The planned

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expansion also includes multiple new attractions within the waterpark. Construction for the expansion is scheduled to start in Fall 2005 with expected completion in Fall 2006.

§ On June 29, 2005, we announced a joint venture with The Confederated Tribes of the Chehalis Reservation, to develop a 39-acre, $80,000+ Great Wolf Lodge resort and conference center in Chehalis, Washington. We will operate the resort under our Great Wolf Lodge brand, The Confederated Tribes of the Chehalis Reservation will contribute the land needed for the resort, and they will have a minority equity interest in the joint venture. Construction on the resort is scheduled to begin in Fall 2005 with expected completion in late 2006.

§ At June 30, 2005, we had 77 individually owned condominium units under construction at our Wisconsin Dells resort. Expected completion of the condominium units is July/August 2005. Also, in June 2005, our Wisconsin Dells resort began construction of a 35,000 square foot expansion to its waterpark. Expected completion of the waterpark expansion is Spring 2006.

Business. 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, operator and developer in the United States of drive-to family resorts featuring indoor waterparks and other family-oriented entertainment activities. 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 from our resorts. Our resorts are open year-round and provide a consistent and comfortable environment where our guests can enjoy our various amenities and activities.

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, an ice cream shop and confectionery, full-service spa, game arcade, gift shop and meeting space. We also expect to generate revenues from licensing arrangements, management fees and construction fees with respect to properties owned by third parties, such as the licensing agreement we have entered into and management arrangement we have agreed to enter into with Ripley s in connection with the Great Wolf Lodge resort under construction in Niagara Falls, Ontario.

The following table presents an overview of our portfolio of operating resorts and resorts announced or under construction:

Location	Opened/Target Opening	Rooms	Indoor Entertainment Area(1) (Approx. ft2)
Existing Resorts:			
Wisconsin Dells, WI	May 1997(2)	309(3)	64,000(4)
Sandusky, OH(5)	March 2001	271	41,000
Traverse City, MI	March 2003	281	51,000
Kansas City, KS	May 2003	281	49,000
Sheboygan, WI(6)	June 2004	183(7)	54,000
Williamsburg, VA	March 2005	301(8)	66,000
Resorts Announced or Under Construction:			
Pocono Mountains, PA	Fall 2005	400	91,000
Niagara Falls, ONT(9)	Spring 2006	404	94,000
Mason, OH (10)	Late 2006	401	92,000
Chehalis, WA(11)	Late 2006	317	65,000

(1) Our indoor entertainment

areas generally include our indoor waterpark, game arcade, children s activity room and fitness room, as well as our Aveda concept spa, 3D virtual reality theatre, Wiley s Woods and party room in the resorts that have such amenities.

(2) We purchased this property in November 1999.

(3) Our Wisconsin Dells property includes an additional 77 individually owned condominium units under construction as of June 30, 2005.

(4) Our Wisconsin Dells property has started a 35,000 square foot expansion of their existing waterpark. Construction on the

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expansion began in June 2005 with expected completion in the Spring 2006.

(5) Prior to May 2004 we operated this resort as a Great Bear Lodge.

(6) Our Sheboygan property is branded as a Blue Harbor Resort. This resort is subject to a 98-year and 11-month ground lease with the Redevelopment Authority of the City of Sheboygan.

(7) Our Sheboygan resort includes an additional 64 individually owned condominium units.

(8) Our Williamsburg property will be adding an additional 100 guest suites. Construction for the expansion is scheduled to start in Fall 2005 with expected completion in Fall 2006.

(9) Ripley s, our licensee, owns this resort. We are assisting Ripley s with construction management and other pre-opening matters related to the Great Wolf Lodge in Niagara Falls. We have granted Ripley s a license to use the Great Wolf Lodge name for this resort and other intellectual property for ten years after opening. We have agreed to enter into a management agreement, pursuant to which we expect to operate the resort on behalf of Ripley s for five years, and a central reservations agreement. In conjunction with this project, we will receive a one-time construction fee and ongoing license, central reservation and management fees.

(10) We have entered into a joint venture with Paramount Parks, Inc., a unit of Viacom Inc. to build this resort. We will operate the resort under our Great Wolf Lodge brand and will maintain a majority of the equity position in the project. Paramount will have a minority equity interest in the development by contributing the land needed for the resort. Construction on the resort began in July 2005 with expected completion in late 2006.

(11) We have entered into a joint venture with The Confederated Tribes of the Chehalis Reservation. We will operate the resort under our Great Wolf Lodge brand. The Confederated Tribes of the Chehalis Reservation will contribute the land needed for

the resort, and they will have a minority equity interest in the joint venture. Construction on the resort is scheduled to begin in Fall 2005 with expected completion in late 2006.

Industry Trends and Outlook. While no standard industry definition for a family entertainment resort featuring an indoor waterpark has developed, we generally consider resorts with at least 200 rooms featuring indoor waterparks larger than 25,000 square feet, as well as a variety of water slides and other water-based attractions, to be competitive with our resorts. The concept of a family entertainment resort with an indoor waterpark was first introduced in Wisconsin Dells, Wisconsin and has evolved there over the past 15 years. We believe those resorts have historically outperformed standard hotels in that market. We believe that the rate premiums and increased market share in Wisconsin Dells have been significant and that no other operator or developer other than Great Wolf Resorts has established a regional portfolio of family entertainment resorts featuring indoor waterparks. We intend to continue to expand our portfolio of owned resorts throughout the United States and to selectively seek licensing and management opportunities domestically and internationally. The resorts we are currently constructing and plan to develop in the future require significant industry knowledge and substantial capital resources. We believe that a number of other resort operators are developing or considering the development of family entertainment resorts that will compete directly with our resorts. In particular, two of our competitors have opened resorts in Sandusky and another competitor has opened a resort near Traverse City.

Our primary business objective is to increase long-term stockholder value. We believe we can increase stockholder value by executing our internal and external growth strategies. Our primary internal growth strategies are to: maximize total resort revenue; minimize costs by leveraging our economies of scale; and build upon our existing brand awareness and loyalty in order to compete more effectively. Our primary external growth strategies are to: capitalize on our first-mover advantage by being the first to develop and operate family entertainment resorts featuring indoor waterparks in our selected target markets; focus on development and strategic growth opportunities by seeking to develop and open at least two new owned resorts in target markets each year for the next several years and target selected licensing opportunities; and continue to innovate by leveraging our in-house expertise, in conjunction with the knowledge and experience of our third-party suppliers and designers.

In attempting to execute our internal and external growth strategies, we are subject to a variety of business challenges and risks. These challenges include: development and licensing of properties; increases in costs of constructing, operating and maintaining our resorts; competition from other entertainment companies, both within and outside our industry segment; and external economic risks, including family vacation patterns and trends. We seek to meet these challenges by providing sufficient management oversight to site selection, development and resort operations, concentrating on growing and strengthening awareness of our brand and demand for our resorts, and maintaining our focus on safety.

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During the three months ended June 30, 2005, we experienced operating results below our expectations. We believe that this operating performance was due to a combination of factors:

A slower-than-expected summer vacation season in the Midwest. Across our portfolio of resorts, revenue in April, May and June 2005 trended down from prior years. For example, June bookings from the Detroit area, which is a primary source of demand for two of our properties, declined more than 30 percent from the same month in 2004. Our results were particularly negatively impacted by weakness in demand during the last two weeks in June. That period is significant to our results for the three months ended June 30, 2005, as it represents the traditional beginning of the summer vacation season, as we ramp-up staffing in order to provide appropriate employee training and guest service levels to accommodate the increased number of guests. When revenues were well below our expectations for June, we did not sufficiently adjust our cost structure to align it more closely with the actual revenue we generated.

Competitive pressures at our Sandusky resort (as discussed above). The Sandusky market has been impacted by an increase in the number of competitive rooms of indoor waterpark resorts. During the second quarter of 2004, our 271-room resort was the only indoor waterpark resort in that market, but at June 30, 2005, indoor waterpark resorts have more than 800 rooms in this market.

A slower-than-expected occupancy ramp-up at our Sheboygan, Wisconsin property. This resort opened in June 2004, but the overall development of Sheboygan as a tourist destination continues to lag behind our initial expectations. This has impacted the consumer demand for our indoor waterpark resort in that market.

The above factors were significant to our operating results in the second quarter of 2005, and we are taking the following steps to address them:

We have implemented revised, targeted marketing programs at each of our resorts for the remainder of 2005 to address the softness in demand we witnessed at our locations in the second quarter.

We have re-forecasted revenue at all of our resorts for the remainder of 2005, based on current market conditions and trends. Our revised revenue projections for the remainder of 2005 are significantly lower than our original projections. We have reviewed all of our resorts operating budgets for the second half of 2005 and have taken steps to reduce or eliminate certain operating costs in order to more closely align our cost structure with our revised revenue expectations.

We are increasing our corporate operations and marketing staffing in order to better understand and respond to current demand, customer booking and operating trends.

Our long-term view of the Sandusky market is positive based on our experience with competition in the Wisconsin Dells market. Over time we expect the new supply of indoor waterpark rooms in the Sandusky market will be absorbed by a gradual increase in overall demand.

Revenue and Key Performance Indicators. We seek to generate positive cash flows and net income from each of our owned resorts. Our rooms revenue represents sales to guests of room nights at our resorts, and is the largest contributor to our cash flows and profitability. Rooms revenue accounted for approximately 66% of our total resort revenue for the six months ended June 30, 2005. We employ sales and marketing efforts to increase overall demand for rooms at our resorts. We seek to optimize the relationship between room rates and occupancies through the use of yield management techniques that attempt to project demand in order to selectively increase room rates during peak demand. These techniques are designed to assist us in managing our higher occupancy nights to achieve maximum rooms revenue and include such practices as:

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Monitoring our historical trends for occupancy and estimating our high occupancy nights;

Offering the highest discounts to previous guests in off-peak periods to build customer loyalty and enhance our ability to charge higher rates in peak periods;

Structuring rates to allow us to offer our previous guests the best rate while simultaneously working with a promotional partner or offering internet specials;

Monitoring sales of room types daily to evaluate the effectiveness of offered discounts; and

Offering specials on standard suites and yielding better rates on larger suites when standard suites sell out.

In addition, we seek to maximize the amount of time and money spent on-site by our guests by providing a variety of revenue-generating amenities.

We have several key indicators that we use to evaluate the performance of our business. These indicators include the following:

occupancy;

average daily room rate, or ADR;

revenue per available room, or RevPAR;

total revenue per available room, or Total RevPAR;

total revenue per occupied room, or Total RevPOR; and

EBITDA.

Occupancy, ADR and RevPAR are commonly used measures within the hospitality industry to evaluate hotel operations and are defined as follows:

Occupancy is calculated by dividing total occupied rooms by total available rooms.

ADR is calculated by dividing total rooms revenue by total occupied rooms.

RevPAR is the product of occupancy and ADR.

Occupancy allows us to measure the general overall demand for rooms at our resorts and the effectiveness of our sales and marketing strategies. ADR allows us to measure the effectiveness of our yield management strategies. While ADR and RevPAR only include rooms revenue, Total RevPOR and Total RevPAR include both rooms revenue and other revenue derived from food and beverage and other amenities at our resorts. We consider Total RevPOR and Total RevPAR to be key performance indicators for our business because we derive a significant portion of our revenue from food and beverage and other amenities. For the six months ended June 30, 2005, approximately 34% of our total resort revenues consisted of non-rooms revenue.

We use RevPAR and Total RevPAR to evaluate the blended effect that changes in occupancy, ADR and Total RevPOR have on our profitability. We focus on increasing ADR and Total RevPOR because those increases can have the greatest positive impact on our profitability. In addition, we seek to maximize occupancy, as increases in occupancy generally lead to greater total revenues at our resorts, and maintaining certain occupancy levels is key to covering our fixed costs. Increases in total revenues as a result of higher occupancy are, however, typically accompanied by additional incremental costs (including housekeeping services, utilities and room amenity costs). In contrast, increases in total revenues from higher ADR and Total RevPOR are typically accompanied by lower incremental costs, and result in a greater increase in profitability.

We also use EBITDA as a measure of the operating performance of each of our resorts. EBITDA is a supplemental financial measure, and is not defined by accounting principles generally accepted in the United States of America, or GAAP. See Non-GAAP Financial Measures for further discussion of our use of EBITDA and a reconciliation to net income.

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Recent Accounting Pronouncements

In December 2004 the FASB issued Statement No. 123 (revised 2004), Share-Based Payment (SFAS 123R), which requires companies to expense the value of employee stock options, discounts on employee stock purchase plans and similar awards. Under SFAS 123R, share-based payment awards result in compensation expense that will be measured at fair value on the awards grant date, based on the estimated number of awards that are expected to vest. SFAS 123R is effective for periods beginning the first fiscal year after June 15, 2005, and applies to all outstanding and unvested share-based payment awards at the adoption date. We have not completed our evaluation of the impact of adopting SFAS 123R.

Non-GAAP Financial Measures

We use EBITDA as a measure of our operating performance. EBITDA is a supplemental non-GAAP financial measure. EBITDA is commonly defined as net income plus (a) net interest expense (b) income taxes and (c) depreciation and amortization.

EBITDA as calculated by us is not necessarily comparable to similarly titled measures presented by other companies. In addition, EBITDA (a) does not represent net income or cash flows from operations as defined by GAAP; (b) is not necessarily indicative of cash available to fund our cash flow needs; and (c) should not be considered as an alternative to net income, operating income, cash flows from operating activities or our other financial information as determined under GAAP.

We believe EBITDA is useful to an investor in evaluating our operating performance because:

- a significant portion of our assets consists of property and equipment that are depreciated over their remaining useful lives in accordance with GAAP. Because depreciation and amortization are non-cash items, we believe that presentation of EBITDA is a useful measure of our operating performance;
- it is widely used in the hospitality and entertainment industries to measure operating performance without regard to items such as depreciation and amortization; and
- we believe it helps investors meaningfully evaluate and compare the results of our operations from period to period by removing the impact of items directly resulting from our asset base, primarily depreciation and amortization, from our operating results.

Our management uses EBITDA:

- as a measurement of operating performance because it assists us in comparing our operating performance on a consistent basis as it removes the impact of items directly resulting from our asset base, primarily depreciation and amortization, from our operating results;
- for planning purposes, including the preparation of our annual operating budget;
- as a valuation measure for evaluating our operating performance and our capacity to incur and service debt, fund capital expenditures and expand our business; and
- as one measure in determining the value of other acquisitions and dispositions.

Covenants in our revolving credit facility also require us to meet financial tests based upon EBITDA as adjusted for certain items.

Using a measure such as EBITDA has material limitations. These limitations include the difficulty associated with comparing results among companies and the inability to analyze certain significant items, including depreciation and interest expense, which directly affect our net income or loss. Management compensates for these limitations by considering the economic effect of the excluded expense items independently, as well as in connection with its analysis of net income.

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The tables shown below reconcile net loss to EBITDA for the periods presented.

	Great Wolf Resorts	Predecessor	Great Wolf Resorts	Predecessor
	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Net loss	$ (2,702)	$ (2,812)	$ (5,040)	$ (4,730)
Adjustments:				
Interest expense, net	1,612	1,716	2,376	3,235
Income tax benefit	(1,802)		(3,344)	
Depreciation and amortization	6,085	3,526	13,234	6,569
EBITDA	$ 3,193	$ 2,430	$ 7,226	$ 5,074

Results of Operations

General

Our and the Predecessor s result of operations for the three and six months ended June 30, 2005 and 2004 are not directly comparable due primarily to the impact of the IPO and the Formation Transactions, our new debt and the repayment of debt upon the consummation of the IPO. In addition, in March 2005 our Great Wolf Lodge in Williamsburg, Virginia opened.

Great Wolf Resorts Financial Information

Great Wolf Resorts financial information includes:

our corporate entity that provides resort development and management services;

our Wisconsin Dells, Sandusky, Traverse City, Kansas City, Sheboygan, and Williamsburg operating resorts; and

our Pocono Mountains resort that is under construction.

Revenues. Our revenues consist of lodging revenue, which includes rooms, food and beverage, and other department revenues from our resorts.

Operating Expenses. Our departmental operating expenses consist of rooms, food and beverage and other department expenses.

Our other operating expenses include the following items:

selling, general and administrative expenses, which are associated with the management of resorts and which consist primarily of expenses such as corporate payroll and related benefits, operations management, sales and marketing, finance, legal, information technology support, human resources and other support services, as well as general corporate expenses;

property operation and maintenance expenses; and

depreciation and amortization.

Great Lakes Predecessor Financial Information

The Predecessor combined historical financial information included the following:

GLC and its consolidated subsidiaries, including development of, ownership interests in, and management contracts with respect to, resorts and certain non-resort hotels and multifamily housing development and management assets;

the entities that owned our Traverse City, Kansas City and Sheboygan operating resorts; and

the entities that owned our Williamsburg and Pocono Mountains resorts that were under construction.

The Traverse City, Kansas City and Sheboygan resorts opened in March 2003, May 2003 and June 2004, respectively. Therefore, the Predecessor s historical results of operations only reflected operating results for Traverse City, Kansas City and Sheboygan for those periods after the resort opening dates.

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The Predecessor s financial information did not include the entities that own the Wisconsin Dells and Sandusky operating resorts as those entities, while managed by GLC, were controlled by affiliates of AIG SunAmerica.

Revenues. The Predecessor s revenues consisted of the following:

lodging revenue, which consists of rooms, food and beverage and other department revenues from its consolidated and combined hotels and resorts;

management fee revenue from both resort activity and non-resort activity, which includes fees received under its management agreements; and

other revenue, which consists of accounting fees, development fees, central Reservation fees, construction management fees and other fees.

The Predecessor employed the staff at its managed properties. Under its management agreements, the hotel and resort owners reimbursed Predecessor for payroll, benefits and certain other costs related to the operations of the managed properties. Emerging Issues Task Force, or EITF, Issue No. 01-14, Income Statement Characteristics of Reimbursements for Out-of-pocket Expenses, (EITF 01-14) establishes standards for accounting for reimbursable expenses in Predecessor s income statement. Under this pronouncement, the reimbursement of payroll, benefits and costs is recorded as revenue on Predecessor s statements of operations, with a corresponding expense recorded as other expenses from managed properties.

Operating Expenses. The Predecessor s departmental operating expenses consisted of rooms, food and beverage and other department expenses.

The Predecessor s other operating expenses included the following items:

selling, general and administrative expenses, which were associated with the management of hotels and resorts and which consist primarily of expenses such as corporate payroll and related benefits, operations management, sales and marketing, finance, legal, information technology support, human resources and other support services, as well as general corporate expenses;

property operation and maintenance expenses;

depreciation and amortization; and

other expenses from managed properties, which are recorded as an expense in accordance with EITF 01-14.

Three months ended June 30, 2005, for Great Wolf Resorts, Inc. compared with the three months ended June 30, 2004, for the Predecessor

The following table shows key operating statistics for our resorts for the three months ended June 30, 2005 and 2004:

	All Properties	**Same Store Comparison (a)**			
	Three months ended June 30, 2005	**Three months ended June 30, 2005**	**Three months ended June 30, 2004**	**Increase (Decrease)**	
				$	**%**
Occupancy	58.7%	60.2%	66.8%	- N/A	- -9.9%
ADR	$ 195.92	$ 193.45	$ 200.81	($ 7.36)	-3.7%
RevPAR	$ 115.05	$ 116.48	$ 134.04	($ 17.56)	-13.1%
Total RevPOR	$ 297.52	$ 281.52	$ 290.11	($ 8.59)	-3.0%
Total RevPAR	$ 174.72	$ 169.52	$ 193.65	($ 24.13)	-12.5%

(a) Same store comparison includes properties that were open for the full periods in 2004 and 2005 (that is, our Wisconsin Dells, Sandusky, Traverse City and Kansas City resorts).

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Our Sheboygan and Williamsburg resorts opened in June 2004 and March 2005, respectively. We acquired the Wisconsin Dells and Sandusky resorts as part of the IPO in December 2004. As a result, comparisons of changes in total revenue, rooms revenue and other revenue between the three month period ended June 30, 2005, (during which six resorts were open for the entire period) and June 30, 2004, (during which three resorts were open) are not meaningful.

Presented below are selected amounts from the statements of operations for the three months ended June 30, 2005 and 2004:

	Three months ended June 30,		
	Great Wolf Resorts 2005	**Predecessor 2004**	**Increase (Decrease)**
Revenues	$26,032	$15,344	$10,688
Departmental operating expenses	11,165	4,466	6,699
Selling, general and administrative	7,327	3,414	3,913
Property operating costs	4,346	2,351	1,995
Depreciation and amortization	6,085	3,198	2,887
Net operating loss	(2,891)	(1,754)	(1,137)
Net interest expense	1,612	1,446	166
Interest on mandatorily redeemable shares		474	(474)
Income tax benefit	(1,802)		(1,802)
Income from discontinued operations		815	(815)
Net loss	(2,702)	(2,812)	110

Revenues. Total revenues increased primarily due to revenues related to the resorts in Wisconsin Dells and Sandusky, which were purchased as part of the IPO in December 2004, and the opening of the Sheboygan and Williamsburg resorts in June 2004 and March 2005, respectively. Total revenues for the resorts in Wisconsin Dells, Sandusky, Sheboygan, and Williamsburg were $16,152 for the three months ended June 30, 2005. Revenue for the resort in Sheboygan was $865 for the three months ended June 30, 2004. The net increase in resort revenue for the three months ending June 30, 2005, versus the three months ended June 30, 2004, was offset by $3,669 of revenue related to managed properties recorded in the three months ended June 30, 2004. We had no revenue from managed properties in the three months ended June 30, 2005.

Operating expenses. Total operating expenses increased primarily due to expenses related to the resorts in Wisconsin Dells and Sandusky, which were purchased as part of the IPO in December 2004, and the opening of the Sheboygan and Williamsburg resorts in June 2004 and March 2005, respectively.

Total departmental expenses for the resorts in Wisconsin Dells, Sandusky, Sheboygan, and Williamsburg were $7,501 for the three months ended June 30, 2005. Departmental expenses for the resort in Sheboygan were $631 for the three months ended June 30, 2004.

Total selling, general and administrative expenses for the resorts in Wisconsin Dells, Sandusky, Sheboygan, and Williamsburg were $4,849 for the three months ended June 30, 2005. Selling, general and administrative expenses for the resort in Sheboygan were $225 for the three months ended June 30, 2004.

Total property operating costs for the resorts in Wisconsin Dells, Sandusky, Sheboygan, and Williamsburg were $2,737 for the three months ended June 30, 2005. Included in this amount is $394 of pre-opening costs related to our Williamsburg resort in the three months ended June 30, 2005. Property operating costs and pre-opening costs for the resort in Sheboygan were $67 and $983, respectively, for the three months ended June 30, 2004.

Total depreciation and amortization for the resorts in Wisconsin Dells, Sandusky, Sheboygan, and Williamsburg was $4,185 for the three months ended June 30, 2005. Depreciation and amortization for the resort in Sheboygan was $432 for the three months ended June 30, 2004. The increase in depreciation and amortization also includes the effect of a change made in the first quarter of 2005 to the estimate of useful lives used to depreciate our property and equipment, which resulted in a decrease in depreciation for our resorts in Traverse City and Kansas City in the three months ended June 30, 2005, as compared to June 30, 2004.

Net loss. Net loss decreased due to the following:

Income tax benefit in the 2005 period with no income tax benefit in the 2004 period, reflecting our structure after the IPO as a

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C Corporation that pays income taxes, as opposed to the Predecessor s pass-through entities with no income tax obligations in the 2004 period.

Interest on mandatorily redeemable shares incurred in the 2004 period was not incurred in the 2005 period due to the conversion of the mandatorily redeemable interests to common stock in conjunction with the Formation Transactions.

This decrease was partially offset by:

Our increased operating loss in the 2005 period.

Income from discontinued operations in the 2004 period was not incurred in the 2005 period.

Six months ended June 30, 2005, for Great Wolf Resorts, Inc. compared with the six months ended June 30, 2004, for the Predecessor

The following table shows key operating statistics for our resorts for the six months ended June 30, 2005 and 2004:

	All Properties Six months ended June 30, 2005	Same Store Comparison (a) Six months ended June 30, 2005	Six months ended June 30, 2004	Increase (Decrease) $	Increase (Decrease) %
Occupancy	63.7%	66.0%	67.4%	N/A	-2.1%
ADR	$ 203.23	$205.98	$205.27	$0.71	0.3%
RevPAR	$ 129.46	$136.01	$138.34	($2.33)	-1.7%
Total RevPOR	$ 305.84	$297.73	$297.35	$0.38	0.1%
Total RevPAR	$ 194.82	$196.60	$200.40	($3.80)	-1.9%

(a) Same store comparison includes properties that were open for the full periods in 2004 and 2005 (that is, our Wisconsin Dells, Sandusky, Traverse City and Kansas City resorts).

Our Sheboygan, and Williamsburg resorts opened in June 2004 and March 2005, respectively. We acquired the Wisconsin Dells and Sandusky resorts as part of the IPO in December 2004. As a result, comparisons of changes in total revenue, rooms revenue and other revenue between the six month period ended June 30, 2005, (during which six resorts were open for the entire period) and June 30, 2004, (during which three resorts were open) are not meaningful.

Presented below are selected amounts from the statements of operations for the six months ended June 30, 2005 and 2004:

	Six months ended June 30,	
	Great Wolf	

	Resorts 2005	Predecessor 2004	Increase (Decrease)
Revenues	$53,028	$30,096	$22,932
Departmental operating expenses	20,834	8,253	12,581
Selling, general and administrative	14,565	6,620	7,945
Property operating costs	10,403	4,138	6,265
Depreciation and amortization	13,234	5,914	7,320
Net operating loss	(6,008)	(1,838)	(4,170)
Net interest expense	2,376	2,651	(275)
Gain on sale of investments		(1,072)	1,072
Interest on mandatorily redeemable shares		2,166	(2,166)
Income tax benefit	(3,344)		(3,344)
Income from discontinued operations		835	(835)
Net loss	(5,040)	(4,730)	(310)

Revenues. Total revenues increased primarily due to revenues related to the resorts in Wisconsin Dells and Sandusky, which were purchased as part of the IPO in December 2004, and the opening of the Sheboygan and Williamsburg resorts in June 2004 and March 2005, respectively. Total revenues for the resorts in Wisconsin Dells, Sandusky, Sheboygan, and Williamsburg were $30,829 for the

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six months ended June 30, 2005. Revenue for the resort in Sheboygan was $865 for the six months ended June 30, 2004. This net increase in resort revenue was offset by $7,009 of revenue related to managed properties recorded in the six months ended June 30, 2004. We had no revenue from managed properties in the six months ended June 30, 2005.

Operating expenses. Total operating expenses increased primarily due to expenses related to the resorts in Wisconsin Dells and Sandusky, which were purchased as part of the IPO in December 2004, and the opening of the Sheboygan and Williamsburg resorts in June 2004 and March 2005, respectively.

Total departmental expenses for the resorts in Wisconsin Dells, Sandusky, Sheboygan, and Williamsburg were $13,294 for the six months ended June 30, 2005. Departmental expenses for the resort in Sheboygan were $631 for the six months ended June 30, 2004.

Total selling, general and administrative expenses for the resorts in Wisconsin Dells, Sandusky, Sheboygan, and Williamsburg were $8,274 for the six months ended June 30, 2005. Selling, general and administrative expenses for the resort in Sheboygan were $225 for the six months ended June 30, 2004.

Total property operating costs for the resorts in Wisconsin Dells, Sandusky, Sheboygan, and Williamsburg were $7,056 for the six months ended June 30, 2005. Included in this amount is $2,880 of pre-opening costs related to our Williamsburg resort in the six months ended June 30, 2005. Property operating costs and pre-opening costs for the resort in Sheboygan were $67 and $1,504, respectively, for the six months ended June 30, 2004. Property operating costs for our resort in Kansas City included an increase of $336 and $146 for property tax expense and utility costs, respectively, for the six months ended June 30, 2005, versus June 30, 2004.

Total depreciation and amortization for the resorts in Wisconsin Dells, Sandusky, Sheboygan, and Williamsburg was $8,002 for the six months ended June 30, 2005. Included in this amount are loan fees of $731 and $1,385 for Williamsburg and Poconos, respectively, were written off to amortization expense at the time the construction loans were paid off during the six months ended June 30, 2005. Depreciation and amortization for the resort in Sheboygan was $432 for the six months ended June 30, 2004. The increase in depreciation and amortization also includes the effect of a change made in the first quarter of 2005 to the estimate of useful lives used to depreciate our property and equipment, which resulted in a decrease in depreciation for our resorts in Traverse City and Kansas City in the six months ended June 30, 2005, as compared to June 30, 2004.

Net loss. Net loss increased due to the following:

Our increased operating loss in the 2005 period.

A gain on sale of investments in the 2004 period (we did not have any comparable sales in the 2005 period).

Income from discontinued operations in the 2004 period.

This increase was partially offset by:

Interest on mandatorily redeemable shares incurred in the 2004 period was not incurred in the 2005 period due to the conversion of the mandatorily redeemable interests to common stock in conjunction with the Formation Transactions.

Income tax benefit in the 2005 period with no income tax benefit in the 2004 period, reflecting our structure after the IPO as a C Corporation that pays income taxes, as opposed to the Predecessor s pass-through entities with no income tax obligations in the 2004 period.

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Liquidity and Capital Resources

As of June 30, 2005, we had total indebtedness of $169,028 summarized as follows:

	June 30, 2005
Long-Term Debt:	
Senior credit facility	$
Traverse City/Kansas City Mortgage Loan	74,531
Sheboygan Mortgage Loan	29,234
Junior Subordinated Debentures	51,550
Other mortgage debt	1,523
Other Long-Term Liabilities:	
City of Sheboygan bonds	8,129
City of Sheboygan loan	4,061
	169,028
Less current portion of long-term debt	(1,680)
	$ 167,348

Senior Credit Facility Upon closing the IPO, we entered into a $75,000 senior secured revolving credit facility with a syndicate of banks. The loan is secured by our Wisconsin Dells and Sandusky resorts and was not drawn as of June 30, 2005. Future borrowings under this facility will bear interest at LIBOR plus a margin of 2.25% to 3.00% depending upon our leverage ratio from time to time. The maximum amount of indebtedness we may incur under the facility is equal to 3.75 times the combined EBITDA (adjusted for non-recurring items, unusual items, infrequent items and asset impairment charges) of the two resorts securing the facility plus up to $5,400 relating to enhancements to the waterpark facility for the Wisconsin Dells property. The facility has customary bank covenants including the maximum level of total debt, the minimum level of interest coverage, and the minimum level of fixed charge coverage. As of June 30, 2005, based on the financial and debt service ratios contained in the revolving credit facility, approximately $45,000 of the facility is available for borrowing. The facility also includes an annual unused commitment fee of 0.5%.

Traverse City/Kansas City Mortgage Loan Upon closing the IPO, we entered into a $75,000 ten-year loan secured by our Traverse City and Kansas City resorts. The loan bears interest at a fixed rate of 6.96% and is subject to a 25-year principal amortization schedule, with a baloon principal payment due after ten years. The loan has customary financial and operating debt compliance covenants, including a minimum debt service coverage ratio, representing the combined EBITDA (adjusted for non-recurring items, unusual items, infrequent items and asset impairment charges) of the two resorts divided by their combined annual interest expense and principal amortization. The loan also has customary prohibitions on our ability to prepay the loan prior to maturity. We were in compliance with all mortgage loan covenants at June 30, 2005.

Sheboygan Mortgage Loan The Sheboygan mortgage loan is secured by our Sheboygan resort. The loan converted from a construction loan into a mortgage loan in January 2005. The loan matures in January 2008 and bears interest at a floating rate of prime plus 200 basis points and is subject to a 20-year principal amortization schedule. The loan has customary covenants associated with a single asset mortgage. There are no prohibitions or fees associated with the repayment of the loan principal. We were in compliance with the mortgage loan covenants at June 30, 2005.

Junior Subordinated Debentures In March 2005 we completed a private offering of $50,000 of trust preferred securities through Great Wolf Capital Trust I (the Trust), a Delaware statutory trust which is our subsidiary. The securities pay holders cumulative cash distributions at an annual rate which is fixed at 7.80% through March 2015 and then floats at LIBOR + 310 basis points thereafter. The securities mature in March 2035 and are callable at no premium after March 2010. In addition, we invested $1,500 in the Trust s common securities, representing 3% of the total capitalization of the Trust.

The Trust used the proceeds of the offering and our investment to purchase from us $51,550 of our junior subordinated debentures with payment terms that mirror the distribution terms of the trust securities. The costs of the trust preferred offering totaled $1,600, including $1,500 of underwriting commissions and expenses and $100 of costs incurred directly by the Trust. The Trust paid these costs utilizing an investment from us. These costs are being amortized over a 30-year period. The proceeds from our debenture sale, net of the costs of the trust preferred offering and our investment in the Trust, were $48,400. We used the net proceeds to retire the Poconos construction loan and for future development.

As a result of the issuance of a revision to FASB Interpretation No. 46, Consolidation of Variable Interest Entities and the accounting profession s application of the guidance provided by the FASB, issuer trusts, like the Trust, are generally variable interest entities. We have determined that we are not the primary beneficiary under the Trust, and accordingly we do not include the financial statements of the Trust in our consolidated financial statements.

Based on the foregoing accounting authority, our consolidated financial statements present the debentures issued to the Trust as long-term debt. Our investment in the Trust is accounted as a cost investment and is included in other assets. For financial reporting purposes, we record interest expense on the corresponding debentures in our consolidated statements of operations.

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City of Sheboygan Bonds The City of Sheboygan (the City) bonds amount represents the face amount of bond anticipation notes (BANs) issued by the City in November 2003 in conjunction with the construction of the Blue Harbor Resort in Sheboygan, Wisconsin. In accordance with the provisions of EITF Issue No. 91-10, we have recognized as a liability the obligations for these BANs. The notes bear interest at an annual rate of 3.95% and mature in 2008. The notes are not a general obligation of the City and are payable from (a) the proceeds of bond anticipation notes or other funds appropriated by the City for the payment of interest on the BANs and (b) the proceeds to be delivered from the issuance and sale of securities by the City. We have an obligation to fund payment of these BANs. Our obligation to fund repayment of the notes will be satisfied by certain minimum guaranteed amounts of room tax payments to be made by the Blue Harbor Resort through 2028.

City of Sheboygan Loan The City of Sheboygan loan amount represents a loan made by the City in 2004 in conjunction with the construction of the Blue Harbor Resort in Sheboygan, Wisconsin. The loan is noninterest bearing and matures in 2018. Our obligation to repay the loan will be satisfied by certain minimum guaranteed amounts of real and personal property tax payments to be made by the Blue Harbor Resort through 2018.

Short-Term Liquidity Requirements

Our short-term liquidity requirements consist primarily of funds necessary to pay operating expenses, including:

recurring maintenance, repairs and other operating expenses necessary to properly maintain our resorts;

property taxes and insurance expenses;

interest expense and scheduled principal payments on outstanding indebtedness; and

general and administrative expenses.

Historically, we have satisfied our short-term liquidity requirements through operating cash flows, proceeds from borrowings and equity contributions from investors. We believe that cash provided by our operations, together with borrowing capacity under our line of credit, will be sufficient to fund our requirements for working capital, capital expenditures and debt service for the next twelve months.

Long-Term Liquidity Requirements

Our long-term liquidity requirements consist primarily of funds necessary to pay for scheduled debt maturities, renovations, expansion and other non-recurring capital expenditures that need to be made periodically to our resorts as well as the costs associated with the development of new resorts. We expect to meet these needs through existing working capital, cash provided by operations and a combination of mortgage financing on properties being developed, additional borrowings under our revolving credit facility, and the issuance of equity instruments, including common stock, or additional or replacement debt, if market conditions permit. We believe these sources of capital will be sufficient to provide for our long-term capital needs.

Our revolving credit facility and secured mortgage financing are material sources to satisfy our long-term liquidity requirements. As such, compliance with their financial and operating debt compliance covenants is material to our liquidity. Non-compliance with the covenants would have a material adverse effect on our financial condition and liquidity.

As we develop future resorts, we expect to finance a portion of the total construction cost of each resort through a stand-alone construction loan on the resort. We expect to fund the remainder of the total construction cost through cash provided from a combination of sources, including our revolving credit facility, sale of our condominiums, cash on hand and cash provided by operating activities. We expect to consider converting stand-alone construction loans to longer-term permanent financing after each resort commences operations.

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Contractual Obligations

The following table summarizes our contractual obligations as of June 30, 2005:

		Payment Terms			
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Debt Obligations(1)	$ 169,028	$ 1,680	$ 31,653	$ 3,292	$ 132,403
Operating Lease Obligations	1,779	417	815	547	
Construction Contracts	18,976	18,976			
Total	$ 189,783	$ 21,073	$ 32,468	$ 3,839	$ 132,403

(1) Includes $8,129 of fixed rate debt recognized as a liability related to certain bonds issued by the City of Sheboygan and $4,061 of fixed rate debt recognized as a liability related to a loan from the City of Sheboygan. These liabilities will be satisfied by certain future minimum guaranteed amounts of real and personal property tax payments and room tax payments to be made by our Sheboygan resort.

Working Capital

We had $32,252 of available cash and cash equivalents and $24,683 of working capital (current assets less current liabilities) at June 30, 2005, compared to the $79,409 of available cash and cash equivalents and $15,837 of working capital at December 31, 2004. Cash at December 31, 2004, was higher than at June 30, 2005, mainly due to the

proceeds of the IPO in December 2004.

Cash Flows

Six months ended June 30, 2005, for Great Wolf Resorts, Inc. compared with the six months ended June 30, 2004, for the Predecessor

	2005	2004	Increase (Decrease)
Net cash (used in) provided by operating activities	$(16,803)	$ 1,622	$(18,425)
Net cash used in investing activities	(55,050)	(50,898)	(4,152)
Net cash provided by financing activities	24,696	52,077	(27,381)

Operating Activities. The decrease in net cash provided by operating activities for the six months ended June 30, 2005, as compared to the six months ended June 30, 2004, resulted primarily from an increase in prepaid expenses and other assets, a decrease in accounts payable and other liabilities, and was partially offset by an increase in depreciation and amortization.

Investing Activities. The increase in net cash used in investing activities for the six months ended June 30, 2005, as compared to the six months ended June 30, 2004, resulted primarily from an increase in capital expenditures and decrease in equity escrow in the 2005 period as compared to the 2004 period.

Financing Activities. Net cash provided by financing activities decreased for the six months ended June 30, 2005, as compared to the six months ended June 30, 2004, primarily due to a decrease in net member contributions.

Inflation

Our resort properties are able to change room and amenity rates on a daily basis, so the impact of higher inflation can often be passed along to customers. However, a weak economic environment that decreases overall demand for our products and services could restrict our ability to raise room and amenity rates to offset rising costs.

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. In the future, we may use derivative financial instruments to manage or hedge interest rate risks related to our borrowings. We do not intend to use derivatives for trading or speculative purposes and anticipate entering into derivative contracts only with major financial institutions with investment grade credit ratings.

As of June 30, 2005, we had total indebtedness of approximately $169,028. This debt consisted of:

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$74,531 of fixed rate debt secured by two of our resorts. This debt bears interest at 6.96%.

$29,234 of variable rate debt secured by one of our resorts. This debt bears interest at a floating rate equal to prime plus 200 basis points. The total rate was 8.25% at June 30, 2005.

$51,550 of debentures that bear interest at a fixed rate of 7.80% through March 2015 and then at a floating rate of LIBOR + 310 basis points thereafter. The securities mature in March 2035.

$8,129 of fixed rate debt (effective interest rate of 10.67%) recognized as a liability related to certain bonds issued by the City of Sheboygan and $4,061 of noninterest bearing debt recognized as a liability related to a loan from the City of Sheboygan. These liabilities will be satisfied by certain future minimum guaranteed amounts of real and personal property tax payments and room tax payments to be made by the Sheboygan resort; and

$1,523 of other fixed rate debt.

As of June 30, 2005, the fair values of the indebtedness described above approximate their carrying values as the terms are similar to those currently available to us for indebtedness with similar risks and remaining maturities.

If the prime rate were to increase by 1% or 100 basis points, the increase in interest expense on our variable rate debt would decrease future earnings and cash flows by approximately $292 annually. If the prime rate were to decrease by 1% or 100 basis points, the decrease in interest expense on our variable rate debt would be approximately $292 annually.

ITEM 4. ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information in our reports under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified pursuant to the SEC s rules and forms. Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, include controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met.

We carried out an evaluation, under the supervision and with the participation of our management including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. In making this evaluation, we considered matters relating to the restatement of our previously-issued consolidated financial statements, including the related weakness in our internal control over financial reporting. After consideration of the matters discussed above, we have concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report.

Material Weakness in Internal Control Over Financial Reporting

On November 10, 2005, we announced that we were delaying the filing of our Form 10-Q for the third quarter ended September 30, 2005 due to an evaluation of the application of purchase accounting for certain transactions entered into in December 2004. We have subsequently filed (1) our third quarter Form 10-Q, which included the restatement of our condensed consolidated financial statements for the year ended December 31, 2004, (2) our Annual Report on Form 10-K/A for the year ended December 31, 2004, to reflect the restatement of our consolidated financial statements, the notes thereto, and related disclosures for the year ended December 31, 2004 and (3) our Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2005, to reflect the restatement of our unaudited condensed consolidated financial statements, the notes thereto, and related disclosures for the quarter ended March 31, 2005. We are now filing our Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2005, to reflect the restatement of

our unaudited condensed consolidated financial statements, the notes thereto, and related disclosures for the quarter ended June 30, 2005.

Our management believes that the errors giving rise to the restatement occurred because of a variety of factors, including the complexity of the interpretation of accounting standards related to the application of purchase accounting to our Formation

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Transactions. In this regard, we concluded there was a material weakness in our internal control over financial reporting related to the implementation of complex accounting standards, including the application of purchase accounting to our Formation Transactions. A material weakness is a control deficiency, or a combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

In order to remediate this weakness in internal control, prior to the quarter ended September 30, 2005, we added staff to assist in addressing the implementation of complex accounting standards, including the application of purchase accounting, and to provide for additional levels of internal review over such complex transactions.

In connection with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we are in the process of reviewing, documenting and testing our systems of internal control over financial reporting in order to provide the basis for our evaluation and report on these systems as of the end of our fiscal year. We cannot be certain as to the timing of completion of our testing and our ongoing remediation efforts. Accordingly, remediated controls may not be in place for a sufficient time period over which to assess effectiveness, and our evaluation of internal control may not be completed in time for our external auditors to complete their assessment on a timely basis. If we are not able to comply with the requirements of Section 404 in a timely manner, the reliability of our internal control over financial reporting may be impacted.

Changes In Internal Control

During the period covered by this Quarterly Report on Form 10-Q/A, there have not been any changes to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation Measures for Identified Material Weakness

Our planned remediation measures in connection with the material weakness described above include the following:

1. We will require continuing education over the next 12 months for our accounting and finance staff who are responsible for financial reporting to ensure compliance with current and emerging financial reporting and compliance practices.

2. We will utilize outside consultants, other than our Independent Registered Public Accounting Firm, to assist us in our evaluation of complex accounting transactions and related reporting, specifically in the area of purchase accounting, in cases where we believe such additional expertise is appropriate.

3. We will assess staff expertise in our accounting and finance areas and take any steps necessary to staff our accounting and finance departments appropriately.

4. We and our Audit Committee, as necessary, will consider additional items, or will alter the planned steps above, in order to remediate further the material weakness described above.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are party to various legal actions in the ordinary course of our business. We believe that these actions are routine in nature and incidental to the operation of our business. While the outcome of these actions cannot be predicted with certainty, we believe that the ultimate resolution of these matters will not have a material, adverse impact on our business, financial condition or prospects.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the annual meeting of stockholders on May 19, 2005, the following individuals were elected to serve as members of our Board of Directors for a one-year term that will expire at our annual meeting in 2006 or when their successors are duly qualified, each individual receiving the indicated number of votes for his or her election, and the indicated number of votes withheld:

	FOR	WITHHELD
Bruce D. Neviaser	18,759,552 votes	773,595 votes
John Emery	18,989,296 votes	543,851 votes
Elan Blutinger	19,497,512 votes	35,635 votes
Randy Churchey	18,895,577 votes	637,570 votes
Michael M. Knetter	19,133,833 votes	399,314 votes
Alissa N. Nolan	19,258,306 votes	274,841 votes
Marc B. Vaccaro	18,759,602 votes	773,545 votes
Howard Silver	18,894,577 votes	638,570 votes

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

The exhibits listed below are incorporated herein by reference to prior SEC filings by the Registrant or are included as exhibits in this Form 10-Q/A.

Exhibit Number	Description
3.1	Form of Amended and Restated Certificate of Incorporation for Great Wolf Resorts, Inc. dated December 9, 2004 (incorporated herein by reference to Exhibit 3.1 to the Company s Registration Statement on Form S-1 filed August 12, 2004)
3.2	Form of Amended and Restated Bylaws of Great Wolf Resorts, Inc. effective December 20, 2004 (incorporated herein by reference to Exhibit 3.2 to the Company s Registration Statement on Form S-1 filed August 12, 2004)
4.1	Form of the Common Stock Certificate of Great Wolf Resorts, Inc. (incorporated herein by reference to Exhibit 4.1 to the Company s Registration Statement on Form S-1 filed October 21, 2004)
4.2	Junior Subordinated Indenture, dated as of March 15, 2005, between Great Wolf Resorts, Inc. and JPMorgan Chase Bank, National Association, as trustee (incorporated herein by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed March 18, 2005)
4.3	Amended and Restated Trust Agreement, dated as of March 15, 2005, by and among Chase Manhattan Bank USA, National Association, as Delaware trustee; JPMorgan Chase Bank, National Association, as property trustee; Great Wolf Resorts, Inc., as depositor; and James A. Calder, Alex G. Lombardo and J. Michael Schroeder, as administrative trustees (incorporated herein by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K filed March 18, 2005)
10.1	Revolving Credit Agreement, by and among Great Wolf Resorts, Inc., GWR Operating Partnership, L.L.L.P., the Subsidiary Guarantors named therein, Citicorp North America, Inc., Societe Generale, Citigroup Global Markets, Inc., SG Americas Securities LLC and Calyon New York Branch (incorporated herein by reference to Exhibit 10.15 to the Company s Registration Statement on Form S-1 filed January 21, 2005) as amended by First Letter Amendment dated February 10, 2005 (incorporated herein by reference to Exhibit 10.1 to the Company s Form 10-Q filed May 12, 2005) and by Second Letter Amendment dated as of April 25, 2005 (incorporated herein by reference to Exhibit 10.1 to the Company s Form 10-Q filed May 12, 2005)
31.1*	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a 14(a) and Rule 15d 14(a)
31.2*	Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a 14(a) and Rule 15d 14(a)
32.1*.	Certification of Chief Executive Officer Pursuant to 18 U.S.C Section 1350
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

* Filed herewith.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GREAT WOLF RESORTS, INC.

/s/ James A. Calder

James A. Calder
Chief Financial Officer
(Duly authorized officer)
(Principal Financial and Accounting Officer)

Dated: November 30, 2005