

GREAT WOLF LODGE OF TRAVERSE CITY LLC

Form S-4

September 16, 2010

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As filed with the Securities and Exchange Commission on September 16, 2010

Registration No. 333-

**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**GWR OPERATING PARTNERSHIP, L.L.L.P.**

*(Exact name of Registrant as specified in its charter)*

**DELAWARE**

*(State or other jurisdiction of  
incorporation or organization)*

**80-0382558**

*(IRS Employer  
Identification No.)*

**GREAT WOLF FINANCE CORP.**

*(Exact name of Registrant as specified in its charter)*

**DELAWARE**

*(State or other jurisdiction of  
incorporation or organization)*

**27-2140154**

*(IRS Employer  
Identification No.)*

**122 West Washington Ave.**

**Madison, WI 53703**

**(608) 661-4700**

*(Address, including zip code, and telephone number, including area code, of each Registrant's principal executive offices)*

**J. Michael Schroeder**

**122 West Washington Ave.**

**Madison, WI 53703**

**(608) 661-4700**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

*Copies to:*

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**Approximate date of commencement of proposed sale to public:** As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
10.875% First Mortgage Notes due 2017	\$230,000,000	100%	\$230,000,000	\$16,399
Guarantees of 10.875% First Mortgage Notes due 2017	N/A	N/A	N/A	N/A(3)

- (1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f) of the Securities Act.
- (2) The registration fee has been calculated pursuant to Rule 457(f) under the Securities Act.
- (3) No additional consideration is being received for the guarantees, and, therefore no additional fee is required.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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<b>Name</b>	<b>State or Other Jurisdiction of Incorporation or Organization</b>	<b>Primary Standard Industrial Classification Code Number</b>	<b>IRS Employer Identification Number</b>
Great Wolf Resorts, Inc.	Delaware	7011	51-0510250
GWR OP General Partner, LLC	Delaware	7011	51-0510250
BHMH, LLC	Wisconsin	7011	51-0510250
Grapevine Beverage, Inc.	Texas	7011	20-5759894
Great Lakes Services, LLC	Delaware	7011	27-1371313
Great Wolf Lodge of Grapevine, LLC	Delaware	7011	20-3533122
Great Wolf Lodge of Kansas City, LLC	Delaware	7011	39-2041982
Great Wolf Lodge of PKI, LLC	Delaware	7011	20-3201706
Great Wolf Lodge of Traverse City, LLC	Delaware	7011	39-2041983
Great Wolf Lodge of Williamsburg, LLC	Delaware	7011	20-0655682
Great Wolf Williamsburg SPE, LLC	Delaware	7011	26-1548790
Mason Family Resorts, LLC	Delaware	7011	20-3199977
Scoops Tenant, LLC	Delaware	7011	27-2598824

Great Wolf Resorts, Inc. is an accelerated filer. The address of each of the additional registrants is 122 West Washington Ave., Madison, WI 53703.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED SEPTEMBER 16, 2010**

**PROSPECTUS**

**GWR Operating Partnership, L.L.P.  
Great Wolf Finance Corp.**

**Exchange Offer for \$230,000,000  
10.875% First Mortgage Notes due 2017 and Related Guarantees**

**The Notes and the Guarantees**

We are offering to issue \$230,000,000 of our 10.875% First Mortgage Notes due 2017 and certain related guarantees, whose issuance is registered under the Securities Act of 1933, which we refer to as the exchange notes, in exchange for a like aggregate principal amount of 10.875% First Mortgage Notes due 2017 and the related guarantees, which were issued on April 7, 2010 and which we refer to as the initial notes. The exchange notes will be issued under the existing indenture, which currently governs the initial notes, dated as of April 7, 2010.

The exchange notes will mature on April 1, 2017. We will pay interest on the exchange notes on each April 1 and October 1, beginning on October 1, 2010.

The exchange notes will be guaranteed on a senior secured basis by our subsidiaries that own three of our Generation II resorts, and those guarantees will be secured by first-priority mortgages on the resorts and first-priority security interests in the other assets of those guarantors, to the extent of the value of the collateral.

The exchange notes are guaranteed on a senior unsecured basis by Great Wolf Resorts, Inc., which owns 99% of the limited partnership interests in GWR Operating Partnership, L.L.P., which we refer to as the Company, and GWR OP General Partner, LLC, which owns the 1% general partnership interest in the Company, and certain of our domestic subsidiaries. The guarantees will be the senior obligations, ranking pari passu in right of payment with existing and future indebtedness, of those subsidiaries, Great Wolf Resorts, Inc., which we refer to as Great Wolf Resorts, and GWR OP General Partner, LLC.

**Terms of the exchange offer**

It will expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 2010, unless we extend it.

If all the conditions to this exchange offer are satisfied, we will exchange all of our 10.875% First Mortgage Notes due 2017 issued on April 7, 2010, that are validly tendered and not withdrawn for new notes, which we refer to as the exchange notes.

You may withdraw your tender of initial notes at any time before the expiration of this exchange offer.

The exchange notes that we will issue you in exchange for your initial notes will be substantially identical to your initial notes except that, unlike your initial notes, the exchange notes will have no transfer restrictions or registration rights.

The exchange notes that we will issue you in exchange for your initial notes are new securities with no established market for trading.

**Before participating in this exchange offer, please refer to the section in this prospectus entitled **Risk Factors** commencing on page 23.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is           , 2010.

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In this prospectus, unless the context otherwise requires, we or our refer to GWR Operating Partnership, L.L.L.P. and its subsidiaries, the Company refers to GWR Operating Partnership, L.L.L.P. (without its subsidiaries) and Great Wolf



Finance refers to Great Wolf Finance Corp., a Delaware corporation. The Issuers refers to GWR Operating Partnership, L.L.P. and Great Wolf Finance Corp. Great Wolf Resorts refers to Great Wolf Resorts, Inc.

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**INDUSTRY AND MARKET DATA**

We have obtained the market and competitive position data used throughout this prospectus from our own research or estimates, surveys or studies conducted by third parties, other companies' public filings and industry or general publications.

**NON-GAAP FINANCIAL INFORMATION**

In this prospectus, we present earnings before interest, taxes, depreciation and amortization, or EBITDA, Adjusted EBITDA and Adjusted EBITDA of non-guarantor subsidiaries, all of which are non-GAAP financial measures, which are calculated as described in Notes (2), (3) and (5) to the summary financial data under the caption Summary Consolidated Financial Data of Great Wolf Resorts. Our presentation of these EBITDA-based measures should not be construed as an indication that our future results will be unaffected by unusual or nonrecurring items. Our EBITDA-based measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under generally accepted accounting principles in the United States, U.S. GAAP. Some of these limitations are:

they do not reflect every cash expenditure, future requirements for capital expenditures or contractual commitments;

they do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced or require improvements in the future, and our EBITDA-based measures do not reflect any cash requirements for such replacements or improvements;

they are not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;

they do not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations;

they do not reflect limitations on our costs related to transferring earnings from our subsidiaries to us; and

other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, our EBITDA-based measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations, including those under the Notes. We compensate for these limitations by using our EBITDA-based measures along with other comparative tools, together with U.S. GAAP measurements, to assist in the evaluation of operating performance. Such U.S. GAAP measurements include operating income (loss), net income (loss), cash flows from operations and cash flow data. We have significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in our EBITDA-based measures.

Our EBITDA-based measures are not intended as alternatives to net income (loss) as indicators of our operating performance, as alternatives to any other measure of performance in conformity with U.S. GAAP or as alternatives to cash flow provided by operating activities as measures of liquidity. You should therefore not place undue reliance on our EBITDA-based measures or ratios calculated using those measures. Our U.S. GAAP-based measures can be found in our consolidated financial statements and the related Notes, included elsewhere in this prospectus.

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**PROSPECTUS SUMMARY**

*This summary may not contain all of the information that may be important to you. You should read this prospectus carefully in its entirety before making an investment decision. In particular, you should read the section entitled "Risk Factors" included elsewhere in this prospectus and the consolidated financial statements (including notes) included in this prospectus.*

*The term "initial notes" refers to the 10.875% First Mortgage Notes due 2017 that were issued on April 7, 2010 in a private offering. The term "exchange notes" refers to the 10.875% First Mortgage Notes due 2017 offered with this prospectus. The term "notes" refers to the initial notes and the exchange notes, collectively.*

**Our Company**

We are a family entertainment resort company that provides our guests with a high-quality vacation at an affordable price. We are the largest owner, licensor, operator and developer in North America of drive-to family resorts featuring indoor waterparks and other family-oriented entertainment activities based on the number of resorts in operation. Each of our resorts features approximately 300 to 600 family suites, each of which sleeps from six to ten people and includes a wet bar, microwave oven, refrigerator and dining and sitting area. We provide a full-service entertainment resort experience to our target customer base: families with children ranging in ages from 2 to 14 years old that live within a convenient driving distance of our resorts. We operate and license resorts under our Great Wolf Lodge® and Blue Harbor Resort™ brand names and have entered into licensing arrangements with third parties relating to the operation of resorts under the Great Wolf Lodge brand name. Our resorts are open year-round and provide a consistent, 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 some or all of the following revenue-generating amenities: themed restaurants, ice cream shop and confectionery, full-service adult spa, kid spa, game arcade, gift shop, miniature golf, interactive game attractions, family tech center and meeting space. We also generate revenues from licensing arrangements, management fees and other fees with respect to our operation or development of properties owned in whole or in part by third parties.

Each of our Great Wolf Lodge resorts has a Northwoods lodge theme, designed in a Northwoods cabin motif with exposed timber beams, massive stone fireplaces, Northwoods creatures including mounted wolves and an animated two-story Clock Tower that provides theatrical entertainment for younger guests. All of our guest suites are themed luxury suites, ranging in size from approximately 385 square feet to 1,970 square feet.

The indoor waterparks in our existing Great Wolf Lodge resorts range in size from approximately 34,000 to 84,000 square feet and include decorative rockwork and plantings. The focus of each Great Wolf Lodge waterpark is our signature 12-level treehouse waterfort, an interactive water experience for the entire family that features over 60 water effects and is capped by an oversized bucket that dumps between 700 and 1,000 gallons of water every five minutes. Our waterparks also feature a combination of high-speed body slides and inner tube waterslides, smaller slides for younger children, zero-depth water activity pools with geysers, a water curtain, fountains and tumble buckets, a lazy river, additional activity pools for basketball, open swimming and other water activities and large free-form hot tubs, including hot tubs for adults only.

**Properties**

Innovators in our industry segment, we constantly seek to improve the facilities, amenities, attractions and features at our resorts to enhance our guests' vacation experience, generate additional on-site revenue and drive repeat and referral business. We refer to our original resort properties, which include our resorts in Wisconsin Dells, WI; Sandusky, OH; Traverse City, MI; and Kansas City, KS as Generation I resorts. The Generation I resorts are relatively smaller properties with approximately 300 rooms or less. Since 2004, we have

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successfully developed seven Great Wolf Lodge properties which we refer to as Generation II resorts, which include our properties in Williamsburg, VA; Pocono Mountains, PA; Niagara Falls, ONT; Mason, OH; Grapevine, TX; Grand Mound, WA; and Concord, NC. Generation II resorts have approximately 400 rooms or more and a wider range of amenities than our Generation I resorts. For the year ended December 31, 2009, on a same store basis, our Generation II resorts had a 65.4% occupancy rate, an average daily rate ( ADR ) of \$265.80, revenue per available room ( RevPAR ) of \$173.75 and revenue per occupied room ( RevPOR ) of \$405.43, compared to 52.7% occupancy, ADR of \$191.45, RevPAR of \$100.92 and RevPOR of \$288.87 for our Generation I resorts. For the six months ended June 30, 2010, our Generation II resorts had a 64.8% occupancy rate, ADR of \$269.36, RevPAR of \$174.48 and RevPOR of \$418.26, compared to 51.9% occupancy rate, ADR of \$198.88, RevPAR of \$103.15 and RevPOR of \$303.29 for our Generation I resorts. The three resorts that will be subject to mortgages to secure the note guarantees are Generation II resorts, and our business plan contemplates that any new Great Wolf Lodge resorts we license, manage, invest in or build would be Generation II resorts.

The following table presents an overview of our portfolio of resorts. As of June 30, 2010, we operated and/or have entered into licensing arrangements relating to the operation of 11 Great Wolf Lodge resorts (our signature Northwoods-themed resorts), and one Blue Harbor Resort (a nautical-themed property). We anticipate that most of our future resorts will be licensed and/or developed under our Great Wolf Lodge brand, but we may operate and/or enter into licensing arrangements with regard to additional nautical-themed resorts under our Blue Harbor Resort brand or other resorts in appropriate markets.

	<b>Ownership Percentage</b>	<b>Opened</b>	<b>Number of Guest Suites</b>	<b>Number of Condo Units(1)</b>	<b>Indoor Entertainment Area(2) (Approx. sq. ft.)</b>
Wisconsin Dells, WI(3)		1997	308	77	102,000
Sandusky, OH(3)		2001	271		41,000
Traverse City, MI	100%	2003	280		57,000
Kansas City, KS	100%	2003	281		57,000
Sheboygan, WI	100%	2004	182	64	54,000
Williamsburg, VA(4)	100%	2005	405		87,000
Pocono Mountains, PA(4)	100%	2005	401		101,000
Niagara Falls, ONT(5)		2006	406		104,000
Mason, OH(4)	100%	2006	401		105,000
Grapevine, TX(4)	100%	2007	605		110,000
Grand Mound, WA(6)	49%	2008	398		74,000
Concord, NC(4)	100%	2009	402		97,000

(1) Condominium units are individually owned by third parties and are managed by us.

(2) Our indoor entertainment areas generally include our indoor waterpark, game arcade, children's activity room, family tech center, MagiQuest® (an interactive game attraction) and fitness room, as well as our spa in the resorts that have such amenities.

(3) These properties are owned by CNL Lifestyle Properties, Inc. ( CNL ), a real estate investment trust focused on leisure and lifestyle properties. Prior to August 2009, these properties were owned by a joint venture between

CNL and us. In August 2009 we sold our 30.26% joint venture interest to CNL for \$6.0 million. We currently manage both properties and license the Great Wolf Lodge brand to these resorts.

- (4) Five of our properties (Great Wolf Lodge resorts in Williamsburg, VA; Pocono Mountains, PA; Mason, OH; Grapevine, TX and Concord, NC) each had a book value of fixed assets equal to ten percent or more of our total assets as of June 30, 2010 and each of those five properties had total revenues equal to ten percent or more of our total revenues for the six months ended June 30, 2010.

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- (5) An affiliate of Ripley Entertainment, Inc. ( Ripley ), our licensee, owns this resort. We have granted Ripley a license to use the Great Wolf Lodge name for this resort through April 2016. We managed the resort on behalf of Ripley through April 2009.
- (6) This property is owned by a joint venture. The Confederated Tribes of the Chehalis Reservation ( Chehalis ) owns a 51% interest in the joint venture, and we own a 49% interest. We manage the property and license the Great Wolf Lodge brand to the joint venture under long-term agreements through April 2057, subject to earlier termination in certain situations. The joint venture leases the land for the resort from the United States Department of the Interior, which is trustee for Chehalis.

## **Competitive Strengths**

We are the market leader for family entertainment resorts that feature indoor waterparks and other family-oriented amenities in North America. Our competitive strengths include:

*Significant barriers to entry with an established first mover advantage.* We strive to be the first operators of family entertainment resorts featuring indoor waterparks in our selected target markets, and our resorts have typically been the first indoor waterpark resorts to open in their respective markets. Our experience in establishing 12 family-focused resorts and the economies of scale resulting from our current operation of multiple resorts provide us with the ability to move into a selected target market quickly. We believe there are significant barriers to entry in our industry segment that discourage others from developing similar resorts, including operational complexity, substantial capital requirements, availability of suitable sites in desirable markets and a challenging, multi-year permitting process. A new Great Wolf Lodge resort typically costs in excess of \$120.0 million and takes from one to three years to develop and permit, and an additional 18 months or more to build. We believe that the combination of our first mover advantage, existing economies of scale and the significant barriers to entry in our target markets provide us with a competitive advantage.

*Strong brand name awareness.* Our Great Wolf Lodge brand name is well recognized in our industry. We are the largest owner, licensor and operator of family entertainment resorts with indoor waterparks in North America based on the number of resorts in operation. Our Great Wolf Lodge brand is symbolized by our distinctive and easily identifiable theming, from our signature treehouse waterfort, to our mascots and recognizable logos and merchandise. We believe that our strong brand awareness has helped foster strong customer and brand loyalty, which is evidenced by high levels of repeat and referral guests. We will continue to focus on ensuring that each of our guests associates the Great Wolf Lodge brand with a memorable and consistent family vacation experience.

*Resilient business model.* Our business model generally targets customers within a three-hour driving radius of our resorts. We believe recent vacation trends favor our business model as families increasingly choose to take shorter, more frequent vacations within driving distance of their homes. We are well positioned to continue to take advantage of these trends. We also believe that our resorts offer a high-quality vacation at an affordable price, which appeals to families during all stages of the economic cycle. We believe our resorts are less affected by changes in the economic cycle than are other vacation destinations, as drive-to destinations are generally less expensive and more convenient than destinations that require air travel. For the year ended December 31, 2009, Great Wolf Resorts' same store RevPAR decreased 6.8% in constant dollar terms versus a 16.7% RevPAR decrease for the overall U.S. hotel industry, according to Smith Travel Research data. We also believe we have a significant opportunity to increase group demand from our current levels as we increase utilization of the meeting space at several of our newer resorts.

*Positioned for economic recovery.* During the past two years we have positioned our business to benefit in an economic recovery. We have completed the construction of each of our resorts, and therefore have no current



development exposure. We have also strengthened our capital structure, extending the maturities of our near-term debt so that we have no debt maturities until April 2012. Additionally, we have taken steps to sell non-core assets. In August 2009, we closed on the sale of our 30.26% interest in the Great Wolf Lodge properties in Wisconsin Dells, WI and Sandusky, OH. All of these steps have

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allowed us to focus on our core operations, eliminate development risk from our portfolio and improve cash flows.

*Extensive customer database through a centralized service center drives repeat and referral business.* Since 1997, we have accumulated an extensive customer database, which allows us to market directly to our customers and drive repeat and referral business. Despite the recent economic downturn, our repeat and referral business has continued to grow, which we believe is a testament to the quality of our business. For the six months ended June 30, 2010, we estimate that approximately 62.8% of our business came from repeat and referral guests.

In addition, by centralizing certain of our services, we focus on decreasing our per-unit costs. Centralized services provide operational efficiency, increasing our control over those services and positioning ourselves to deliver a higher quality of service to our customers. For example, our central reservations call center operates every day of the year and accepts reservations for our resorts. The call center also has the capacity to efficiently handle high call volumes and should require limited incremental costs as we grow our portfolio. We have also increased the efficiency and functionality of our web-based online reservations system, which we expect to allow us to further efficiently handle an increasing volume of guest reservations with limited incremental costs.

*Expected growth from select resort expansions and openings.* In March 2009, we completed construction of the Great Wolf Lodge in Concord, North Carolina. The resort features 402 guest suites and approximately 97,000 square feet of indoor entertainment, including an 84,000 square foot indoor waterpark. The resort also offers a number of revenue-enhancing amenities and an approximately 20,000 square foot conference center. In addition, our Grapevine, Texas resort completed an expansion in January 2009 that includes 203 additional guest suites and approximately 21,000 square feet of additional meeting space. We expect that our results will improve as our Concord resort begins to stabilize and due to the additional guest suites and meeting space at our Grapevine resort.

*Strategic transition to a license and management model.* We anticipate that our future development projects will be structured as joint ventures or 100% license and management projects. This strategic shift is designed to allow more efficient use of capital as we expand our operation while continuing to leverage our brand, business model and operating expertise. In addition, we believe that numerous opportunities exist to partner with owners of existing hotels and resorts with indoor waterparks that are in need of management expertise.

*Several development projects under letter of intent.* We have entered into non-binding letters of intent with respect to several projects at various stages of development, including proposed joint venture projects to develop resorts with one or more partners while contributing a minority of the total equity for the project. If we choose to move forward with any such projects, we will seek to construct these resorts through joint ventures and manage them after opening in return for development, management, marketing and licensing fees to be paid to us. We plan to pursue these proposed projects as financing availability permits. We have previously entered into resort ownership joint ventures with Paramount Parks, CNL Lifestyle Properties and The Confederated Tribes of the Chehalis Reservation, and we are actively exploring potential joint venture arrangements for future properties.

*Significant portfolio of product offerings that increase ancillary on-site revenues.* Our resorts feature a number of proprietary and branded products and entertainment options that increase ancillary on-site revenues and distinguish our resorts' self-contained vacation experience. These products include Buckhorn Exchange<sup>®</sup> gift shop, Elements<sup>™</sup> Spa and Salon, Youkon Jack<sup>™</sup> Game Parlor, Northern Lights Arcade<sup>™</sup>, Cub Club<sup>™</sup>, Scoops<sup>®</sup> Kid Spa, remote control car racing and miniature golf. Nine of our resorts feature a MagiQuest<sup>®</sup> attraction, an interactive, live-action, fantasy adventure game that guests can play throughout the resort. Additionally, four of our resorts feature an approximately 1,000 square foot interactive family tech center, gr8\_space<sup>™</sup>, which features multiple computer stations offering Internet access, docking stations for digital music players and multiple gaming stations. We believe that these ancillary products will continue to drive additional revenues and enhance the guest experience and



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brand loyalty. We believe that the RevPOR performance of our Generation II resorts is due to a significant extent to the superior amenities provided at those resorts.

*International growth opportunities.* We believe that our Great Wolf Lodge brand can be successfully leveraged in certain international markets. We are currently discussing opportunities with potential international partners to build Great Wolf Lodge resorts beyond North America. Similar to our arrangement with Ripley's in Niagara Falls, Ontario, we are seeking to enter into licensing and/or management agreements with experienced companies that have local market knowledge in order to increase revenues and expand the reach of our Great Wolf Lodge brand.

*Continual innovation.* We intend to leverage our in-house expertise, in conjunction with the knowledge and experience of our third-party suppliers and designers, to develop and implement the latest innovations in family entertainment activities and amenities, including waterpark attractions. We have received numerous industry awards for our guests' experiences, our operations, innovative development, sales and marketing initiatives and materials, and employee retention. We are currently exploring several new concepts that, we believe, will allow us to generate additional revenue without requiring significant capital investment. While these concepts are still in the initial stages of development, we are seeking to innovatively extend our brand and to take these concepts to market.

*Strong management team with skilled resort level staff.* Our executive management team includes five individuals who are responsible for our strategic direction and have an average of eight years of experience with Great Wolf Resorts and nineteen years of industry experience. Our executive management has significant experience in the hospitality, family entertainment and real estate development industries and has significant expertise in operating complex, themed family entertainment resorts featuring indoor waterparks. In addition, we have a team of skilled, loyal and committed employees at each of our resorts. We offer our resort employees a number of benefits, including what we believe is a positive and rewarding work environment, career-oriented training, the ability to obtain consistent year-round work, which is uncommon in the resort industry, and career growth opportunities. As a result, we believe our employees are committed to delivering a superb customer experience and helping to assure that our guests fully enjoy their family vacations.

*Focus on Safety.* We invest heavily in safety measures in the design, construction and operation of our resorts. For example, we specifically design our waterparks with attention to sightlines and safety precautions and use one of the most respected training methods in the water safety industry to train each of our lifeguards. We design and construct our indoor waterparks with state-of-the-art air quality and water treatment systems. We also maintain and periodically upgrade our facilities to ensure that we provide our guests with best-in-class safety measures and systems.

## **Business and Growth Strategies**

Our primary business objective is to increase long-term investor value by executing our growth strategies, which include:

*Leveraging Our Competitive Advantages and Increasing Domestic Geographic Diversification through a Licensing-Based Business Model and Joint Venture Investments in Target Markets.* We are seeking to grow our business and diversify our domestic geographic brand footprint in a capital-efficient manner primarily through a licensing-based business model. This business model is designed to further exploit our competitive advantages of being the first-mover in the indoor waterpark resort business, our strong brand equity and our waterpark resort management expertise. We seek opportunities to earn fees through licensing our brand and managing new resorts that are constructed and developed primarily by third-party owners and may also make minority investments in joint ventures that own licensed resorts in order to share in any equity appreciation and profits of those resorts. Our proposed transactions to license and manage new resorts near the Galleria at Pittsburgh Mills in Tarentum, Pennsylvania and in Garden Grove, California, are examples of typical

transactions under this strategy. We expect this business model to allow us to deploy our capital resources more efficiently, reduce our overall leverage

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and diversify our operations geographically, since we will not be fully responsible for the construction and ownership of the licensed resorts, and will generally not be required to incur associated mortgage or construction debt. In addition, this business model is designed to allow us to more quickly expand domestically, reducing our sensitivity to economic conditions affecting any single region.

*Expanding Our Brand Footprint Internationally.* We also plan to use our licensing-based business model to efficiently expand our business internationally. Similar to our arrangement with Ripley's in Niagara Falls, Ontario, we seek to enter into license and/or management agreements with reputable companies that have local market knowledge in order to increase revenues and expand the international footprint of our Great Wolf Lodge brand. We may also seek to make strategic minority joint venture investments in the licensed resorts in order to share in the profits and equity appreciation of the resorts. We believe this model is the most efficient strategy for international expansion, since it enables us to leverage the local expertise of our joint venture partners while minimizing our capital investment.

*Selective Sales of Ownership Interests/Recycling of Capital.* We will selectively consider opportunities to sell partial or whole interests in one or more of our owned and operated properties, as we did in our CNL joint venture. We intend to continue to manage and/or license our Great Wolf Lodge branded resorts, and we will consider transactions that allow us to maintain our management/licensing agreement at a resort while realizing value through our selective sales. In those situations, we expect to recycle capital generated by such transactions for investment in future growth opportunities.

*Expanding and Enhancing Existing Resorts.* We will continue to focus on growth opportunities at our existing resorts by adding revenue-enhancing features that drive ancillary spending and that we believe will meet our return on investment requirement, including non-water based attractions. We also intend to continue to evaluate incremental revenue-generating opportunities, such as expanding the number of rooms at certain of our resorts.

*Continuing to Innovate.* We intend to leverage our in-house expertise, in conjunction with the knowledge and experience of our third-party suppliers and designers, to develop and implement the latest innovations in family entertainment activities and amenities, including waterpark attractions. We have received numerous industry awards for our guests' experiences, our operations, innovative development, sales and marketing initiatives and materials and employee retention. We are currently exploring several new concepts that, we believe, will allow us to generate additional revenue without requiring significant capital investment. Among these concepts is an adaptive re-use model, pursuant to which we would license the right to use entertainment features currently used in Great Wolf resorts to existing, full-service hotels, featuring family-oriented activities. While these concepts are still in the initial stages of development, we are seeking to innovatively extend our brand and to take these concepts to market.

*Maximizing Total Resort Revenues.* We will continue to employ aggressive yield management techniques and sales and marketing efforts to maximize room revenues at both our owned and managed resorts. During off-peak times (generally in May and September, and during the middle of weeks when schools are in session), we will seek to maintain higher occupancy by holding special events and targeting group sales and conferences. We will also seek to maximize other on-site revenue, such as food and beverage, entertainment and merchandise revenue through themed restaurants, ice cream shops, snack shops, adult and kids spas, gift shops, game arcades, MagiQuest, mini-golf and teen-themed areas. We have also entered into a number of co-marketing agreements with strategic partners and expect to enter into additional co-marketing agreements in the future in order to increase other revenue.

*Minimizing Total Resort Costs.* We seek to reduce operating costs by leveraging our purchasing power with respect to operating supplies, food and beverage, insurance and employee benefits. By centralizing certain of our services, we also seek to reduce our per-unit costs, while increasing our control over those services in order to deliver a greater quality of service to our customers. Our centralized reservations system is scalable and, together with our web-based reservations system, enables us to

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efficiently handle high reservation volumes and which we expect to require limited incremental costs over the next several years as we increase our portfolio of resorts.

*Building Upon Our Existing Brand Awareness and Loyalty.* Our Great Wolf Lodge brand is recognizable by our customers because of our distinctive and easily identifiable theming, from our signature treehouse waterfort, to our mascots and distinctive logos and merchandise. We believe we have fostered strong customer and brand loyalty, which is evidenced by our high levels of repeat and referral guests. We will continue to focus on ensuring that each of our guests associates the Great Wolf Lodge brand with a memorable and consistent family vacation experience.

## **Industry**

We operate in the family entertainment resort segment of the travel and leisure industry. The concept of a family entertainment resort with an indoor waterpark was first introduced to the United States in Wisconsin Dells, WI, and has evolved there since 1987. In an effort to boost occupancy and daily rates, as well as capture off-season demand, hotel operators in the Wisconsin Dells market began expanding indoor pools and adding waterslides and other water-based attractions to existing hotels and resorts. The success of these efforts prompted several local operators to build new, larger destination resorts based primarily on this concept, including the Wilderness Hotel & Golf Resort, Treasure Island, Raintree Resort, Kalahari and the Great Wolf Lodge (formerly known as the Black Wolf Lodge), which our predecessor company purchased in 1999.

We believe that resorts have proven popular because of several factors, including the ability to provide a year-round vacation destination without weather-related risks, the wide appeal of water-based recreation and the favorable trends in leisure travel discussed below. No operator or developer other than us has established a national portfolio of destination family resorts featuring indoor waterparks.

No standard industry definition for a family entertainment resort featuring an indoor waterpark has developed. A Hotel & Leisure Advisors, LLC survey as of June 2010 indicates that there were 144 open indoor waterpark resort properties in the United States and Canada. Of the total, 51 are considered indoor waterpark destination resorts offering more than 30,000 square feet of indoor waterpark space. Of these 51 properties, 11 are our resorts. Most of our resorts are located in well-established, traditional drive-to family vacation destinations, allowing us to leverage the popularity of these destinations by offering a complementary entertainment option to existing venues and a high-quality family resort alternative. In addition, many of these destinations offer beaches, theme parks, waterparks, amusement parks and many other forms of outdoor activities that are only available on a seasonal basis. Within our enclosed resort environment, our guests can enjoy a total resort experience year round, regardless of weather conditions.

## **Recent Developments**

On January 13, 2010, we announced that we had signed a non-binding letter of intent related to the proposed development of a Great Wolf Lodge resort adjacent to The Galleria at Pittsburgh Mills in Tarentum, Pennsylvania, outside of Pittsburgh. The resort will be developed by Zamias Services, Inc., a real estate developer and services provider. The proposed development is subject to the execution of definitive documentation. If we enter into definitive agreements with regard to this proposed development, it is expected that we will receive license fees for use of the Great Wolf Lodge brand name and other intellectual property at the proposed resort, and will receive management fees to operate the resort on behalf of Zamias as the owner. We will also advise on certain development-related matters. The proposed resort will be owned by a joint venture and we expect to own a small ownership percentage in this joint venture. The Pittsburgh resort will be our fourth licensed and managed resort under our licensing-based business model.



On June 7, 2010, we acquired a 62.4% equity interest in Creative Kingdoms, LLC in exchange for all of the \$8.7 million principal balance, plus accrued interest of approximately \$1.3 million, of convertible indebtedness owed to us by Creative Kingdoms. Creative Kingdoms is a developer of experiential gaming products including MagiQuest, an interactive game attraction available at nine of our resorts. Creative

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Kingdoms also licenses or has sold to other parties several stand-alone MagiQuest facilities or similar attractions.

On June 28, 2010, we announced that we have executed license and management agreements related to the development of a new 600-suite Great Wolf Lodge resort in Garden Grove, California's world famous International West Resort. The new resort will be located less than two miles from Disneyland, near Anaheim and Los Angeles, and will be developed by McWhinney, a diversified real estate company. We will receive license fees for use of the Great Wolf Lodge brand name and other intellectual property at the resort, and will receive management fees to operate the resort on behalf of the owner. The resort will be owned by a joint-venture, with Great Wolf Resorts receiving a minority equity interest for its development-related services. Additionally, the City of Garden Grove will contribute cash and bond proceeds to the resort, as well as establish a financing district to develop an adjacent parking structure.

On July 14, 2010, we announced the opening of the first Scoops Kid Spa outside of a Great Wolf Resorts property. The first freestanding Scoops Kid Spa opened in August 2010 at Mall of America, a popular retail destination and entertainment complex in Bloomington, Minnesota. As the nation's largest retail and entertainment complex, Mall of America welcomes more than 40 million visitors each year.

**Capital Structure**

The following diagram sets forth our current capital structure. The following is a condensed chart and it does not show all of our operating and other intermediate companies.

- (1) Issuer of \$80.5 million of junior subordinated notes due 2017 and 2035 as of June 30, 2010 (which provide payments with respect to the \$80.5 million of trust preferred securities issued by direct subsidiaries of Great Wolf Resorts, Inc.). Obligor on \$0.1 million of other indebtedness as of June 30, 2010. Guarantor with respect to the \$78.6 million construction loan due 2012, which is secured by the Concord resort (see note (4), below).
- (2) Obligor on a mortgage loan due 2015, which is secured by the Traverse City and Kansas City resorts (\$68.0 million outstanding as of June 30, 2010). Is not a guarantor of the notes. Subject to a lock-box cash management arrangement, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity Capital Resources.

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- (3) Obligor on a mortgage loan due 2017, which is secured by the Pocono Mountains resort (\$94.9 million outstanding as of June 30, 2010). Is not a guarantor of the notes.
- (4) Obligor on a construction loan due 2012, which is secured by the Concord resort (\$78.6 million outstanding as of June 30, 2010). Is not a guarantor of the notes.
- (5) Obligor on City of Sheboygan bonds due 2028 payable in the form of minimum room tax payments from the Sheboygan resort (\$8.6 million of liabilities recorded as of June 30, 2010). Obligor on a City of Sheboygan loan due 2018, payable in the form of minimum real and personal property tax payments from the Sheboygan resort (\$3.2 million of liabilities recorded as of June 30, 2010). Is not a guarantor of the notes.
- (6) Co-Issuer of the notes.
- (7) Guarantor of the notes. The guarantee of each relevant entity is secured by a first mortgage on the resort owned by such entity, along with a first-priority security interest in other assets held by such entity, subject to certain exceptions. See Description of Notes Security.
- (8) Guarantor of the notes on a senior unsecured basis.
- (9) Guarantor of the notes on a senior unsecured basis. Great Lakes Services, LLC ( Great Lakes Services ) is the holder of substantially all of our intellectual property, including our trade names, as well as substantially all of our currently outstanding management and licensing agreements. It is also a guarantor with respect to any shortfalls on the minimum payments under the Sheboygan bonds and the Sheboygan loan (see Note (5)).
- (10) Is not a guarantor of the notes.
- (11) Is not a guarantor of the notes. Obligor on a mortgage loan due August 2012, which is secured by the Grand Mound resort (\$99.6 million outstanding as of June 30, 2010).

**Company Information**

Our parent, Great Wolf Resorts, was organized under the laws of the State of Delaware in May 2004 to succeed to the family entertainment resort business of the predecessor companies, The Great Lakes Companies, Inc. and a number of its related entities (collectively, Great Lakes ). Great Wolf Resorts' initial public offering occurred shortly after its formation, and its common stock is listed on the NASDAQ Global Market under the ticker symbol WOLF. Great Lakes had developed and operated hotels since 1995. In 1999, Great Lakes began its resort operations by purchasing the Great Wolf Lodge in Wisconsin Dells, WI and developing the Great Wolf Lodge in Sandusky, OH, which opened in 2001.

GWR Operating Partnership, L.L.L.P. is a limited liability limited partnership organized under the laws of the State of Delaware in July 2004. Great Wolf Finance Corp. is a corporation organized under the laws of the State of Delaware in March 2010 to serve as co-issuer for the notes. Our principal mailing address is 122 Washington Ave., Madison, WI 53703, and our telephone number is (608) 661-4700.

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**SUMMARY OF THE EXCHANGE OFFER**

We are offering to issue \$230,000,000 aggregate principal amount of our exchange notes and certain related guarantees in exchange for a like aggregate principal amount of our initial notes and the related guarantees. In order to exchange your initial notes, you must properly tender them, and we must accept your tender. We will exchange all outstanding initial notes that are validly tendered and not validly withdrawn.

Exchange Offer	We will issue our exchange notes and certain related guarantees in exchange for a like aggregate principal amount of our initial notes and the related guarantees.
Expiration Date	This exchange offer will expire at 5:00 p.m., New York City time, on _____, 2010, unless we decide to extend it.
Conditions to the Exchange Offer	<p>We will complete this exchange offer only if:</p> <ul style="list-style-type: none"><li>there is no change in the laws and regulations which would impair our ability to proceed with this exchange offer,</li><li>there is no change in the current interpretation of the staff of the Commission which permits resales of the exchange notes,</li><li>there is no stop order issued by the Commission which would suspend the effectiveness of the registration statement which includes this prospectus or the qualification of the exchange notes under the Trust Indenture Act of 1939,</li><li>there is no litigation or threatened litigation which would impair our ability to proceed with this exchange offer, and</li><li>we obtain all the governmental approvals we deem necessary to complete this exchange offer.</li></ul> <p>Please refer to the section in this prospectus entitled "The Exchange Offer Conditions to the Exchange Offer."</p>
Procedures for Tendering Initial Notes	To participate in this exchange offer, you must complete, sign and date the letter of transmittal or its facsimile and transmit it, together with your initial notes to be exchanged and all other documents required by the letter of transmittal, to U.S. Bank National Association, as exchange agent, at its address indicated under "The Exchange Offer Exchange Agent." In the alternative, you can tender your initial notes by book-entry delivery following the procedures described in this prospectus. For more information on tendering your notes, please refer to the section in this prospectus entitled "The Exchange Offer Procedures for Tendering Initial Notes."
Special Procedures for Beneficial Owners	

If you are a beneficial owner of initial notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your initial notes in the exchange offer, you should contact the registered holder promptly and instruct that person to tender on your behalf.

Guaranteed Delivery Procedures

If you wish to tender your initial notes and you cannot get the required documents to the exchange agent on time, you may tender your notes by using the guaranteed delivery procedures described under the section of this prospectus entitled The Exchange

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	Offer Procedures for Tendering Initial Notes Guaranteed Delivery Procedure.
Withdrawal Rights	You may withdraw the tender of your initial notes at any time before 5:00 p.m., New York City time, on the expiration date of the exchange offer. To withdraw, you must send a written or facsimile transmission notice of withdrawal to the exchange agent at its address indicated under The Exchange Offer Exchange Agent before 5:00 p.m., New York City time, on the expiration date of the exchange offer.
Acceptance of Initial Notes and Delivery of Exchange Notes	If all the conditions to the completion of this exchange offer are satisfied, we will accept any and all initial notes that are properly tendered in this exchange offer on or before 5:00 p.m., New York City time, on the expiration date. We will return any initial note that we do not accept for exchange to you without expense promptly after the expiration date. We will deliver the exchange notes to you promptly after the expiration date and acceptance of your initial notes for exchange. Please refer to the section in this prospectus entitled The Exchange Offer Acceptance of Initial Notes for Exchange; Delivery of Exchange Notes.
Federal Income Tax Considerations Relating to the Exchange Offer	Exchanging your initial notes for exchange notes will not be a taxable event to you for United States federal income tax purposes. Please refer to the section of this prospectus entitled United States Federal Income Tax Considerations.
Exchange Agent	U.S. Bank National Association is serving as exchange agent in the exchange offer.
Fees and Expenses	We will pay all expenses related to this exchange offer. Please refer to the section of this prospectus entitled The Exchange Offer Fees and Expenses.
Use of Proceeds	We will not receive any proceeds from the issuance of the exchange notes. We are making this exchange offer solely to satisfy certain of our obligations under our registration rights agreement entered into in connection with the offering of the initial notes.
Consequences to Holders Who Do Not Participate in the Exchange Offer	If you do not participate in this exchange offer:  except as set forth in the next paragraph, you will not necessarily be able to require us to register your initial notes under the Securities Act,  you will not be able to resell, offer to resell or otherwise transfer your initial notes unless they are registered under the Securities Act or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act, and

the trading market for your initial notes will become more limited to the extent other holders of initial notes participate in the exchange offer.

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You will not be able to require us to register your initial notes under the Securities Act unless:

the exchange offer is not permitted by applicable law or SEC policy;

the exchange offer is not consummated within 270 days after the closing date of the offering of initial notes;

you are prohibited by applicable law or SEC policy from participating in the exchange offer;

you are not eligible to participate in the exchange offer by law or SEC policy;

you may not resell the exchange notes you acquire in the exchange offer to the public without delivering a prospectus and that the prospectus contained in the exchange offer registration statement is not appropriate or available for such resales by you; or

you are a broker-dealer and hold initial notes acquired directly from us or one of our affiliates.

In these cases, the registration rights agreement requires us to file a registration statement for a continuous offering in accordance with Rule 415 under the Securities Act for the benefit of the holders of the initial notes described in this paragraph. We do not currently anticipate that we will register under the Securities Act any notes that remain outstanding after completion of the exchange offer.

Please refer to the section of this prospectus entitled "Risk Factors." Your failure to participate in the exchange offer will have adverse consequences.

Resales

It may be possible for you to resell the notes issued in the exchange offer without compliance with the registration and prospectus delivery provisions of the Securities Act, subject to the conditions described under "Obligations of Broker-Dealers" below.

To tender your initial notes in this exchange offer and resell the exchange notes without compliance with the registration and prospectus delivery requirements of the Securities Act, you must make the following representations:

you are authorized to tender the initial notes and to acquire exchange notes, and that we will acquire good and unencumbered title to those initial notes,



the exchange notes acquired by you are being acquired in the ordinary course of business,

you have no arrangement or understanding with any person to participate in a distribution of the exchange notes and are not participating in, and do not intend to participate in, the distribution of such exchange notes,

you are not an affiliate, as defined in Rule 405 under the Securities Act, of ours, or you will comply with the registration and

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prospectus delivery requirements of the Securities Act to the extent applicable,

if you are not a broker-dealer, you are not engaging in, and do not intend to engage in, a distribution of exchange notes, and

if you are a broker-dealer, initial notes to be exchanged were acquired by you as a result of market-making or other trading activities and you will deliver a prospectus in connection with any resale, offer to resell or other transfer of such exchange notes.

Please refer to the sections of this prospectus entitled The Exchange Offer Procedure for Tendering Initial Notes Proper Execution and Delivery of Letters of Transmittal, Risk Factors Risks Relating to the Exchange Offer Some persons who participate in the exchange offer must deliver a prospectus in connection with resales of the exchange notes and Plan of Distribution.

Obligations of Broker-Dealers

If you are a broker-dealer that receives exchange notes, you must acknowledge that you will deliver a prospectus in connection with any resales of the exchange notes. If you are a broker-dealer who acquired the initial notes as a result of market making or other trading activities, you may use the exchange offer prospectus as supplemented or amended, in connection with resales of the exchange notes. If you are a broker-dealer who acquired the initial notes directly from the issuers in the initial offering and not as a result of market making and trading activities, you must, in the absence of an exemption, comply with the registration and prospectus delivery requirements of the Securities Act in connection with resales of the exchange notes.

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**Summary of Terms of the Exchange Notes**

The following is a summary of the terms of this offering. For a more complete description of the notes as well as the definitions of certain capitalized terms used below, see "Description of Notes" in this prospectus.

Issuers	GWR Operating Partnership, L.L.L.P. Great Wolf Finance Corp.
Exchange Notes	\$230 million aggregate principal amount of 10.875% First Mortgage Notes due 2017. The forms and terms of the exchange notes are the same as the form and terms of the initial notes except that the issuance of the exchange notes is registered under the Securities Act, will not bear legends restricting their transfer and the exchange notes will not be entitled to registration rights under our registration rights agreement. The exchange notes will evidence the same debt as the initial notes, and both the initial notes and the exchange notes will be governed by the same indenture.
Maturity	April 1, 2017.
Interest Rate	10.875% per year.
Interest Payment Dates	April 1 and October 1 of each year, beginning on October 1, 2010. Interest will accrue from the issue date of the exchange notes.
Subsidiary Guarantees	The exchange notes will be fully and unconditionally guaranteed on a senior basis, jointly and severally, by Great Wolf Resorts and GWR OP General Partner, LLC (the "Parent Guarantors") and certain of our subsidiaries.
Security	<p>The note guarantees from our subsidiaries that own the Grapevine, Mason and Williamsburg Generation II resorts, which we refer to as the secured guarantors, will be secured by mortgages on our Grapevine, Mason and Williamsburg Generation II resorts and by a perfected (to the extent perfection can be achieved by the filing of UCC financing statements) first priority security interest in the existing and future assets of such subsidiaries, subject to certain exceptions.</p> <p>Only the note guarantees of the secured guarantors will be secured by the foregoing collateral. The exchange notes will not be secured by any of the assets of us, the Parent Guarantors or our subsidiaries. Furthermore, the exchange notes and the note guarantees are not secured by a pledge of any equity interests of the Company or any of our subsidiaries. The collateral securing the note guarantees will be pledged in favor of either the trustee or a collateral agent appointed under the indenture.</p>
Ranking	The exchange notes will be our senior obligations. As to right of payment, the exchange notes will rank (i) <i>pari passu</i> with our existing and future senior debt, (ii) senior to our future subordinated debt and (iii) effectively

junior to all existing and future liabilities of our subsidiaries that do not guarantee the notes and (iv) effectively junior to all of our future secured debt.

The note guarantees will be (i) senior obligations of each unsecured guarantor and (ii) senior secured obligations of each secured guarantor. The senior unsecured guarantees will rank (i) *pari passu* in

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right of payment with all existing and future senior debt, (ii) senior in right of payment with any existing and future subordinated debt and (iii) effectively junior in right of payment with all existing and future secured debt of the applicable guarantors to the extent of the value of the assets securing such debt. The senior secured guarantees will rank (i) *pari passu* in right of payment with all existing and future senior debt, (ii) senior in right of payment with all existing and future subordinated debt and (iii) senior in right of payment with any unsecured senior debt of the applicable subsidiary guarantors to the extent of the value of the assets securing such debt. For additional information regarding the notes, see the Description of Notes section of the this prospectus.

As of June 30, 2010, we have consolidated assets of \$805.9 million and consolidated total liabilities of \$611.3 million (based on the \$230.0 million principal amount of the notes), and the non-guarantor subsidiaries would have had total assets of \$529.9 million and total liabilities of \$390.1 million.

For the year ended December 31, 2009, we had:

consolidated total revenues of \$264.0 million, and the non-guarantor subsidiaries had total revenues of \$115.5 million;

consolidated total operating loss of \$(24.5) million, and the non-guarantor subsidiaries had total operating loss of \$(31.0) million;

consolidated net loss attributable to Great Wolf Resorts, Inc. of \$(58.5) million, and the non-guarantor subsidiaries had total net loss of \$(46.1) million; and

consolidated Adjusted EBITDA of \$66.0 million, and the non-guarantor subsidiaries had Adjusted EBITDA of \$25.7 million.

For the six months ended June 30, 2010, we had:

consolidated total revenues of \$139.1 million, and the non-guarantor subsidiaries had total revenues of \$64.7 million;

consolidated total operating income of \$0.2 million, and the non-guarantor subsidiaries had total operating income of \$2.2 million;

consolidated net loss attributable to Great Wolf Resorts, Inc. of \$(20.8) million, and the non-guarantor subsidiaries had total net loss of \$(6.0) million; and

consolidated Adjusted EBITDA of \$32.0 million, and the non-guarantor subsidiaries had Adjusted EBITDA of \$14.9 million.

For a reconciliation of Adjusted EBITDA of our non-guarantor subsidiaries to their operating income, see note (5) to the statement of operations of Great Wolf Resorts for the years ended December 31, 2009, 2008 and 2007 and six months ended June 30, 2010 and 2009, set forth under Summary Consolidated Financial Data of Great Wolf Resorts.

Optional Redemption

At any time prior to April 1, 2014, we may redeem the exchange notes, in whole or in part, at a price equal to 100% of the principal amount of exchange notes, redeemed, plus a make-whole

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premium as described under Description of the Notes Optional Redemption, plus accrued and unpaid interest and Special Interest, if any, to the date of redemption. Commencing April 1, 2014, we may redeem the exchange notes, in whole or in part, at any time at a premium declining ratably to zero as described under Description of Notes Optional Redemption, plus accrued and unpaid interest and Special Interest, if any, to the date of redemption.

Optional Redemption after Equity Offerings

At any time prior to April 1, 2013, we may redeem up to 35% of the outstanding exchange notes at a redemption price of 110.875% of the principal amount, plus accrued and unpaid interest, with the net cash proceeds of one or more equity offerings by Great Wolf Resorts that are contributed to us; *provided* that at least 50% of the aggregate principal amount of notes issued under the indenture remains outstanding immediately after the occurrence of such redemption and such redemption occurs within 60 days of the closing of the equity offering.

Change of Control Offer

If a change of control occurs, we must offer to repurchase the exchange notes at 101% of their principal amount, plus accrued and unpaid interest. We may not have sufficient funds available at the time of any change of control to effect the repurchase, if required.

Asset Sales and Events of Loss

If we or any of our restricted subsidiaries sell certain assets, we may be required to repurchase the exchange notes on the terms set forth in the Description of Notes section of this prospectus.

In addition, if we or any of our subsidiaries that own the Grapevine, Mason and Williamsburg Generation II resorts experience certain events of loss in respect of those Generation II resorts, we may be required to repurchase the exchange notes on the terms set forth in the Description of Notes section of this prospectus.

Certain Indenture Provisions

The indenture governing the exchange notes contains covenants restricting our, our restricted subsidiaries and, for certain covenants, our Parent Guarantors ability to:

pay dividends or distributions or repurchase equity;

incur additional debt;

make investments;

create liens on assets to secure debt;

merge or consolidate with another company;

transfer and sell assets;

enter into transactions with affiliates;

engage in other businesses;

issue disqualified stock;

create dividend and other payment restrictions affecting subsidiaries; and

designate restricted and unrestricted subsidiaries.



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Use of Proceeds	We will not receive any proceeds from the issuance of the exchange notes in exchange for the outstanding initial notes. We are making this exchange offer solely to satisfy our obligations under the registration rights agreement entered into in connection with the offering of the initial notes.
Original Issue Discount	Because the initial notes were issued with original issue discount, the exchange notes should be treated as having been issued with original issue discount for U.S. federal income tax purposes. Thus, U.S. Holders (as defined in <a href="#">Certain United States Federal Income Tax Considerations</a> ) will be required to include amounts representing any such original issue discount in gross income on a constant yield basis for United States federal income tax purposes in advance of the receipt of cash payments to which such income is attributable. See <a href="#">Certain United States Federal Income Tax Considerations</a> .
Governing Law	The laws of the State of New York.
Absence of a Public Market for the Exchange Notes	The exchange notes are new securities with no established market for them. We cannot assure you that a market for these exchange notes will develop or that this market will be liquid. Please refer to the section of this prospectus entitled <a href="#">Risk Factors - Risks Relating to the Exchange Offer</a> . There may be no active or liquid market for the exchange notes.
Form of the Exchange Notes	The exchange notes will be represented by one or more permanent global securities in registered form deposited on behalf of The Depository Trust Company with U.S. Bank National Association, as custodian. You will not receive exchange notes in certificated form unless one of the events described in the section of this prospectus entitled <a href="#">Description of Notes - Book Entry; Delivery and Form - Exchange of Book Entry Notes for Certificated Notes</a> occurs. Instead, beneficial interests in the exchange notes will be shown on, and transfers of these exchange notes will be effected only through, records maintained in book-entry form by The Depository Trust Company with respect to its participants.
Risk Factors	You should refer to the section entitled <a href="#">Risk Factors</a> , beginning on page 23, for a discussion of certain risks involved in investing in the notes.

For additional information regarding the notes, see the [Description of Notes](#) section of this prospectus.

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**SUMMARY CONSOLIDATED FINANCIAL DATA OF GREAT WOLF RESORTS**

**Overview**

The following summary consolidated financial data should be read in conjunction with, and are qualified by reference to, Great Wolf Resorts' periodic SEC filings, which are incorporated by reference in this prospectus. The summary consolidated financial data as of and for the years ended December 31, 2009, 2008 and 2007, are derived from Great Wolf Resorts' audited consolidated financial statements included in this prospectus. The summary consolidated financial data as of and for the six months ended June 30, 2010 and 2009, are derived from Great Wolf Resorts' unaudited consolidated financial statements included in this prospectus. To review Great Wolf Resorts' selected financial information for the years ended December 31, 2006 and 2005, see the information under the heading "Selected Consolidated Financial Data of Great Wolf Resorts". The historical results are not necessarily indicative of future results.

Great Wolf Resorts' consolidated financial information includes:

our subsidiary entity that provides resort development and management/licensing services;

our Traverse City, Kansas City, Sheboygan, Williamsburg, Pocono Mountains, Mason, Grapevine and Concord operating wholly-owned resorts;

our subsidiary that is the developer of experiential gaming products, less our noncontrolling interest, beginning in June 2010; and

our ownership interests in the Wisconsin Dells and Sandusky resorts through August 2009, when we sold our minority ownership interests in those resorts, and our equity interest in the Grand Mound resort in which we have an ownership interest but which we do not consolidate.

Because Great Wolf Resorts has no material assets or operations other than through us, our consolidated financial data is substantially the same as the consolidated financial data of Great Wolf Resorts, except that:

the Company is not liable for any of the \$80.5 million of junior subordinated notes outstanding as of June 30, 2010 which are issued by Great Wolf Resorts;

the Company's interest expense for the years ended December 31, 2009, 2008 and 2007 and the six months ended June 30, 2010 and 2009 does not include \$6.3 million, \$6.3 million and \$5.3 million and \$3.2 million and \$3.0 million, respectively, which represents Great Wolf Resorts' interest payments on the junior subordinated notes;

the Company is not liable with respect to Great Wolf Resorts' guarantee of the \$78.6 million mortgage loan owed by our subsidiary that owns the Concord resort nor the environmental indemnity granted by Great Wolf Resorts pursuant to the Concord loan;

the Company is not liable for the non-recourse carve-out provisions and environmental indemnities provided by Great Wolf Resorts with respect to our Pocono Mountains resort nor the non-recourse carve-out provisions provided by Great Wolf Resorts with respect to our Wisconsin Dells and Sandusky resorts or the environmental indemnity provided by Great Wolf Resorts with respect to our Grand Mound (Chehalis)

resort; and

various ordinary course expenses, franchise taxes, corporate overhead and director fees are incurred by Great Wolf Resorts and not by the Company.

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	Years Ended December 31,			Six Months Ended	
	2009	2008	2007	June 30, 2010	2009
	(Unaudited)				(Unaudited)
	(Dollars in thousands)				
<b>Statement of Operations:</b>					
Revenues:					
Rooms	\$ 154,751	\$ 143,395	\$ 112,261	\$ 81,248	\$ 76,655
Food, beverage and other	81,020	74,173	56,673	43,660	40,332
Management and other fees	1,990	2,798	2,855	1,195	991
Management and other fees affiliates	4,973	5,346	4,314	1,980	2,434
	242,734	225,712	176,103	128,083	120,412
Other revenue from managed properties(1)	21,298	19,826	11,477	11,024	10,520
Total revenues	264,032	245,538	187,580	139,107	130,932
Net operating income (loss)	(24,463)	(25,666)	(2,883)	221	(3,031)
Net loss	(58,476)	(40,725)	(10,033)	(20,785)	(11,351)
Net loss attributable to Great Wolf Resorts, Inc.	\$ (58,476)	\$ (40,725)	\$ (9,581)	\$ (20,825)	\$ (11,351)
<b>Non-GAAP Financial Measures:</b>					
EBITDA(2)(4)	\$ 31,791	\$ 18,181	\$ 32,305	\$ 31,899	\$ 23,050
Adjusted EBITDA(3)(4)	66,009	67,567	51,070	32,041	32,421
<b>Cash Flows:</b>					
Net cash provided by operating activities	\$ 12,215	\$ 33,534	\$ 29,751	\$ 18,270	\$ 8,335
Net cash used in investing activities	(36,659)	(144,612)	(206,967)	(2,607)	(38,115)
Net cash provided by (used in) financing activities	31,126	106,712	99,035	(6,166)	38,584
<b>Balance Sheet Data (end of period):</b>					
Total assets	\$ 805,744	\$ 840,061	\$ 770,805	\$ 805,872	\$ 805,744
Total debt	550,071	507,051	396,302	553,467	550,071
Total liabilities	590,988	568,121	460,412	611,279	590,988
Total equity	214,756	271,940	310,393	194,593	214,756

(1) Reflects reimbursement of payroll, benefits and costs related to the operations of properties managed by Great Wolf Resorts.

(2) EBITDA is a non-GAAP performance measure. Great Wolf Resorts defines EBITDA as net income (loss) attributable to Great Wolf Resorts, Inc., adjusted to exclude the following items:

interest expense, net of interest income,

income tax expense or benefit, and

depreciation and amortization.

Our management uses EBITDA: (i) as a measurement of operating performance because it assists in comparing Great Wolf Resorts' operating performance on a consistent basis by removing the impact of items directly resulting from Great Wolf Resorts' asset base (primarily depreciation and amortization) from Great Wolf Resorts' operating results; (ii) for planning purposes, including the preparation of Great Wolf Resorts' annual operating budget; (iii) as a valuation measure for evaluating Great Wolf Resorts' operating performance and its capacity to incur and service debt, fund capital expenditures and expand its business; and (iv) as one measure in determining the value of other acquisitions and dispositions.

We believe that EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures,

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capital investment cycles and ages of related assets among otherwise comparable companies. Great Wolf Resorts also presents EBITDA because it is used by some investors as a way to measure its ability to incur and service debt, make capital expenditures and meet working capital requirements. We believe EBITDA is useful to an investor in evaluating Great Wolf Resorts' operating performance because: (i) a significant portion of Great Wolf Resorts' assets consists of property and equipment that are depreciated over their remaining useful lives in accordance with U.S. GAAP; (ii) it is widely used in the hospitality and entertainment industries to measure operating performance without regard to items such as depreciation and amortization; and (iii) we believe it helps investors meaningfully evaluate and compare the results of Great Wolf Resorts' operations from period to period by removing the impact of items directly resulting from its asset base (primarily depreciation and amortization) from Great Wolf Resorts' operating results. EBITDA is a measure commonly used in our industry, and we present EBITDA to enhance your understanding of Great Wolf Resorts' operating performance. We use EBITDA as one criterion for evaluating Great Wolf Resorts' performance relative to that of our peers.

See Non-GAAP Financial Information for more information regarding EBITDA, including a discussion of the limitations of using EBITDA as an analytic tool.

- (3) Adjusted EBITDA is also a non-GAAP performance measure. Great Wolf Resorts defines Adjusted EBITDA as net income (loss) attributable to Great Wolf Resorts, Inc., adjusted to exclude the following items:

- interest expense, net of interest income,
- income tax expense or benefit,
- depreciation and amortization,
- non-cash employee and director compensation,
- costs associated with early extinguishment of debt or postponement of capital markets offerings,
- opening costs of projects under development,
- equity in earnings (loss) of unconsolidated related parties,
- gain or loss on disposition of property or investments,
- separation payments to senior executives,
- environmental liability costs,
- asset impairment charges,
- acquisition related expenses,
- debt extinguishment costs,
- non-controlling interests, and
- other appropriate items.

Our management uses Adjusted EBITDA for purposes similar to those for which it uses EBITDA. In addition, our management uses Adjusted EBITDA to evaluate Great Wolf Resorts' performance, and the compensation committee of Great Wolf Resorts' board of directors determines the annual variable compensation for certain members of our management based in part on Adjusted EBITDA.

We believe Adjusted EBITDA is useful to an investor in evaluating Great Wolf Resorts' operating performance for the same reasons we believe EBITDA is useful and because it also eliminates a number of non-cash items and other items that do not reflect Great Wolf Resorts' core operating performance on a consolidated basis, which allows investors to more easily compare Great Wolf Resorts' performance over various reporting periods on a consistent basis. Although we believe that Adjusted EBITDA can make an evaluation of Great Wolf Resorts' operating performance more consistent because it removes items that do not reflect its core operations, other companies in the hospitality industry may define Adjusted EBITDA differently than we do. As a result, it may be difficult to compare the performance of other companies to Great Wolf Resorts' performance by using Adjusted EBITDA or similarly named non-GAAP measures that other companies may use.

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See **Non-GAAP Financial Information** for more information regarding Adjusted EBITDA, including a discussion of the limitations of using Adjusted EBITDA as an analytic tool.

- (4) The following tables reconcile net loss attributable to Great Wolf Resorts, Inc. to EBITDA and Adjusted EBITDA for the periods presented:

	Years Ended December 31,			Six Months Ended	
	2009	2008	2007	2010 (Unaudited)	2009 (Unaudited)
	(Dollars in thousands)				
<b>Net loss attributable to Great Wolf Resorts Inc.</b>	\$ (58,476)	\$ (40,725)	\$ (9,581)	\$ (20,825)	\$ (11,351)
Interest expense, net of interest income	33,430	25,853	12,129	21,225	14,078
Income tax expense (benefit)	459	(13,028)	(6,615)	369	(7,523)
Depreciation and amortization	56,378	46,081	36,372	31,130	27,216
<b>EBITDA</b>	\$ 31,791	\$ 18,181	\$ 32,305	\$ 31,899	\$ 23,050
Opening costs for resorts under development(a)	6,877	6,685	10,228	7	6,824
Non-cash employee and director compensation(b)	1,139	222	5,080	1,061	469
Separation payments(c)	467	1,258			
Environmental liability costs(d)	26	276	320	(1,227)	32
Loss on disposition of property(e)	255	317	1,286	19	191
Asset impairment loss(f)	24,000				
Impairment loss on investment in affiliates(g)		18,777			
Goodwill impairment(h)		17,430			
Gain on sale of investment(i)	(962)				
Net loss attributable to noncontrolling interest			(764)	40	
Equity in loss of unconsolidated affiliates	2,416	4,421	2,615	(23)	1,115
<b>Adjusted EBITDA</b>	\$ 66,009	\$ 67,567	\$ 51,070	\$ 32,041	\$ 32,421

(a) Reflects expenses related to resorts under development or construction, including costs related to the opening of resorts or significant expansions of resorts. Expenses of \$6,877 in 2009 primarily related to the development, construction and opening of the Concord resort and the expansion of the Grapevine resort. Expenses of \$6,685 in 2008 primarily related to the development, construction and opening of the Grapevine, Grand Mound and Concord resorts. Expenses of \$10,228 in 2007 primarily related to the development, construction and opening of the Mason and Grapevine resorts.

(b) Reflects stock based compensation amounts for employees and directors.



- (c) Reflects severance payments made to named executive officers upon their termination of employment.
- (d) Reflects costs incurred at the Pocono Mountains resort related to remediation of wastewater discharges that were out of compliance with applicable permits and to prevent further out-of-compliance discharges.
- (e) Reflects losses on sales or disposition of fixed assets.
- (f) Represents a non-cash impairment charge recorded to decrease the carrying value of the Sheboygan resort to its estimated fair value.

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- (g) Represents a non-cash impairment charge with respect to a 30.32% interest in the joint venture with CNL that owned the Wisconsin Dells and Sandusky resorts.
- (h) Represents a non-cash goodwill impairment charge related to the Kansas City and Mason resorts.
- (i) Reflects a gain recorded on the sale in August 2009 of the 30.26% interest in the joint venture with CNL.

Adjusted EBITDA of our non-guarantor subsidiaries is also a non-GAAP performance measure. We define Adjusted EBITDA of our non-guarantor subsidiaries as net operating income (loss) of our non-guarantor subsidiaries, plus investment income of non-guarantor subsidiaries, adjusted to exclude (i) depreciation and amortization of our non-guarantor subsidiaries, (ii) opening costs for resorts of our non-guarantor subsidiaries, (iii) environmental liability costs of our non-guarantor subsidiaries, (iv) loss on disposition of property of our non-guarantor subsidiaries and (v) asset impairment loss of our non-guarantor subsidiaries. The following table reconciles net operating income of our non-guarantor subsidiaries to Adjusted EBITDA of our non-guarantor subsidiaries for the year ended December 31, 2009 and six months ended June 30, 2010:

	<b>Year Ended December 31, 2009</b>	<b>Six Months Ended June 30, 2010 (Unaudited)</b>
Net operating (loss) income of non-guarantor subsidiaries	\$ (31,024)	\$ 2,175
Investment income of non-guarantor subsidiaries	1,330	565
Depreciation and amortization of non-guarantor subsidiaries	26,352	13,122
Opening costs for projects under development of non-guarantor subsidiaries	4,976	7
Environmental liability costs of non-guarantor subsidiaries	26	(1,227)
Acquisition-related expenses		265
Loss on disposition of property of non-guarantor subsidiaries	64	9
Asset impairment loss of non-guarantor subsidiaries	24,000	
<b>Adjusted EBITDA of non-guarantor subsidiaries</b>	<b>\$ 25,724</b>	<b>\$ 14,916</b>

See Non-GAAP Financial Information for more information regarding Adjusted EBITDA of non-guarantor subsidiaries, including a discussion of the limitations on using that measure as an analytic tool.

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**RISK FACTORS**

*Your decision whether to acquire the exchange notes will involve risk. You should carefully consider the following risks, information set forth in Great Wolf Resorts' periodic SEC filings and other information in this prospectus before deciding to invest in the exchange notes. The following risks and uncertainties could materially and adversely affect our business, financial condition or operating results.*

**Risks Related to our Capital Structure and this Offering**

***Our substantial indebtedness could prevent us from fulfilling our obligations under the notes and may otherwise restrict our activities.***

We have a significant amount of indebtedness. As of June 30, 2010, we had a total of approximately \$483.3 million of indebtedness outstanding, consisting of:

approximately \$230.0 million principal amount of notes due April 2017;

approximately \$68.0 million of mortgage loan debt due January 2015 that is secured by our Traverse City and Kansas City resorts;

approximately \$94.9 million of mortgage loan debt due December 2016 that is secured by our Pocono Mountains resort;

approximately \$78.6 million of mortgage loan debt due April 2012 that is secured by our Concord resort; and

approximately \$11.8 million in other debt.

As of June 30, 2010, Great Wolf Resorts, our parent company, had additional indebtedness outstanding, consisting of approximately \$80.5 million of two series of junior subordinated notes due July 2017 and March 2035.

See Great Wolf Resorts' periodic SEC filings, which are incorporated by reference in this prospectus and Capitalization.

Our outstanding indebtedness, including under the notes, could have important consequences to you. For example, it could:

make it more difficult for us to satisfy our obligations with respect to the notes;

limit our ability to obtain additional financing for funding our growth strategy, capital expenditures, acquisitions, working capital or other purposes, or require us to agree to additional restrictions and limitations on our business operations and capital structure to obtain additional financing;

limit our ability to refinance our existing debt;

require us to dedicate a substantial portion of our operating cash flow to service our debt, thereby reducing funds available for our growth strategy, capital expenditures, acquisitions, working capital and other purposes;

increase our vulnerability to adverse economic, regulatory and industry conditions and to interest rate fluctuations;

limit our flexibility in planning for, or responding to, changing business and economic conditions, including reacting to the current global economic recession;

place us at a competitive disadvantage relative to our competitors with less indebtedness; and

subject us to financial and other restrictive covenants, and our failure to comply with these covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of our indebtedness.

Also, certain of our debt has variable interest rates, and if interest rates rise, our debt obligations could increase. As of June 30, 2010 approximately 16.3% of our consolidated outstanding debt had variable interest

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rates. If variable interest rates were to increase significantly, they could have a material adverse impact on our earnings and financial condition.

We expect we will be required to refinance our indebtedness. Our ability to refinance our indebtedness will depend on, among other things, our financial condition at the time, our financial performance, credit market conditions and the availability of financing. Our ability to refinance our indebtedness could be impaired if debt holders develop a negative perception of our long-term or short-term financial prospects. Such negative perceptions could result if we suffer a decline in the level of our business activity, among other reasons. In addition, because of disruptions in the worldwide credit markets, the economic downturn and its impact on our business or for other reasons, we may not be able to obtain refinancing on commercially reasonable terms or at all. Failure to refinance our indebtedness could have a material adverse effect on us and could require us to dispose of assets if we cannot refinance our indebtedness. We may be unable to sell some of our assets, or we may have to sell assets at a substantial discount from market value, either of which could materially adversely affect our results of operations.

***The Company may be unable to generate sufficient cash, and as a holding company may not have access to the cash flow and other assets of its subsidiaries to service all of its indebtedness, including the notes, and its may be forced to take other actions to satisfy its obligations under such indebtedness, which actions may not be successful.***

Our ability to make scheduled payments on or to refinance our debt obligations depends on the financial condition and operating performance of us and our subsidiaries, which is subject to prevailing economic and competitive conditions and to financial, business and other factors beyond our control. We and our subsidiaries may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay or refinance our indebtedness, including the notes and our indebtedness under mortgage loan agreements. In addition, our interest expense will be significantly higher following the issuance of the notes than it currently is. If the cash flows and capital resources of us and our subsidiaries are insufficient to fund our debt service obligations, we and our subsidiaries could face substantial liquidity problems and may be forced to reduce or delay capital expenditures or growth strategies, sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes and our mortgage debt. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

The Company is a holding company, and its operations are conducted through its subsidiaries, but none of the subsidiaries is obligated to make funds available to the Company for payment of the notes. Accordingly, the Company's ability to make payments on the notes is dependent on the earnings and distributions of funds from its subsidiaries. Furthermore, the agreements governing our mortgage debt that is outstanding contain restrictions on the applicable borrower subsidiary to pay dividends or otherwise transfer assets to us unless certain financial tests are met. In particular, the mortgage loans secured by our Kansas City, Traverse City and Poconos resorts require us to meet certain debt service covenants in order to make distributions, which in the case of the Kansas City/Traverse City loan we do not currently meet. Because of that non-compliance, on September 13, 2010 the lenders of our Kansas City/Traverse City loan have elected to exercise their right to implement a lock-box cash management arrangement, which requires substantially all cash receipts for the two resorts to be moved each day to a reserve bank account and all excess cash to be deposited in a lender-controlled account. As a result our ability to distribute cash from the resorts to the Company will be significantly limited for the period during which the lock-box arrangement is in effect. The Concord loan documents require a partial payment of that loan in certain instances, all of which may reduce the amount of funds available to pay the notes.

***Your right to receive payments on the notes is structurally subordinated to the rights of our non-guarantor subsidiaries existing and future creditors and holders of those subsidiaries preferred stock.***

Our subsidiaries that own the Concord, Traverse City, Kansas City, Pocono Mountains and Sheboygan resorts and our subsidiary that owns a 49% equity interest in the Grand Mound resort and certain other Company subsidiaries will not

guarantee the notes or provide any security for the notes. See Description of Notes Security. The entities we have formed to develop and invest in the planned Foxwoods joint venture are unrestricted subsidiaries and will not guarantee the notes. In the event of a bankruptcy, liquidation or

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reorganization of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company.

As of June 30, 2010, we had consolidated assets of \$805.9 million and consolidated total liabilities of \$611.3, and the non-guarantor subsidiaries had total assets of \$529.9 million and total liabilities of \$390.1 million.

For the year ended December 31, 2009, we had:

consolidated total revenues of \$264.0 million, and the non-guarantor subsidiaries had total revenues of \$115.5 million;

consolidated total operating loss of \$(24.5) million, and the non-guarantor subsidiaries had total operating loss of \$(31.0) million;

consolidated net loss attributable to Great Wolf Resorts, Inc. of \$(58.5) million, and the non-guarantor subsidiaries had total net loss of \$(46.1) million; and

consolidated Adjusted EBITDA of \$66.0 million, and the non-guarantor subsidiaries had Adjusted EBITDA of \$25.7 million.

For the six months ended June 30, 2010, we had:

consolidated total revenues of \$139.1 million, and the non-guarantor subsidiaries had total revenues of \$64.7 million;

consolidated total operating income of \$0.2 million, an the non-guarantor subsidiaries had total operating income of \$2.2 million;

consolidated net loss attributable to Great Wolf Resorts, Inc. of \$(20.8) million, and the non-guarantor subsidiaries had total net loss of \$(6.0) million; and

consolidated Adjusted EBITDA of \$32.0 million, and the non-guarantor subsidiaries had Adjusted EBITDA of \$14.9 million.

Failure to refinance indebtedness of our non-guarantor subsidiaries as it comes due would have a material adverse effect on our results of operations. See Our substantial indebtedness could prevent us from fulfilling our obligations under the notes and may otherwise restrict our activities above.

The underlying cash flow of any of the non-guarantor subsidiary resort properties securing outstanding mortgage loans those subsidiaries have borrowed may be insufficient to satisfy the expenses and debt service of the property, and we may seek to reduce the principal amounts of such loans or refinance such loans. We may not be able to refinance those loans as they mature on satisfactory terms under current market conditions. While we are pursuing alternatives for refinancing certain of that indebtedness, the process is complex and involves individual negotiations with multiple lenders, servicers and other potential financing sources. We may not be successful in such negotiations or be able to obtain modifications to such loans or obtain extensions or refinance those loans as they become due on acceptable terms, or at all. If we are unable to repay a substantial portion of the indebtedness as it matures or obtain satisfactory modifications or extensions of such indebtedness, the lenders would be able to foreclose on those mortgaged assets and no cash flow from such entities would be available to the Company, which could have a

material adverse affect on our business, financial condition and results of operations.

***Because Great Wolf Resorts has guaranteed payment with respect to the mortgage loan secured by the Concord resort property, Great Wolf Resorts will be fully liable for amounts outstanding under that mortgage loan if the borrowers default under the loan agreement. We also may not be able to refinance the mortgage loan, which matures in April 2012.***

Great Wolf Resorts has provided a full payment guarantee of the mortgage loan secured by our Concord resort property, which had an outstanding principal amount of \$78.6 million as of June 30, 2010 and is



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currently not subject to amortization. The loan requires monthly amortization payments on a 25-year basis beginning on September 30, 2010. The underlying cash flows from the Concord resort may not be able to satisfy the debt service obligations under the construction loan. In addition, the loan agreement contains various customary financial and operating debt compliance covenants, and the entity owning the Concord resort may not be able to comply with those covenants. Furthermore, we may be unable to refinance the construction loan, which matures in April 2012, on terms acceptable to us or at all. If the borrowers default under the loan agreement or if we are unable to refinance the loan prior to its maturity, Great Wolf Resorts would be required to assume the obligations under the loan, including the payment of any outstanding debt amounts.

While the property itself is subject to a mortgage to secure the mortgage loan, even in the event the property could be sold in a foreclosure to satisfy all or a portion of the outstanding debt, to the extent the proceeds of such sale are insufficient to satisfy the outstanding debt, Great Wolf Resorts would be liable for the remaining outstanding amount.

Any default or failure to refinance as described above could therefore have a material, adverse effect on our financial condition and could materially reduce the amount of cash we have available to fund our other needs including debt service, capital expenditures and growth initiatives, which could have a material, adverse effect on our business and results of operations. If we fail to refinance the loan at maturity in full in part, we may not have other sources of cash to repay the loan.

***Because our subsidiary, Great Lakes Services, LLC, has guaranteed certain minimum payments related to our Sheboygan resort, if that resort does not generate sufficient cash flow to satisfy the minimum required payments, we may be required to satisfy such obligations, and such an undertaking could have an adverse effect on our financial condition.***

In connection with the construction of our Sheboygan, Wisconsin resort, entities owned by our predecessor entered into agreements with the City of Sheboygan and The Redevelopment Authority of the City of Sheboygan, Wisconsin (collectively, the City ) whereby the City funded certain costs of construction. The City funded \$4.0 million toward the construction of the resort and related public improvements and \$8.2 million toward construction of a convention center connected to the resort.

In exchange for the \$4.0 million funding, the entity that owns the Sheboygan resort entered into a 98-year, 11-month ground lease at a rent of \$1.00 per year for the resort and guaranteed certain minimum real and personal property tax payments over a 14-year period totaling \$16.4 million. In exchange for the \$8.2 million convention center funding, the entity owning the Sheboygan resort entered into a lease for the convention center with the City. The initial term of the lease is 25 1/2 years with 15 five-year renewal options. Under the lease, the entity owning the Sheboygan resort will satisfy repayment of the \$8.2 million funding by making guaranteed minimum room tax payments totaling \$25.9 million over the initial 25 1/2 term of the lease. The guaranteed minimum payments are calculated annually on a fiscal year basis throughout the 14-year and 25 1/2-year periods of the relevant leases. The minimum tax payment obligations with respect to both the resort and the convention center were guaranteed by the management company of Great Wolf Resorts predecessor.

Through transactions related to our initial public offering (collectively, the IPO Transactions ), we acquired the entity owning the Sheboygan resort, which continued to be obligated under the ground lease and convention center lease and the minimum tax payment agreements. In the IPO Transactions, Great Lakes Services, LLC (which holds various management and licensing agreements as well as our intellectual property, including our trade name) assumed the guarantee of the minimum tax payment obligations by the management company of Great Wolf Resorts predecessor.

For the fiscal year ended December 31, 2009, the resort did not generate the required minimum room tax amounts. As a result, we remitted an additional \$0.4 million to satisfy the minimum payments for that fiscal year. Future shortfalls

in minimum payments under the tax payment guarantees may have a material, adverse effect on our business, financial condition and results of operations. A failure by us to pay such shortfalls may give the City recourse to the assets of Great Lakes Services, LLC, which could also have a material, adverse effect on our business and results of operations.

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***Because the Company and Great Wolf Resorts from time to time provide customary non-recourse carve-out and environmental guarantees and indemnities, the Company and Great Wolf Resorts may be liable under those guarantees and indemnities if certain defaults by the applicable borrowers under those loans or environmental losses occur.***

Mortgage lenders often request that the parent companies or joint venture investors in mortgage borrowers enter into customary guarantees or indemnities with respect to certain misfeasance events and indemnities with respect to environmental liabilities. Misfeasance events covered by such non-recourse carve-out guarantees or indemnities typically include misappropriation or misapplication of funds, fraud or willful misrepresentation, waste of the property, failure to maintain required insurance, a prohibited transfer of the property or of an interest in the borrower and violation of separateness covenants or other single purpose entity requirements. In such events, any losses suffered by the lender would be recourse obligations of the guarantor. In addition, bankruptcy events such as voluntary bankruptcy filings by the borrowing entity or collusive involuntary bankruptcy filings against the borrowing entity, make the loan fully recourse to the guarantor.

Great Wolf Resorts has provided the following customary non-recourse carve-out and environmental guarantees and indemnities:

a non-recourse carve-out guarantee and environmental indemnity with respect to the loan secured by our Kansas City and Traverse City resort, which loan had an outstanding principal balance at June 30, 2010 of \$68.0 million;

a non-recourse carve-out guarantee and environmental indemnity with respect to the loans secured by our Pocono Mountains resort, which loan had an outstanding principal balance at June 30, 2010 of \$94.9 million;

a non-recourse carve-out guarantee with respect to 30% of the loan secured by the Wisconsin Dells and Sandusky resorts owned by a subsidiary of CNL (in which we formerly owned a 30.26% joint venture interest, which was sold to CNL in August 2009), which loan had an outstanding principal balance of \$62.8 million at August 6, 2009, the day on which we sold our interest in the Wisconsin Dells and Sandusky resorts to CNL;

an environmental indemnity with respect to the loans secured by the Concord and Grand Mound resorts, which loans had outstanding principal balances at June 30, 2010 of \$78.6 million and \$99.6 million, respectively.

The Company is also a party to the non-recourse carve-out guarantee and environmental indemnity with respect to the Kansas City/Traverse City mortgage loan.

Any liability that the Company or Great Wolf Resorts may have under any of the guarantees or indemnities described above or under future similar guarantees or indemnities could have a material, adverse effect on our financial condition and could materially reduce the amount of cash we have available to fund our business and operations.

***Federal and state statutes allow courts, under specific circumstances, to void the notes and the guarantees and may require holders of the notes to return payments received in respect of the notes and the guarantees.***

Under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, the notes or a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of an Issuer or guarantor.

The guarantee of a guarantor could be subject to such remedies if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee:

received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee; and  
was insolvent or rendered insolvent by reason of such incurrence; or

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was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

If such circumstances were found to exist, or if a court were to find that a guarantee was issued with actual intent to hinder, delay or defraud creditors, the court could void the guarantee or cause any payment by that guarantor pursuant to its guarantee to be voided and returned to the guarantor, or to a fund for the benefit of the creditors of the guarantor. In such event, the loss of a guarantee of the notes (other than in accordance with the terms of the indenture) will constitute a default under the indenture, which default could cause all notes to become immediately due and payable. Sufficient funds to repay the notes may not be available from other sources, including the remaining guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from the guarantor.

In addition, our obligations under the notes may be subject to review under the same laws in the event of our bankruptcy or other financial difficulty. In that event, if a court were to find that when we issued the notes the factors listed above applied to us, or that the notes were issued with actual intent to hinder, delay or defraud creditors, the court could void our obligations under the notes, or direct the return of any amounts paid thereunder to us or to a fund for the benefit of our creditors.

In addition, a court may find that we or a guarantor did not receive reasonably equivalent value or fair consideration for the notes or the guarantees, respectively, if we or a guarantor did not substantially benefit directly or indirectly from the issuance of the notes. If a court were to void the issuance of the notes or the guarantees, you may no longer have a claim against us or the guarantors.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a company would be considered insolvent if:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets; or

if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

Each guarantee will contain a provision intended to limit the guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law, or may reduce that guarantor's obligation to an amount that effectively makes such guarantee worthless.

Finally, as a court of equity, the bankruptcy court may subordinate the claims in respect of the notes to other claims against us under the principle of equitable subordination, if the court determines that:

the holder of the notes engaged in some type of inequitable conduct;

such inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holder of the notes; and

equitable subordination is not inconsistent with federal bankruptcy laws.

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***In the event of bankruptcy of the Parent Guarantors, the Issuers or any of our subsidiaries, the creditors or other parties in interest of the Parent Guarantors, the Issuers or any such subsidiary, could seek to have a bankruptcy court substantively consolidate the assets and liabilities of the Issuers, the Parent Guarantors and subsidiaries.***

Substantive consolidation is an equitable doctrine used by bankruptcy courts to treat the assets and liabilities of different, but related, entities as though such assets and liabilities were held by a single merged entity in order to ensure the equitable treatment of all creditors. The application of the doctrine, which is an extraordinary remedy and is used sparingly, is fact-intensive and requires the consideration of factors, among others, such as whether creditors relied on the separate legal existence of the entities sought to be consolidated in extending credit and the manner in which the entities conducted themselves, both as a legal matter (such as whether corporate formalities were followed) and as a business matter (such as whether the entities were held out to the business world as separate and distinct entities or instead as a single, integrated business entity) and whether it would be possible to unwind the assets and liabilities of each entity.

While we believe that we observe the necessary corporate formalities, and certain loan documents, to which some of our subsidiaries are parties, have terms requiring those subsidiaries to maintain corporate formalities, maintain separate accounting for cash flows in our centralized cash management system and take other precautionary actions, in the event of a bankruptcy of the Parent Guarantors, the Issuers or any of our subsidiaries if a bankruptcy court were to find that we failed to observe such corporate formalities, the court may consider applying substantive consolidation. The application of substantive consolidation could reduce the amount a holder of notes will receive in a bankruptcy of the Parent Guarantors, the Issuers or any of our subsidiaries.

***Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantial additional indebtedness, which could further exacerbate the risks associated with our existing substantial indebtedness.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The indenture contains some limitations on the ability of the Parent Guarantors, the Issuers and the restricted subsidiaries to incur indebtedness; nevertheless, it does not prohibit those entities or any unrestricted subsidiaries the Issuers may have from incurring additional indebtedness, which under certain circumstances could be substantial. For example, the indenture does not contain any restrictions on the incurrence of debt of an acquired entity or asset. If new indebtedness is added to our and our subsidiaries' current indebtedness levels, the related risks that we and our subsidiaries now face would intensify.

***The covenants under the indenture and our mortgage loan agreements include restrictive covenants that may limit our operating and financial flexibility.***

The indenture governing the notes contains, and future financing agreements may contain, covenants that, among other things, restrict our ability to take specific actions, even if we believe them to be in our best interest. These include restrictions on our ability and the ability of our restricted subsidiaries to:

incur additional indebtedness;

make any restricted payments, such as dividends or distributions on, or redeem or repurchase, capital stock;

prepay, redeem or repurchase specified indebtedness;

merge, consolidate or sell assets or enter into other business combination transactions;

make acquisitions, capital expenditure investments or other investments;

enter into transactions with affiliates;

incur certain liens;

use proceeds from sale of assets;



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permit limitations on the ability of our subsidiaries to make payments to us and our restricted subsidiaries;  
impair the collateral; and  
change our business.

In addition, the terms of our mortgage loan agreements impose significant operating and financial restrictions on us and our subsidiaries and require us to meet certain financial tests. These restrictions could also have a negative impact on our business, financial condition and results of operations by significantly limiting or prohibiting us and/or our subsidiaries from engaging in certain actions, including:

the distribution of cash or the payment of dividends by our subsidiaries to us;  
incurring or guaranteeing additional indebtedness;  
transferring or selling assets currently held by us;  
transferring ownership interests in certain of our subsidiaries; and  
reducing our tangible net worth below specified levels.

In addition, the agreements governing the mortgage loan secured by our Concord resort require Great Wolf Resorts to maintain a minimum consolidated tangible net worth.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants and financial tests. Failure to comply with any of the covenants in our existing or future financing agreements could result in a default under those agreements and under other agreements which may contain cross-default provisions. A default would permit lenders to accelerate the maturity of the debt under these agreements and to foreclose upon any collateral securing such debt. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations, including our obligations under the notes. In addition, the limitations imposed by financing agreements on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing. We may not be granted waivers or amendments to these agreements if for any reason we are unable to comply with these agreements and we cannot guarantee that we will be able to refinance our debt on terms acceptable to us or at all.

***We and the owners and developers of our licensed and managed resorts may not be able to obtain additional financing on favorable terms, if at all.***

We expect that we will require additional financing over time, the amount of which will depend on a number of factors, including the number of resorts we construct or improve, the amounts of our investments in joint ventures, additions to our current resorts and the cash flow generated by our resorts and management and licensing agreements. The terms of any additional financing we may be able to procure are unknown at this time. Our access to third-party sources of capital depends, in part, on some or all of the following:

general capital market conditions;  
capital providers perception of our growth potential and growth potential in the real estate sector in general;

our then-current debt levels;

our then-current and expected future earnings;

our cash flow; and

the market price per share of our common stock.

The owners and developers of our licensed and managed resorts face similar risks, since they will require financing to construct and improve those resorts. Failure to obtain sufficient financing could have a material adverse effect on our growth strategies and on our business, financial condition and results of operations.

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***Issues affecting financial institutions could adversely affect financial markets generally as well as our ability to raise capital or access liquidity.***

Factors that we cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, could impair our ability to raise necessary funding. The creditworthiness of many financial institutions may be closely interrelated as a result of credit, derivative, trading, clearing or other relationships among the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This may adversely affect the financial institutions, such as banks and insurance providers, with which we interact on a daily basis, and therefore could adversely affect our ability to raise needed funds or access liquidity.

***We may be unable to raise the funds necessary to finance the change of control offer provision required by the indenture.***

Upon the occurrence of certain specific kinds of change of control events, we are required to offer in cash to repurchase all outstanding notes at 101% of the principal amount thereof plus accrued and unpaid interest and Special Interest, if any, to the date of repurchase. The source of funds for any such repurchase would be our available cash or cash generated from operations or other sources, including borrowings, sales of equity or funds provided by a controlling person or entity. Any holders of other debt securities that we may issue in the future that rank equally in right of payment with the notes may also have this right. Our failure to offer to repurchase the notes, or to repurchase notes tendered, following a change of control will result in a default under the indenture governing the notes, which could lead to a cross-default under the terms of our other debt. It is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of the notes. Moreover, any future indebtedness that we may incur may restrict our ability to repurchase the notes, including following a change of control event. As a result, following a change of control event, we would not be able to repurchase the notes unless we first repaid all indebtedness outstanding under any of our other indebtedness that contains similar provisions or obtained a waiver from the holders of such indebtedness to permit us to repurchase the notes. We may be unable to repay all of that indebtedness or obtain a waiver of that type. Any requirement to offer to repurchase notes may therefore require us to refinance our other outstanding debt, which we may not be able to do on commercially reasonable terms, if at all. These repurchase obligations may also delay or make it more difficult for others to obtain control of us.

In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a change of control under the indenture. See Description of Notes Repurchase at the Option of Holders.

***No active public trading market exists for the notes, which could limit your ability to sell the notes.***

There is currently no public market for the notes and we cannot assure you that an active trading market will develop for the notes. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all.

Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. We have been informed by the initial purchasers that they currently intend to make a market in the notes. However, the initial purchasers may cease their market-making at any time. We do not intend to apply for listing the notes on any securities exchange.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. Any market for the notes may be subject to similar disruptions. Any such disruptions may adversely affect you as a holder of the notes.



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***If a bankruptcy petition were filed by or against us, holders of the notes may receive a lesser amount for their claim than they would have been entitled to receive under the indenture governing the notes.***

If a bankruptcy petition were filed by or against us under the U.S. Bankruptcy Code after the issuance of the notes, the claim by any holder of the notes for the principal amount of the notes may be limited to an amount equal to the sum of:

the original issue price for the notes; and

that portion of the original issue discount that does not constitute unmaturing interest for purposes of the U.S. Bankruptcy Code.

***The exchange notes should be treated as issued with original issue discount for U.S. federal income tax purposes.***

Because the initial notes were issued with original issue discount, the exchange notes should be treated as issued with original issue discount for U.S. federal income tax purposes. Thus, U.S. Holders (as defined in United States Federal Income Tax Considerations ) will be required to include such original issue discount in gross income (as ordinary income) for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest, before the receipt of cash payments attributable to this income and regardless of the U.S. Holder's method of tax accounting. See Certain United States Federal Income Tax Considerations.

## **Risks Related to the Exchange Offer**

***The issuance of the exchange notes may adversely affect the market for the initial notes.***

To the extent the initial notes are tendered and accepted in the exchange offer, the trading market for the untendered and tendered but unaccepted initial notes could be adversely affected. Because we anticipate that most holders of the initial notes will elect to exchange their initial notes for exchange notes due to the absence of restrictions on the resale of exchange notes under the Securities Act, we anticipate that the liquidity of the market for any initial notes remaining after the completion of this exchange offer may be substantially limited. Please refer to the section in this prospectus entitled The Exchange Offer Your Failure to Participate in the Exchange Offer Will Have Adverse Consequences.

***Some persons who participate in the exchange offer must deliver a prospectus in connection with resales of the exchange notes.***

Based on interpretations of the staff of the Commission contained in Exxon Capital Holdings Corp., SEC no-action letter (April 13, 1988), Morgan Stanley & Co. Inc., SEC no-action letter (June 5, 1991) and Shearman & Sterling, SEC no-action letter (July 2, 1983), we believe that you may offer for resale, resell or otherwise transfer the exchange notes without compliance with the registration and prospectus delivery requirements of the Securities Act. However, in some instances described in this prospectus under Plan of Distribution, you will remain obligated to comply with the registration and prospectus delivery requirements of the Securities Act to transfer your exchange notes. In these cases, if you transfer any exchange note without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your exchange notes under the Securities Act, you may incur liability under this act. We do not and will not assume, or indemnify you against, this liability.

## **Risks Related to the Collateral**

***The secured guarantees are not secured by all of our assets, and the liens on the collateral may be subject to limitations.***

The secured guarantees are secured only by the collateral described in this prospectus under Description of Notes Security. The secured guarantees are secured only by certain assets of our subsidiaries that directly or indirectly own, or are subsidiaries of such owners of, the Grapevine, Mason and Williamsburg

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Generation II resorts, including the real property and improvements thereon, subject to certain permitted liens. See Description of Notes Certain Definitions Permitted Liens. The secured guarantees are not secured by any assets of the Issuers, or any of the Company's other subsidiaries. The Company's subsidiaries that own the Concord, Traverse City, Kansas City, Pocono Mountains and Sheboygan resorts and the Company's subsidiary that owns a 49% equity interest in the Grand Mound (Chehalis) resort, as well as certain other Company subsidiaries, do not guarantee the notes or provide any security for the secured guarantees. See Description of Notes Security.

Additionally certain categories of assets are excluded from the collateral securing the secured guarantees. See Description of Notes Certain Definitions Excluded Assets. We also may acquire additional assets that will not constitute collateral for the notes or the note guarantees. In addition, the indenture permits liens in favor of third parties to secure additional debt, including purchase money indebtedness and capital lease obligations. Certain permitted liens on the collateral securing the secured guarantees may allow the holder of such lien to exercise rights and remedies with respect to the collateral subject to such lien that could adversely affect the value of such collateral and the ability of the collateral agent or the holders of the notes to realize or foreclose upon such collateral. See Description of Notes Certain Definitions Permitted Liens.

***Proceeds from the collateral securing the secured guarantees may be inadequate to satisfy payments on the notes.***

The value of the collateral will depend on market and economic conditions at the time, the availability of buyers and other factors beyond our control. The proceeds of any sale of the collateral following a default by us may not be sufficient to satisfy the amounts due on the notes. No appraisal of the fair market value of the collateral has been prepared in connection with this offering, the value of the interest of the holders of the notes in the collateral may not equal or exceed the principal amount of the notes. The collateral is by its nature illiquid, and therefore may not be able to be sold in a short period of time or at all. A significant portion of the collateral, including the real property included in the collateral, includes assets that may only be usable as part of our existing operating business. The sale of the collateral may not be sufficient to repay the holders of the notes all amounts owed under the notes.

If the value of the collateral is less than the principal amount of the notes, then in the event of a bankruptcy, you will have only an unsecured claim against the assets of the Issuers and the guarantors to the extent of such shortfall. If the assets of the guarantors exceed the value of the guarantee, then you would have a secured claim against the assets of the guarantors in the full amount of the guarantee. See The value of the collateral securing the secured guarantees may not be sufficient to secure post-petition interest or other payments on the guarantees or the notes.

***It may be difficult to realize the value of the collateral securing the secured guarantees.***

The collateral agent's ability to foreclose on the collateral securing the secured guarantees on your behalf may be subject to perfection and recordation, the consent of third parties, priority issues, state law requirements and practical problems associated with the realization of the collateral agent's security interest or lien on the collateral, including cure rights, foreclosing on the collateral within the time periods permitted by third parties or prescribed by laws, statutory rights of redemption, and the effect of the order of foreclosure. The consents of any third parties and approvals by government entities may not be given when required to facilitate a foreclosure on such assets. Moreover, certain permits and licenses that are required to operate the resorts, such as liquor licenses, may not be transferable under local law. Accordingly, the collateral agent may not have the ability to foreclose upon the resorts or assume or transfer the right to operate the resorts. Therefore, any foreclosure on the collateral may not be sufficient to acquire all resort assets necessary for operations or sale as a going concern or to make payment on the notes.

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***The imposition of certain permitted liens will cause the asset on which such liens are imposed to be excluded from the collateral securing the secured guarantees. There are also certain other categories of property that are also excluded from the collateral.***

While we cannot remove the Williamsburg, Grapevine and Mason resort properties from the collateral except with the consent of the requisite holders of notes, the indenture permits certain liens in favor of third parties to secure purchase money indebtedness, mortgage debt and capital lease obligations, and any assets subject to such liens will be excluded from the collateral securing the guarantees, even if it is held by a subsidiary that has otherwise pledged all of its assets to secure its guarantee of the notes. Our ability to incur purchase money indebtedness and capital lease obligations is subject to limitations, as described in Description of Notes Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock. Other categories of excluded assets and property include certain real property, certain contracts, certain equipment, assets of unrestricted subsidiaries and foreign subsidiaries, certain capital stock and other securities of certain of our existing subsidiaries, certain stock of foreign subsidiaries and certain trademark applications. See Description of Notes Certain Definitions Excluded Assets. Excluded assets will not be available as collateral to secure the secured guarantors obligations under their guarantees. As a result, with respect to the excluded assets, the notes and the guarantees will effectively rank equally with any other unsubordinated indebtedness of the owner of such excluded asset that is not itself secured by the excluded assets. See Your right to receive payments on the notes is structurally subordinated to the rights of our non-guarantor subsidiaries existing and future creditors and holders of those subsidiaries preferred stock.

***We will in most cases have control over the collateral, and the sale of particular assets by us could reduce the pool of assets securing the secured guarantees.***

While we cannot sell the Williamsburg, Grapevine and Mason resort properties without obtaining the requisite consent of the holders of the notes, the collateral documents allow us to remain in possession of, retain exclusive control over, to freely operate and to collect, invest and dispose of any income from, much of the other collateral securing the guarantees.

In addition, the Issuers and our subsidiaries will not be required to comply with all or any portion of Section 314(d) of the Trust Indenture Act of 1939 if we determine, in good faith based on advice of counsel, that, under the terms of that section and/or any interpretation or guidance as to the meaning thereof of the SEC and its staff, including no action letters or exemptive orders, all or such portion of Section 314(d) of the Trust Indenture Act is inapplicable to the released collateral. For example, so long as no default or event of default under the indenture would result therefrom, and such transaction would not violate the Trust Indenture Act, we may, among other things, without any release or consent by the indenture trustee, conduct ordinary course activities with respect to collateral, such as selling, factoring, abandoning or otherwise disposing of collateral and making ordinary course cash payments (including repayments of indebtedness). With respect to such releases, we must deliver to the collateral agent, from time to time, an officers certificate to the effect that all releases and withdrawals during the preceding year in which no release or consent of the collateral agent was obtained in the ordinary course of our business were not prohibited by the indenture. See Description of Notes Security Compliance with the Trust Indenture Act.

***No pledge of capital stock, other securities and similar items of any subsidiary will secure the secured guarantees.***

The secured guarantees will not be secured by a pledge of the capital stock, other securities or similar items of the Issuers and their subsidiaries, including the secured guarantors and their subsidiaries. It may be more difficult, costly and time-consuming for holders of the notes to foreclose on the assets of a subsidiary guarantor than to foreclose on its capital stock or other securities, so the proceeds realized upon any such foreclosure could be significantly less than those that would have been received upon any sale of the capital stock or other securities of such subsidiary guarantor.





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***There are circumstances other than repayment or discharge of the notes under which the collateral securing the guarantees will be released, without the consent of the holders of the notes or the consent of the trustee for the notes.***

While we cannot remove the Williamsburg, Grapevine and Mason resort properties from the collateral except with the consent of the holders, under various circumstances, all or a portion of the other collateral securing the secured guarantees will be released, including a taking by eminent domain, condemnation or other similar circumstances or a sale, transfer or other disposal or liquidation of such collateral in a transaction not prohibited under the indenture.

***We and our subsidiaries may be able to incur additional indebtedness that is secured and therefore effectively senior to any unsecured guarantees. In addition, the imposition of permitted liens on our assets may affect the amount or value of the assets available to satisfy the notes.***

We and our subsidiaries will, under certain circumstances, be able to incur additional indebtedness, which may be secured by security interests or liens in the assets of those subsidiaries. We or any restricted subsidiary may incur additional secured indebtedness under the indenture, including the issuance of additional notes or the incurrence of other forms of secured indebtedness, subject to certain specified conditions. See Description of Notes Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock. If secured indebtedness is incurred by the Issuers or a guarantor, such secured indebtedness would rank effectively senior to the notes or any unsecured guarantees of the notes, to the extent of the collateral securing such indebtedness. To the extent that liens permitted under the indenture and other rights, including liens on excluded assets, such as those securing purchase money obligations and capital lease obligations granted to other parties, encumber any of our assets, those assets would not constitute collateral, even if held by the secured guarantors. In addition, any of the foregoing parties may have or may exercise rights and remedies with respect to our assets that could adversely affect the value of the collateral and the ability of the collateral agent, the trustee or the holders of the notes to realize or foreclose on the collateral.

***Delivery, recordation and perfection of mortgages, security interests in and/or other liens upon collateral after the closing date of this offering increases the risk that such mortgages, security interests and other liens may be avoidable in bankruptcy.***

Mortgages, security interests in and other liens upon certain collateral (including, in particular, collateral acquired after the closing of this offering) may be obtained after the closing date of this offering. If the grantor of any such mortgage, security interest or lien were to become the subject of a bankruptcy proceeding after the closing date of the offering, any such mortgage, security interest in or lien upon other collateral delivered after the closing date of the offering would face a risk of being avoided as a preference under Title 11 of the U.S. Bankruptcy Code if certain events or circumstances exist or occur, including if the grantor is insolvent at the time the mortgage, security interest or lien is granted, the collateral documents would permit holders of notes to receive greater recovery than if the mortgage, security interest or lien had not been given and, in each case, a bankruptcy proceeding in respect of the grantor is commenced within 90 days following the grant of such mortgage, security interest or lien (or, in certain circumstances, a period longer than 90 days). If the grant of any such mortgage, security interest or lien is avoided as a preference, holders of notes would lose the benefit of that mortgage, security interest or lien.

***State law may limit the ability of the collateral agent, trustee and the holders of the notes to foreclose on the real property and improvements included in the collateral.***

The subsidiary guarantees from our subsidiaries that own the Grapevine, Mason and Williamsburg Generation II resorts and related assets are secured by, among other things, liens on real property and improvements located in the states of Texas, Ohio and Virginia, which are the states where those resorts are located, respectively. The laws of those states govern the perfection, enforceability and foreclosure of mortgage liens against real property interests

located in those states that secure debt obligations such as the secured guarantees and may limit the ability of the trustee and the holders of the notes to foreclose on the improved real property collateral located in those states. Those laws may also impose procedural requirements for

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foreclosure different from and necessitating a longer time period for completion than the requirements for foreclosure of security interests in personal property. Debtors may have the right to reinstate defaulted debt (even if it has been accelerated) before the foreclosure date by paying the past due amounts and a right of redemption after foreclosure. Governing laws may also impose security first and one form of action rules, which rules can affect the ability to foreclose or the timing of foreclosure on real and personal property collateral regardless of the location of the collateral and may limit the right to recover a deficiency following a foreclosure.

The holders of the notes and the trustee also may be limited in their ability to enforce a breach of the covenants in the indenture described under Description of Notes Collateral Asset Sales and Description of Notes Liens. Some decisions of state courts have placed limits on a lender's ability to prohibit and to accelerate debt secured by real property upon breach of covenants prohibiting sales or assignments or the creation of certain junior liens or leasehold estates, and the lender may need to demonstrate that enforcement of such covenants is reasonably necessary to protect against impairment of the lender's security or to protect against an increased risk of default. Although the foregoing court decisions may have been preempted, at least in part, by certain federal laws, the scope of such preemption, if any, is uncertain. Accordingly, a court could prevent the trustee and the holders of the notes from declaring a default and accelerating the notes by reason of a breach of these covenants, which could have a material adverse effect on the ability of the holders of the notes to enforce their remedies.

***The interest of holders of notes in the collateral may be adversely affected by the failure to record and/or perfect security interests and other liens in certain collateral.***

The security interests and other liens in the collateral securing the secured guarantees include security interests and other liens in certain assets whether now owned or acquired in the future. In addition to a first mortgage on the resort properties, the secured guarantees are secured by a security interest in certain assets constituting personal property related to the operation and ownership of such resorts. The security interests in personal property that would be perfected other than by the filing of a financing statement will not be perfected. For example, the collateral agent will not be perfecting its security interests in our cash or deposit accounts. Also, the mortgage liens and security interests may not be perfected or validly created with respect to the applicable secured guarantees if the collateral agent has not taken the actions necessary to perfect or validly create any of those mortgage liens or security interests at or prior to the time of issuance of the notes. The inability or failure of the collateral agent to take all actions necessary to create properly perfected security interests or validly created liens on the collateral may result in the loss of the priority or validity of the security interest or lien for your benefit to which holders of the notes would have been entitled had such perfection or valid creation of such security interests or liens been effectuated by the collateral agent.

The collateral agent obtained a new title insurance policy to insure the priority of each of the mortgage liens securing the secured guarantees of the notes by our subsidiaries that own the Grapevine, Mason and Williamsburg Generation II resorts. If a title defect results in a loss, title insurance proceeds received by the collateral agent may not be sufficient to satisfy all obligations, including the notes.

***The trustee under the indenture may be unable to foreclose on the collateral, or exercise associated rights and pay holders any amount due on the notes.***

Under the indenture governing the notes, if any event of default occurs, including defaults in payment of interest or principal on the notes when due at maturity or otherwise, the trustee may accelerate the notes, and among other things, the collateral agent appointed under the indenture may initiate proceedings to foreclose on the collateral securing the secured guarantees and exercise associated rights. The right of the collateral agent to repossess and dispose of the collateral after the occurrence of an event of default is likely to be significantly impaired or, at a minimum, delayed by applicable U.S. bankruptcy laws if a bankruptcy proceeding were to be commenced involving us or any subsidiary guarantor prior to the trustee's disposition of the collateral. For example, under applicable U.S. bankruptcy laws, a

secured creditor is prohibited from repossessing and selling its collateral from a debtor in a bankruptcy case without bankruptcy court approval. For a more detailed description of fraudulent transfers, see Federal and state statutes allow courts, under specific

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circumstances, to void the notes and the guarantees and may require holders of the notes to return payments received in respect of the notes and the guarantees and Delivery, recordation and perfection of mortgages, security interests in and/or other liens upon collateral after the closing date of this offering increases the risk that such mortgages, security interests and other liens may be avoidable in bankruptcy. Under any of these circumstances, you may not be fully compensated for your investment in the notes in the event of a default by us.

***The value of the collateral securing the secured guarantees may not be sufficient to secure post-petition interest or other payments on the guarantees or the notes.***

In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding against Great Wolf Resorts or the Issuers, the holders of the notes will only be entitled to post-petition interest, fees, costs or charges under U.S. bankruptcy laws to the extent that the value of their security interest in the collateral is greater than the amount of their pre-bankruptcy claim. The holders of the notes that have (through the secured guarantees) a security interest in the collateral with a value equal or less than their pre-bankruptcy claim will not be entitled to post-petition interest under U.S. bankruptcy laws. No appraisal of the fair market value of the collateral has been prepared in connection with this offering. The value of the holders of the notes interest in the collateral may not exceed the principal amount of the notes. If the value of the collateral is less than the principal amount of the notes, then in the event of a bankruptcy, holders of the notes will have only an unsecured claim against the Issuers and the guarantors to the extent of such shortfall. See Proceeds from collateral securing the secured guarantees may be inadequate to satisfy payments on the notes and Description of Notes.

***The collateral securing the secured guarantees includes real property and, as a result, holders of the notes may be subject to certain environmental risks.***

Real property pledged as security may be subject to known and unknown environmental risks or liabilities that can adversely affect the property's value or result in investigative or remedial costs or liabilities that could be material. In addition, under the federal Comprehensive Environmental Response, Compensation, and Liability Act, as amended ( CERCLA ), a secured lender may be held liable, in certain limited circumstances, for the costs of remediating a release of, or preventing a threatened release of, hazardous substances at a mortgaged property or at an owned property after foreclosure. There may be similar risks under state laws or common law theories.

Under CERCLA, a person who, without participating in the management of a vessel or facility, holds indicia of ownership primarily to protect his security interest is not a property owner, and thus not a responsible person under CERCLA. Lenders seldom have been held liable under CERCLA. The lenders who have been found liable generally have been found to have been sufficiently involved in the mortgagor's operations so that they have participated in the management of the borrower. CERCLA does not specify the level of actual participation in management. CERCLA was amended in 1996 to provide certain safe harbors for foreclosing lenders. However, the courts have not yet issued any definitive interpretations of the extent of these safe harbors. There currently is no controlling authority on this matter.

***The collateral is subject to casualty risks, which may limit the ability of holders of the notes to recover as secured creditors for losses to the collateral, and which may have an adverse impact on our operations and results.***

The indenture and the collateral documents will require us and the guarantors to maintain adequate insurance or otherwise insure against risks to the extent customary for companies in the same or similar business operating in the same or similar locations. However, there are certain losses, including losses resulting from terrorist acts, that may be either uninsurable or not economically insurable, in whole or in part. As a result, any insurance proceeds we receive may not compensate us fully for our losses. If there is a total or partial loss of any of the collateral, any insurance proceeds received by us may not be sufficient to satisfy all of our obligations, including the notes. In addition,

insurance proceeds may not be applied to repayment of the

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notes, and under certain circumstances set forth in the indenture and the collateral documents will be available to the applicable guarantor.

In the event of a total or partial loss affecting any of the mortgaged facilities securing the secured guarantees, certain items of equipment and inventory may not be easily replaced. Accordingly, even though there may be insurance coverage, the extended period needed to obtain replacement units or inventory may cause significant delays, which may have an adverse impact on our operations and results. In addition, certain zoning laws and regulations may prevent rebuilding substantially the same facilities in the event of a casualty, which may have an adverse impact on our operations and results.

***The collateral is subject to condemnation risks, which may limit the ability of the holders of the notes to recover as secured creditors for losses to the collateral consisting of mortgaged properties, and which may have an adverse impact on our operations and results.***

It is possible that all or a portion of the mortgaged properties securing the secured guarantees may become subject to a condemnation proceeding. In such event, we may be compensated for any total or partial loss of property but it is possible that such compensation will be insufficient to fully compensate us for our losses. In addition, a total or partial condemnation may interfere with our ability to use and operate all or a portion of the affected facility, which may have an adverse impact on our operations and results. In addition, condemnation proceeds may not be applied to repayment of the notes, and under certain circumstances set forth in the indenture and the collateral documents, will be available to the applicable guarantor.

***Our failure to obtain requisite consents of third parties to the grant of a security interest in certain collateral to the collateral agent for your benefit may adversely affect you.***

In certain instances, in order to grant a security interest in certain collateral to the collateral agent for the benefit of the holders of the notes, we may be required to obtain the consent of third parties. While we have agreed to obtain such consent, we may not be able to obtain them. Failure to obtain such consent may result in the failure to create a security interest in such collateral by the collateral agent on your behalf, or the inability to enforce such security interest.

***Our ability to use and operate certain portions of any future facilities may be limited by the validity of, or a default or termination under, real property leases and your ability to recover as a secured creditor may be affected by a default or termination under such leases, as well as by our ability to obtain landlord consent to leasehold mortgages on such leases.***

In the future, we may lease certain new facilities, or portions thereof, from third party landlords. In order to obtain leasehold mortgages on those facilities, we might need to obtain consents from the applicable landlords, which consents may not be obtained. If we do not obtain landlord consents, then you will not be able to obtain leasehold mortgages and will not be secured with respect to the leased portions of the facilities. In addition, the invalidity of, or default or termination under, any such leases may interfere with our ability to use and operate all or a portion of certain of our facilities, which may have an adverse impact on our operations and results.

## **Risks Related to Our Business Activities**

***Current economic conditions, including recent disruptions in the financial markets, may adversely affect our industry, business and results of operations, our ability to obtain financing on reasonable and acceptable terms and the market price of our common stock.***



The United States economy has undergone a major recession and the future economic environment may continue to be less favorable than that of prior years. This recession has and could further lead to reduced consumer and commercial spending in the foreseeable future. The hospitality industry has experienced significant downturns in connection with declines in general economic conditions. For example, we believe that lower than expected occupancy and average daily room rates in recent periods at our Traverse City, Sandusky and Sheboygan resorts are due, in part, to the adverse economic conditions in the regions in which these resorts

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are located. Declines in consumer and commercial spending have driven us and our competitors to reduce pricing, which has had a negative impact on our results of operations. A continued softening in the economy may adversely and materially affect our industry, business and results of operations and we cannot accurately predict how severe and prolonged any downturn might be. Moreover, reduced revenues as a result of a softening of the economy may also reduce our working capital and interfere with our long term business strategy.

Our business model is highly dependent on consumer spending, because the majority of our revenues are earned from leisure guests and a vacation experience at one of our resorts is a discretionary expenditure for a family. Over the past three years, the slowing U.S. economy has led to a decrease in credit for consumers and a related decrease in consumer discretionary spending. Through the second quarter of 2010, consumers continued to deal with several negative economic impacts that have developed over the past three years including:

severe turbulence in the banking and lending sectors, which has led to a general lessening of the availability of credit to consumers;

an increased national unemployment rate;

a continuing decline in the national average of home prices and an increase in the national foreclosure rate; and

high volatility in the stock market that led to substantial declines in stock values and aggregate household wealth from 2007 to 2010.

These and other factors impact the amount of discretionary income for consumers and consumer sentiment toward discretionary purchases. As a result, these types of items could negatively impact consumer spending in future periods. A sustained decrease in overall consumer discretionary spending could have a material, adverse effect on our business, financial condition and results of operations.

The United States equity and credit markets have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective and outstanding debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings materially less attractive, and in certain cases have resulted in the unavailability of certain types of financing. In particular, the market for securitized debt (which we have used in the past for certain financing transactions) has been dramatically reduced over the past three years. Continued uncertainty in the equity and credit markets may negatively impact our ability to access additional short-term and long-term financing, including future debt securitization transactions and construction financing, on reasonable terms or at all, which would negatively impact our liquidity and financial condition. A continued downturn in the equity or credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business operations accordingly. These disruptions in the financial markets also may adversely affect our credit rating and the market value of our common stock.

In addition, if the current pressures on credit continue or worsen, we may not be able to refinance, if necessary, our outstanding debt when due, which could have a material adverse effect on our business. If our operating results worsen significantly and our cash flow or capital resources prove inadequate, or if interest rates increase significantly, we could face liquidity problems that could materially and adversely affect our results of operations and financial condition.

***We may not be able, by ourselves or with others, to develop new resorts or further develop existing resorts on a timely or cost efficient basis, which would adversely affect our growth strategy.***

As part of our growth strategy, we currently intend to develop, or license others to develop, additional resorts or possibly further expand certain of our existing resorts. Development involves substantial risks, including the following risks:

development costs may exceed budgeted or contracted amounts or may exceed available capital;

increases in the costs of materials or supplies used in construction of our resorts;

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changes in applicable building codes, construction materials, labor costs or construction methodologies may increase development costs;

delays in architectural or other design-related services, or in the commencement or completion of construction;

failure to obtain all necessary zoning, land use, occupancy, construction, operating and other required governmental permits and authorizations;

changes in real estate, zoning, land use, environmental and tax laws;

unavailability to us and other investors and/or developers of financing on favorable or any terms;

failure of developed properties to achieve desired revenue or profitability levels once opened;

negative changes in the local markets, the local competitive environment or in local economic conditions that occur between the commencement of development and the completion of the resort;

scarcity of suitable development sites, due to existing development, physical limitation or competition for sites from competitors that may have greater financial resources or risk tolerance than we do or other factors; and

incurrence of substantial costs in the event a development project is abandoned or modified prior to completion.

In particular, resort construction projects entail significant risks, including shortages of design and construction expertise, materials or skilled labor, unforeseen engineering, environmental or geological problems, work stoppages, weather interference, floods and unanticipated cost increases. There are also a limited number of suppliers and manufacturers of the equipment we use in our indoor waterparks. We may not be able to successfully manage any future development to minimize these risks, and present or future developments may not perform in accordance with our previous developments or our expectations. The failure to successfully develop our new resorts could have a material, adverse effect on our growth strategies and our business, financial condition and results of operations.

***We compete with other family vacation travel destinations and resorts.***

Our resorts compete with other forms of family vacation travel and leisure activities, including theme, water and amusement parks and other recreational activities. Our business is also subject to factors that affect the recreation and leisure and resort industries generally, such as general economic conditions and changes in consumer spending habits. We believe the principal competitive factors of a family entertainment resort include:

location,

room rates,

name recognition,

reputation,

the uniqueness and perceived quality of the attractions and amenities,

the atmosphere and cleanliness of the attractions and amenities,  
the quality and perceived value of the lodging accommodations,  
the quality and perceived value of the food and beverage service,  
convenience,  
service levels, and  
reservation systems.

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Many of our markets have become more competitive in the past five years, including in particular our Wisconsin Dells, Sandusky, Traverse City, Kansas City, Williamsburg, Pocono Mountains and Mason markets. For example, we believe that lower than expected occupancy and average daily room rates at our Mason resort are due, in part, to the opening of competitive properties in the region. We anticipate that competition within some of our markets will increase further in the foreseeable future. A number of other resort operators are developing family entertainment resorts with indoor waterparks that will compete with some or all of our resorts. We compete for guests and for new development sites with certain of these entities that may have greater financial resources than we do and better relationships with lenders and sellers of real estate. These entities may be able to accept more risk than we can prudently manage and may have greater marketing and financial resources. Further, new or existing competitors may significantly reduce their rates, as they have in the past, or offer greater convenience, services or amenities, significantly expand or improve resorts, including the addition of thrill rides, in markets in which we operate. Such events could materially adversely affect our business and results of operations.

***We have a history of losses and we may not be able to achieve or sustain profitability.***

We incurred net losses for the previous six fiscal years. We cannot guarantee that we will become profitable. Even if we do become profitable, given the increasing competition in our industry, current economic conditions and capital-intensive nature of our business, we may not be able to sustain or increase any profitability we may achieve in the future on a quarterly or annual basis, and our failure to do so could adversely affect our business and financial condition.

***We may not be able to achieve or manage our expected growth, which could adversely affect our operating results.***

Since 1999, we have experienced substantial growth as we have grown from one resort to our current portfolio of 12 resorts at June 30, 2010. We intend to continue to develop additional resorts and manage additional licensed resorts owned either by joint ventures in which we have an equity interest or by third parties. Our anticipated growth could place a strain on our management, employees and operations. Our growth has increased our operating complexity and the level of responsibility for new and existing management. Our ability to compete effectively and to achieve and/or manage our recent and future growth effectively will depend on our ability to implement and improve financial and management information systems on a timely basis and to effect changes in our business, such as implementing internal controls to handle the increased size of our operations and hiring, training, developing and managing an increasing number of experienced management-level and other employees. Unexpected difficulties during expansion, the loss of or failure to attract and retain qualified employees or our inability to respond effectively to recent growth or plan for future expansion, could adversely affect our results of operations.

***We currently have one resort located outside of the United States, and international expansion may cause the proportion of our international business to expand. Many factors affecting business activities outside the United States could adversely impact this business.***

We currently have a licensing arrangement with a resort in Canada, and our international expansion plan is to license and/or manage additional resorts that are located in foreign countries and are wholly-owned or principally owned by third parties.

Factors that could affect our international business will vary by region and market and generally include:

instability or changes in social, political and/or economic conditions that could disrupt the trade activity in the countries where our resorts are located;

the imposition of additional duties, taxes and other charges on imports and exports;

changes in foreign laws and regulations;

any inability to enforce contracts or intellectual property protections under the laws of the relevant jurisdiction;

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the availability of qualified labor and other resources in the relevant region;

potential and actual international terrorism and hostilities;

the adoption or expansion of trade sanctions or other similar restrictions;

tax laws and other regulations that may impede our ability to receive revenues from international resorts;

recessions in foreign economies or changes in local economic conditions; and

changes in currency valuations in specific countries or markets.

The occurrence or consequences of any of these risks could affect our ability to operate in the affected regions, which could have a material, adverse effect on our growth strategies and our financial results.

***Accidents or injuries at our resorts, particularly in our waterparks, may subject us to liability, and accidents or injuries at our resorts or at competing resorts with waterparks could adversely affect our safety reputation and ability to attract customers, which would harm our business, financial condition and results of operations.***

There are inherent risks of accidents or injuries at family entertainment resorts, including accidents or injuries at waterparks, particularly for young children if their parents do not provide appropriate supervision. The lifeguards in our indoor waterparks and our other resort staff cannot prevent every accident or injury. Potential waterpark accidents and injuries include falls, cuts or other abrasions, concussions and other head injuries, sickness from contaminated water, chlorine-related irritation, injuries resulting from equipment malfunctions and drownings. One or more accidents or injuries at any of our waterparks or at other waterparks could reduce attendance at our resorts, adversely affect our safety reputation among our potential customers, decrease our overall occupancy rates, increase the cost of or make unavailable to us the appropriate liability insurance policies and increase our operating costs by requiring us to take additional measures to make our safety precautions even more visible and effective.

If accidents or injuries occur at any of our resorts, we may be held liable for costs related to the injuries. We maintain insurance of the type and in the amounts that we believe are commercially reasonable and that are available to businesses in our industry, but we cannot be certain that our liability insurance will be adequate or available at all times and in all circumstances to cover any liability for these costs. The liability insurance carried by Great Lakes prior to Great Wolf Resorts IPO may not be adequate or available to cover any liability related to incidents occurring prior to the IPO. Our business, financial condition and results of operations would be adversely affected to the extent claims and associated expenses resulting from accidents or injuries exceed our insurance recoveries.

***Our business is seasonal and largely dependent upon family vacation patterns, which may cause fluctuations in our revenues.***

Since most families with young children choose to take vacations during school breaks and on weekends, our occupancy is highest on the weekends and during months with prolonged school breaks, such as the summer months and spring break weeks in March and April. Our occupancy is generally lowest during May and September as children return to school following these prolonged breaks. As a result of these family vacation patterns, our revenues may fluctuate. We may be required to obtain short-term borrowings in slower periods in order to offset such fluctuations in revenues and to fund our anticipated obligations. In addition, adverse events occurring during our peak occupancy periods would have an increased impact on our results of operations. We may not be able to obtain short-term borrowings on favorable terms, or at all. A failure to compensate adequately for seasonality could have a material,



adverse effect on our financial condition and business operations and could severely limit our expansion plans.

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***We may not be able to attract a significant number of customers from our key target markets, which would adversely affect our business, financial condition and results of operations.***

Our strategy emphasizes attracting and retaining customers from the local, or drive-to, markets within a convenient driving distance from each of our resorts. Any resorts we develop or manage in the future are similarly likely to be dependent primarily on the markets in the immediate vicinity of such resorts. Regional economic difficulties, such as the issues affecting domestic automotive manufacturers and the related impact in Michigan and surrounding areas, may have a disproportionately negative impact on our resorts in the affected markets. In addition, because we are dependent to a large extent on customers who drive to our locations, a significant increase in the price of gasoline in our local markets or nationally may also increase the real or perceived cost of a vacation at our resorts and therefore have a negative effect on our ability to attract customers to our resorts. We may not be able to continue to attract a sufficient number of customers in our local markets to make our resort operations profitable. If we fail to do so, our business, financial condition and results of operations would be adversely affected.

***Because we concentrate in a single industry segment, we may be adversely affected by a downturn in that industry segment.***

Our assets and operations are concentrated in a single industry segment family entertainment resorts. Our primary current strategy is to expand the number of our resorts and improve our existing resorts. Therefore, a downturn in the entertainment, travel or vacation industries, in general, and the family entertainment resort segment, in particular, could have an adverse effect on our business and financial condition.

***Adverse changes in consumer spending habits may affect our growth, financial condition and results of operations.***

The success of our operations depends to a significant extent upon a number of factors relating to discretionary consumer spending, including economic conditions affecting discretionary consumer spending such as employment, business conditions, interest rates and taxation. Recently, consumer spending has been adversely affected by economic conditions. Accordingly, our growth, financial condition and results of operations have been adversely impacted. Continued adverse developments affecting the local economies in our markets, the U.S. national economy or, as we expand internationally, economies throughout the world, including a general tightening of the availability of credit, increasing interest rates, increasing energy costs, acts of war or terrorism, natural disasters, declining consumer confidence, continuing high rates of unemployment, further declines in housing prices or increases in foreclosure rates (particularly in our local markets), increased local or federal taxes, decreases in real or perceived wealth or significant declines in the stock market could lead to a further reduction in discretionary spending on leisure activities, thereby materially and adversely affecting our growth strategies and our business, financial condition and results of operations.

***Increases in operating costs and other expense items could reduce our operating margins and adversely affect our growth, financial condition and results of operations.***

Increases in operating costs due to inflation and other factors may not be directly offset by increased room rates and other revenue. Increases in operating costs may also negatively affect the profitability of our licensed and managed resorts, which may therefore have a material, adverse effect on our license fee and management fee revenues as well as the value of our minority investments in such resorts. Our most significant operating costs are our labor, energy, insurance and property taxes. Many, and in some cases all, of the factors affecting these costs are beyond our control.

Labor is our primary resort-level operating expense. As of June 30, 2010, we employed approximately 4,500 hourly-wage and salaried employees in our resorts. If we face labor shortages or increased labor costs because of increased competition for employees, higher employee turnover rates or increases in the applicable minimum wage

or other employee benefits costs (including costs associated with health insurance coverage), our operating expenses could increase and our growth could be adversely affected. Our success depends in

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part upon our ability to attract, motivate and retain a sufficient number of qualified employees, including resort managers, lifeguards, waterpark maintenance professionals and resort staff, necessary to keep pace with our expected growth. The number of qualified individuals needed to fill these positions is in short supply in some areas. Any future inability to recruit and retain sufficient individuals may delay the planned openings of new resorts. Competition for qualified employees could also require us to pay higher wages to attract a sufficient number of employees.

Energy costs also account for a significant portion of our total resort-level operating expenses. The price of energy is volatile, and shortages sometimes occur. Significant increases in the cost of energy, or shortages of energy, could interrupt or curtail our operations, lower our operating margins, or both.

The costs for maintaining adequate insurance coverage fluctuate and are generally beyond our control. If insurance rates increase and we are not able to pass along those increased costs to our customers through higher room rates and amenity costs, our operating margins could suffer.

Most of our resorts are subject to real and personal property taxes. The real and personal property taxes on our resorts may increase or decrease as tax rates change and as our resorts are assessed or reassessed by taxing authorities. If property taxes increase and we are unable to pass these increased costs along to our customers through higher room rates and amenity prices, our financial condition and results of operations may be adversely affected.

***Uninsured losses or losses in excess of our insurance coverage could adversely affect our financial condition and our cash flow, and there are a limited number of insurers that will underwrite coverage for resorts with indoor waterparks.***

We maintain comprehensive liability, fire, flood (where appropriate) and extended coverage insurance with respect to our resorts with policy specifications, limits and deductibles that we believe are commercially reasonable for our operations and are available to businesses in our industry. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to earthquakes, riots, acts of war or terrorism, or losses related to the award of punitive damages in a legal action. Should an uninsured loss occur, we could lose both our investment in, and anticipated cash flow from, a resort (including cash flows from our license or management agreements). If any such loss is insured, we may be required to pay a significant deductible on any claim for recovery of such a loss prior to our insurer being obligated to reimburse us for the loss or the amount of the loss may exceed our coverage for the loss. In addition, we may not be able to obtain insurance in the future at acceptable rates, or at all, and insurance may not be available to us on favorable terms or at all, including insurance for the construction and development of our resorts, especially since there are a limited number of insurance companies that underwrite insurance for indoor waterparks.

***We or the principal owners of our licensed and managed resorts will be required to make certain capital expenditures to maintain the quality of our resorts, and the failure to make such expenditures could materially and adversely affect our brand equity as well as our business, our financial condition and results of operations.***

Our resorts have an ongoing need for renovations and other capital improvements, including periodic replacement of furniture, fixtures and equipment. The cost of such capital improvements could have an adverse effect on our financial condition and results of operations. Such renovations involve certain risks, including the possibility of environmental problems, construction cost overruns and delays, the possibility that we will not have available cash to fund renovations or that financing for renovations will not be available on favorable terms, if at all, uncertainties as to market demand or deterioration in market demand after commencement of renovation and the emergence of unanticipated competition from other entities. The owners of our licensed and managed resorts will face similar risks and capital expenditure requirements, and third-party owners or licensees may be unable to access capital or unwilling to spend available capital when necessary, even if required by the terms of our management or license agreements. If

we or the owners of our licensed and managed resorts do not meet those capital expenditure needs, we may not be able to maintain the quality of

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our resorts. If we are unable to maintain the quality of our resorts, our brand equity and customer satisfaction will be negatively affected, thereby reducing our ability to grow our business, attract new customers and drive repeat and referral business, which could have a material and adverse effect on our business, financial condition and results of operations.

***We may not be able to adequately protect our intellectual property, which could harm the value of our brands and adversely affect our business.***

The success of our resorts depends in part on our brands, logos and branded merchandise. We rely on a combination of service marks, copyrights, trademarks and similar intellectual property rights to protect our brands, logos, branded merchandise and other intellectual property. The success of our growth strategy depends on our continued ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our brand in both domestic and international markets. We also use our trademarks and other intellectual property on the Internet. If our efforts to protect our intellectual property are not adequate, or if any third party misappropriates or infringes on our intellectual property, either in print or on the Internet, the value of our brands may be harmed, which could have a material adverse effect on our business, including the failure of our brands, logos and branded merchandise to achieve and maintain market acceptance.

We have licensed our Great Wolf Lodge brand and intend to further license the brand in domestic and international markets. While we try to ensure that the quality of our brand is maintained by our current licensees, and will be maintained by any future licensees, we cannot assure that these licensees will not take actions that adversely affect the value of our intellectual property or reputation.

We have registered certain trademarks and have other trademark registrations pending in the United States and foreign jurisdictions. There is no guarantee that our trademark registration applications will be granted. In addition, the trademarks that we currently use have not been registered in all of the countries in which we do, or intend to do, business and may never be registered in all of these countries. We may not be able to adequately protect our trademarks, and our use of these trademarks may result in liability for trademark infringement, trademark dilution or unfair competition.

We may not have taken all the steps necessary to protect our intellectual property in the United States and foreign countries. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States, and the risks related to foreign laws will increase as we expand internationally.

***Our operations may be adversely affected by extreme weather conditions and the impact of disasters.***

We currently operate, and in the future intend to operate, our resorts in a number of different markets, each of which is subject to local weather patterns and their effects on our resorts, especially our guests' ability to travel to our resorts. Extreme weather conditions can from time to time have a material adverse impact upon individual resorts or particular regions. Our resorts are also vulnerable to the effects of destructive forces, such as fire, storms, high winds and flooding and any other occurrence that could affect the supply of water, gas, telephone or electricity to our resorts. Although our resorts are insured against property damage, damages resulting from acts of God or otherwise may exceed the limits of our insurance coverage or be outside the scope of that coverage.

***A significant decline in real estate values may have an adverse impact on our financial condition.***

We own significant amounts of real estate throughout the United States. A significant decline in real estate values could have an impact on our ability to readily generate cash flow from the real estate to meet our debt or other obligations or may require us to use a significant amount of cash to reduce our debt.



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***If we fail to maintain effective internal control over financial reporting or remediate any future material weakness in our internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, which could have a material adverse effect on our financial results.***

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Effective internal control over financial reporting is necessary for us to provide reliable reports and prevent fraud.

We believe that any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Failure to maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business.

***Sustained increases in costs of medical and other employee health and welfare benefits may reduce our profitability.***

With more than 4,700 employees as of June 30, 2010, our results are substantially affected by costs of current medical benefits. In some recent years, we experienced significant increases in these costs as a result of factors beyond our control, including increases in health care costs. At least some of these factors continue to put upward pressure on the cost of providing medical benefits. Although we have actively sought to control increases in these costs, we cannot be certain that we will succeed in limiting cost increases, and continued upward pressure could reduce the profitability of our businesses.

***A failure to maintain good relationships with third-party property owners and licensees could have a material, adverse effect on our growth strategies and our business, financial condition and results of operations.***

We manage and/or license four of our resort properties in which we have limited or no ownership interest, and under our licensing-based growth strategy, we plan to increase the number of such properties as we seek to expand our operations both domestically and internationally. The viability of our management and licensing business depends on our ability to establish and maintain good relationships with third-party property owners and licensees. Third-party developers, property owners and licensees are focused on maximizing the value of their investment and working with a management company or licensor that can help them be successful. The effectiveness of our management, the value of our brand and the rapport that we maintain with our third-party property owners and licensees impact our revenue streams from our management and license agreements. If we are unable to maintain good relationships with our third-party property owners and licensees, we may be unable to renew existing agreements or expand our relationships with these owners. Additionally, our opportunities for developing new relationships with additional third parties may be adversely impacted.

The nature of our responsibilities under our management agreements to manage each resort and enforce the standards required for our brands under both management and license agreements may be subject to interpretation and may give rise to disagreements in some instances. Additionally, some courts have applied principles of agency law and related fiduciary standards to managers of third-party hotel properties such as us, which means, among other things, that property owners may assert the right to terminate management agreements even where the agreements do not expressly provide for termination. In the event of any such termination, we may need to negotiate or enforce our right to a termination payment that may not compensate fully for the lost management and license fee revenue. These types of disagreements are more likely to occur during an economic downturn. We seek to resolve any disagreements in order to develop and maintain positive relations with current and potential joint venture partners but may not always



be able to do so. Failure to resolve such disagreements may result in litigation. In addition, the terms of our management agreements and license agreements for some of our facilities may be influenced by contract terms offered by our competitors, among other things. Our current arrangements may not continue, and we may not be able to enter into future

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collaborations, renew agreements, or enter into new agreements in the future on terms that are as favorable to us as those that exist today. Finally, we are dependent on the cooperation of the owners or principal owners of our licensed and managed resorts in the development of new resorts and in the renovation of existing resorts. The failure to retain or renew management and licensing agreements or the failure of owners to develop resorts as agreed or on schedule or to make necessary capital expenditures may cause disruptions to our business plan and growth strategies and have a material, adverse effect on our business, financial condition and results of operations.

***We are dependent on the owners of the resorts we manage and license to fund certain operational expenditures related to those resorts, and if such funds are untimely or not paid, we are required to bear the cost.***

We incur significant expenditures related to the management of our managed resorts, including salary and other benefit related costs and business and employee related insurance costs for which we are reimbursed by the resort owners. In the normal course of business, we make every effort to pay these costs only after receiving payment from an owner for such costs. However, to the extent an owner would not be able to reimburse these costs, due to a sudden and unexpected insolvency situation or otherwise, we would be legally obligated to pay these costs directly until such time as we could make other arrangements. Although we would make every effort to eliminate these costs prior to the point at which an owner could not reimburse us and we would continue to pursue payment through all available legal means, our results of operations and financial condition could be adversely affected if we were forced to bear those costs.

***Investing through partnerships or joint ventures may decrease our ability to manage risk, and our license fee and management fee revenue streams, as well as any joint venture equity investments, are subject to property-level indebtedness and other risks.***

In addition to acquiring or developing resorts, we have from time to time invested, and expect to continue to invest, as a co-venturer. Joint venturers often have shared control over the operation of the joint venture assets. Therefore, joint venture investments may involve risks such as the possibility that the co-venturer in an investment might become bankrupt or not have the financial resources to meet its obligations, or have economic or business interests or goals that are inconsistent with our business interests or goals, or be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives. Consequently, actions by a co-venturer might subject any resorts owned by the joint venture to additional risk. Further, we may be unable to take action without the approval of our joint venture partners. Alternatively, our joint venture partners could take actions binding on the joint venture without our consent. Additionally, should a joint venture partner become bankrupt, we could become liable for our partner's share of joint venture liabilities.

Furthermore, all of our current managed resorts are subject to mortgage or construction indebtedness, which must be serviced by the entities owning those resorts. Future licensed or managed resorts will also likely be subject to such indebtedness. The principal owner of a licensed or managed resort may cause the entity owning the resort to incur indebtedness that may exceed the amount of debt the resort can service. In the event of a failure to service property-level indebtedness that results in a sale or foreclosure, our license and management agreements may be terminated, and any joint venture equity investment we have made in the owner will likely be lost. The loss of these agreements or investments could have a material and adverse effect on our business, financial condition and results of operations.

Under certain circumstances, our license and management agreements may be terminated by the property owners due to the sale of the property or other reasons. The termination of our current or future license or management agreements would reduce our revenues and have a material-adverse effect on our business, financial condition and results of operations.



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***Because the land used by two of our resorts are subject to ground leases, termination of these leases by the lessors could cause us to lose the ability to operate these resorts altogether and incur substantial costs in restoring the premises.***

Our rights to use the land underlying two of our resorts (Sheboygan, WI and Grand Mound, WA) are based upon our interest under long-term ground leases. Pursuant to the terms of the ground leases for these resorts, we are required to pay all rent due and comply with all other lessee obligations. As of June 30, 2010, the terms of these ground leases (including renewal options) range from 48 to 93 years. Any sale or pledge of our interest in a ground lease may require the consent of the applicable lessor and its lenders. As a result, we may not be able to sell, assign, mortgage, transfer or convey our lessee's interest in any resort subject to a ground lease in the future absent consent of such third parties even if such transactions may be in the best interest of our stockholders.

The lessors may require us, at the expiration or termination of the ground leases, to surrender or remove any improvements, alterations or additions to the land at our own expense. The ground leases also generally require us to restore the premises following a casualty and to apply in a specified manner any proceeds received in connection therewith. We may have to restore the premises if a material casualty, such as a fire or an act of God, occurs and the cost thereof exceeds available insurance proceeds.

***We are subject to the risks of brand concentration.***

We are subject to the potential risks associated with concentration of our resorts under the Great Wolf Lodge brand and the brand image associated with each geographic location. A negative public image or other adverse event which becomes associated with our Great Wolf Lodge brand could adversely affect our business and revenues.

***A failure to keep pace with developments in technology could impair our operations or competitive position.***

The hospitality industry continues to demand the use of sophisticated technology and systems, including those used for our reservation, revenue management and property management systems and technologies we make available to our guests. These technologies and systems must be refined, updated, and/or replaced with more advanced systems on a regular basis. If we are unable to do so as quickly as our competitors or within budgeted costs and time frames, our business could suffer. We also may not achieve the benefits that we anticipate from any new technology or system, and a failure to do so could result in higher than anticipated costs or could impair our operating results.

***An increase in the use of third-party Internet reservation services could adversely impact our revenues.***

Some of our resort rooms are booked through Internet travel intermediaries, such as Expedia.com<sup>®</sup>, Travelocity.com<sup>®</sup>, and Priceline.com<sup>®</sup>, serving both the leisure and, increasingly, the corporate travel and group meeting sectors. These intermediaries attempt to commoditize hotel rooms by aggressively marketing to price-sensitive travelers and corporate accounts and increasing the importance of general indicators of quality (such as three-star downtown hotel ) at the expense of brand identification. These agencies apparently anticipate that consumers will eventually develop brand loyalties to their travel services rather than to our lodging brands. Although we plan to continue to maintain and even increase the strength of our brands in the online marketplace, if the amount of sales made through Internet intermediaries increases significantly, our business and profitability may be harmed.

***The illiquidity of real estate may make it difficult for us to dispose of one or more of our resorts.***

We may from time to time decide to dispose of one or more of our real estate assets. Because real estate holdings generally, and family entertainment resorts like ours in particular, are relatively illiquid, we may not be able to dispose of one or more real estate assets on a timely basis or at a favorable price. The illiquidity of our real estate assets could

mean that we continue to operate a facility that management has identified for

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disposition. Failure to dispose of a real estate asset in a timely fashion, or at all, could adversely affect our business, financial condition and results of operations.

***We depend on a seasonal workforce.***

Our resort operations are dependent in part on a seasonal workforce. In some cases, we hire documented foreign workers to fill certain staffing needs each season and utilize visas to enable the use of foreign workers. In addition, we manage seasonal wages and the timing of the hiring process to ensure the appropriate workforce is in place. We cannot guarantee that material increases in the cost of securing our seasonal workforce will not be necessary in the future. In addition, we cannot guarantee that visas necessary to hire foreign workers who are a source for some of the seasonal workforce will be available. Increased seasonal wages or an inadequate workforce could have an adverse impact on our results of operations.

***A regional, national or global outbreak of influenza or other disease, such as the recent international outbreak of influenza A(H1N1), could adversely affect our business and results of operations.***

An outbreak of influenza or other communicable disease can impact places of public accommodation, such as our resorts. On June 11, 2009 the World Health Organization (WHO) raised its pandemic alert level, related to influenza A(H1N1), to Level 6, meaning that the disease has reached pandemic levels. In many areas, localized public-health measures have been implemented as a result of outbreaks of influenza A(H1N1), including travel bans, the closings of schools and businesses, and cancellations of events. These measures, whether implemented in connection with this or another outbreak of infectious disease, related to this or any outbreak of infectious disease in any of our markets, especially if they become more geographically widespread or sustained over significant time periods, or if public perception of the safety or desirability of visiting our resorts is adversely impacted by these measures or by media coverage of the outbreak, could materially reduce demand for our rooms and meeting spaces and, correspondingly, reduce our revenue, negatively affecting our business and results of operations.

***Our future financial results could be adversely impacted by asset impairments or other charges.***

We are required to test our intangible assets at least yearly for impairment or when circumstances indicate that the carrying value of those assets may not be recoverable. We are also required to test our long-lived assets (such as resorts) when circumstances indicate that the carrying value of those assets may be not be recoverable.

Because of triggering events that occurred in the three months ended September 30, 2009 related to our Sheboygan resort, including changes in the expectation of how long we will hold this property, current period and historical operating losses and the deterioration in the current market conditions, we performed a recoverability test of this resort to determine if further assessment for potential impairment was required. Based on this analysis of undiscounted cash flows, we determined the carrying value of this resort was not recoverable. As a result, we recorded a \$24.0 million impairment charge to decrease the resort's carrying value to its estimated fair value (net of estimated disposal costs) as of September 30, 2009.

The amount of any future annual or interim asset impairment charges could be significant and could have a material adverse effect on our reported financial results for the period in which the charge is taken. Any operating losses resulting from impairment charges could have an adverse effect on the market price of our securities.

***Great Wolf Resorts has identified certain material weaknesses in its internal controls.***

During the first quarter of 2010, Great Wolf Resorts determined that it was necessary to restate previously issued financial statements because of errors that occurred during the computation of the valuation allowance on certain

deferred tax assets recorded as of September 30, 2009. Due to the errors, Great Wolf Resorts made adjustments to restate the previously issued financial statements for the quarterly period ended September 30, 2009. Management believes that the errors giving rise to the restatement occurred because of a variety of factors, including the complexity of the calculation of the valuation allowance on certain deferred tax assets

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and certain spreadsheet errors that were not detected in the related review and approval process. This control deficiency resulted in adjustments to the September 30, 2009 unaudited condensed consolidated financial statements, which Great Wolf Resorts restated and filed with the SEC on March 1, 2010. Accordingly, management has concluded that this control deficiency constitutes a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. Any future restatement of Great Wolf Resorts' financial statements could have a material adverse effect on our company, the price of Great Wolf Resorts' common stock or the notes and our and Great Wolf Resorts' ability to access the capital markets. Additional scrutiny by regulatory authorities could result from the restatement of financial statements. Scrutiny regarding financial reporting may also result in an increase in litigation. Any such litigation, either against Great Wolf Resorts or us specifically or as part of a class, could materially and adversely affect our business or the price of Great Wolf Resorts' common stock or the notes. As of June 30, 2010, we have not fully remediated this material weakness. As we may be unable to confirm fully whether we have remediated this material weakness until preparation of our 2010 annual tax provision, we anticipate that this material weakness may continue to exist through the end of 2010 or later.

Great Wolf Resorts maintains disclosure controls and procedures designed to provide reasonable assurance that information in its reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified pursuant to the SEC's rules and forms. Great Wolf Resorts carried out an evaluation, under the supervision and with the participation of management including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of the end of the 2009 fourth quarter. In making that evaluation, Great Wolf Resorts considered matters relating to the restatement, including the related material weakness in internal control over financial reporting. Great Wolf Resorts concluded that its disclosure controls and procedures were not effective as of December 31, 2009. Our auditors, Grant Thornton, expressed an opinion that our internal control over financial reporting as of December 31, 2009 was not effective.

## **Risks Related to Regulation**

***Compliance with the Americans with Disabilities Act and other governmental regulations and changes in governmental rules and regulations may adversely affect our financial condition and results of operations.***

Under the Americans with Disabilities Act of 1990 and the regulations promulgated thereunder, or the ADA, all public accommodations are required to meet certain federal requirements related to access and use by disabled persons. While we believe that our resorts are substantially in compliance with these requirements, we have not conducted an audit or investigation of all of our resorts to determine our compliance. A determination that we are not in compliance with the ADA could result in the imposition of fines or an award of damages to private litigants. We cannot predict the ultimate cost of compliance with the ADA.

The resort industry is also subject to numerous federal, state and local governmental regulations including those related to building and zoning requirements, and we are subject to laws governing our relationship with our employees, including minimum wage requirements, overtime, working conditions and work permit requirements. In addition, changes in governmental rules and regulations or enforcement policies affecting the use and operation of our resorts, including changes to building codes and fire and life safety codes, may occur. If we were required to make substantial modifications at our resorts to comply with the ADA, other governmental regulations or changes in governmental rules and regulations, our financial condition and results of operations could be adversely affected.

***We face possible liability for environmental cleanup costs and damages for contamination related to our properties, which could adversely affect our business, financial condition and results of operations.***



Our operations and properties are subject to federal, state and local laws and regulations relating to the protection of the environment, natural resources and worker health and safety, including laws and regulations

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governing and creating liability relating to the management, storage and disposal of hazardous substances and other regulated materials. Our properties are also subject to various environmental laws and regulations that govern certain aspects of our ongoing operations. These laws and regulations control such things as the nature and volume of our wastewater discharges, quality of our water supply and our waste management practices. The costs of complying with these requirements, and of paying penalties, fines, assessments and the like related to non-compliance, as they now exist or may be altered in the future, could adversely affect our financial condition and results of operations. Specifically, the wastewater treatment plant at our Pocono Mountains resort is subject to numerous state, federal and other regulations. The cost of compliance with such regulations for penalties, remediation and other costs arising out of non compliance, can be large, as occurred in 2006 when we agreed to pay an assessment of \$0.8 million and incurred other costs in excess of \$1.0 million to remediate wastewater discharges that were out of compliance with applicable permits and to prevent further out-of-compliance discharges. In 2009, 2008 and 2007 we incurred other costs of \$0.03 million, \$0.3 million and \$0.3 million, respectively, to remediate wastewater discharges that were out of compliance with applicable permits and to prevent further out-of-compliance discharges.

Because we own and operate real property, various federal, state and local laws may impose liability on us for the costs of removing or remediating various hazardous substances, including substances that may be currently unknown to us, that may have been released on or in our property or disposed by us at third-party locations. The principal federal laws relating to environmental contamination and associated liabilities that could affect us are the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation and Liability Act; state and local governments have also adopted separate but similar environmental laws and regulations that vary from state to state and locality to locality. These laws may impose liability jointly and severally, without regard to fault and whether or not we knew of or caused the release. The presence of hazardous substances on a property or the failure to meet environmental regulatory requirements may materially adversely affect our ability to use or sell the property, or to use the property as collateral for borrowing, and may cause us to incur substantial remediation or compliance costs. In addition, if hazardous substances are located on or released from one of our properties, we could incur substantial liabilities through a private party personal injury claim, a claim by an adjacent property owner for property damage or a claim by a governmental entity for other damages, such as natural resource damages. This liability may be imposed on us under environmental laws or common-law principles.

We obtain environmental assessment reports on the properties we own or operate as we deem appropriate. However, the environmental assessments that we have undertaken might not have revealed all potential environmental liabilities or claims for such liabilities. It is also possible that future laws, ordinances or regulations or changed interpretations of existing laws and regulations will impose material environmental liability or compliance costs on us, that the current environmental conditions of properties we own or operate will be affected by other properties in the vicinity or by the actions of third parties unrelated to us or that our guests could introduce hazardous or toxic substances into the resorts we own or manage without our knowledge and expose us to liability under federal or state environmental laws. The costs of defending these claims, complying with as yet unidentified requirements, conducting this environmental remediation or responding to such changed conditions could adversely affect our financial condition and results of operations.

Some of our resort properties may have contained, or are adjacent to or near other properties that have contained or currently contain underground storage tanks for the storage of petroleum products or other hazardous or toxic substances. If hazardous or toxic substances were released from these tanks, we could incur significant costs or, with respect to tanks on our property, be liable to third parties with respect to the releases.

On occasion, we may elect to participate in the development of properties that have had a history of industrial activities and/or historical environmental contamination. Where such opportunities arise, we engage third-party experts to evaluate the extent of contamination, the scope of any needed environmental clean-up work, and available measures (such as creation of barriers over residual contamination and deed restrictions prohibiting groundwater use

or disturbance of the soil) for ensuring that planned development and future property uses will not present unacceptable human health or environmental risks or exposure to liabilities. If those environmental assessments indicate that the development opportunities are acceptable, we also work with appropriate governmental agencies and obtain their approvals of planned site clean-up, development activities

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and the proposed future property uses. We have followed that process in connection with the development of our Blue Harbor Resort in Sheboygan, Wisconsin, where the City of Sheboygan has arranged for environmental clean-up work and ongoing groundwater monitoring and we have agreed to the use of a barrier preventing contact with residual contamination and implementation of a deed restriction limiting site activities. We are not aware of any environmental liability or compliance concerns at our Sheboygan resort that we believe would materially adversely affect our financial condition or results of operations. It is possible, however, that our efforts have not identified all environmental conditions at the property or that environmental condition and liabilities associated with the property could change in the future.

Future acquisitions of properties subject to environmental requirements or affected by environmental contamination could require us to incur substantial costs relating to such matters. In addition, environmental laws, regulations, wetlands, endangered species and other land use and natural resource issues affecting either currently owned properties or sites identified as possible future acquisitions may increase costs associated with future site development and construction activities or business or expansion opportunities, prevent, delay, alter or interfere with such plans or otherwise adversely affect such plans.

***Regulation of the marketing and sale of condominiums could adversely affect our business.***

We cannot be certain that prior or future sales of our condominium units will not be considered offers or sales of securities under federal law or the state law in the states where we desire to, or do, conduct sales or in which our properties are located. If such interests were considered to be securities, we would be required to comply with applicable state and federal securities laws, including laws pertaining to registration or qualification of securities, licensing of salespeople and other matters. We cannot be certain that we will be able to comply with the applicable state and federal securities requirements, and if the offers or sales of our condominium units are deemed to be (or have been) offers or sales of securities, such a determination may create liabilities or contingencies that could have an adverse effect on our operations and financial results, including possible rescission rights relating to the units that have been sold, which, if exercised, could result in losses and would adversely affect our business, financial condition and results of operations.

***Failure to maintain the integrity of internal or customer data could result in faulty business decisions, damage to our reputation and/or subject us to costs, fines or lawsuits.***

Our business requires collection and retention of large volumes of internal and customer data, including credit card numbers and other personally identifiable information of our customers as they are entered into, processed by, summarized by, and reported by our various information systems. We also maintain personally identifiable information about our employees. The integrity and protection of that customer, employee, and company data is critical to us. If that data is not accurate or complete we could make faulty decisions. Our customers and employees also have a high expectation that we will adequately protect their personal information, and the regulatory environment surrounding information security and privacy is increasingly demanding, both in the U.S. and other international jurisdictions in which we operate. A significant theft, loss or fraudulent use of customer, employee or company data could adversely impact our reputation and could result in remedial and other expenses, fines and litigation.

***Changes in privacy law could adversely affect our ability to market our products effectively.***

Our resorts rely on a variety of direct marketing techniques, including email marketing, and postal mailings. Any further restrictions in laws such as the Telemarketing Sales Rule, CANSPAM Act, and various U.S. state laws, or new federal laws, regarding marketing and solicitation or international data protection laws that govern these activities could adversely affect the continuing effectiveness of email and postal mailing techniques and could force further

changes in our marketing strategy. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could adversely impact the amount and timing of our sales.

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**NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Some of the statements contained or that may be included in this prospectus or in information Great Wolf Resorts, Inc. files with the Securities and Exchange Commission, or the SEC, are or may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, including, among others, statements regarding our future financial results or position, business strategy, projected levels of growth, projected costs and projected financing needs, are forward-looking statements. Those statements include statements regarding our intent, belief or current expectations and those of the members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as may, might, will, could, plan, objective, predict, project, potential, continue, ongoing, seeks, anticipates, believes, estimates, should or similar expressions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that actual results may differ materially from those contemplated by such forward-looking statements. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, competition in our market, changes in family vacation patterns and consumer spending habits, regional or national economic downturns, our ability to attract a significant number of guests from our target markets, economic conditions in our target markets, the impact of fuel costs and other operating costs, our ability to develop new resorts in desirable markets or further develop existing resorts on a timely and cost efficient basis, our ability to manage growth, including the expansion of our infrastructure and systems necessary to support growth, our ability to manage cash and obtain additional cash required for growth, the general tightening in the U.S. lending markets, potential accidents or injuries at our resorts, decreases in travel due to pandemic or other widespread illness, our ability to achieve or sustain profitability, downturns in our industry segment and extreme weather conditions, increases in operating costs and other expense items and costs, uninsured losses or losses in excess of our insurance coverage, our ability to protect our intellectual property, trade secrets and the value of our brands, and current and possible future legal restrictions and requirements. Important factors currently known to our management that could cause actual results to differ materially from those in forward-looking statements include those set forth above under the section entitled Risk Factors and in the periodic SEC filings of Great Wolf Resorts.

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

You should read this prospectus and the documents that we reference in this prospectus completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by each of these cautionary statements.

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We will not receive any cash proceeds from the issuance of the exchange notes in exchange for the outstanding initial notes. We are making this exchange solely to satisfy our obligations under the registration rights agreements entered into in connection with the offering of the initial notes. In consideration for issuing the exchange notes, we will receive initial notes in like aggregate principal amount.

The gross proceeds from the offering of the initial notes were approximately \$219.3 million. The following table describes the sources and uses in connection with the offering of the initial notes, based on amounts outstanding as of April 7, 2010, the closing date of the offering of initial notes (dollars in millions):

<b>Sources</b>	<b>Amount</b>	<b>Uses</b>	<b>Amount</b>
Initial notes	\$ 219.3	Repay existing debt	
Cash on hand	2.4	Williamsburg mortgage loan(1)	\$ 62.3
		Mason mortgage loan(2)	69.8
		Grapevine mortgage loan(3)	76.3
		Mortgage exit fees(4)	3.3
		Transaction fees and expenses(5)	10.0
<b>Total sources of funds</b>	<b>\$ 221.7</b>	<b>Total uses of funds</b>	<b>\$ 221.7</b>

- (1) The Williamsburg mortgage loan bears interest at a floating rate of 30-day LIBOR plus a spread of 350 basis points with a minimum rate of 6.25% per annum (effective rate of 6.25% as of April 7, 2010). This loan matures in August 2011. This loan requires principal amortization of \$0.4 million per quarter, and the amounts reflected in the table above give effect to \$0.8 million of amortization payments we made in January and April 2010.
- (2) The Mason mortgage loan bears interest at a floating rate of 90-day LIBOR plus a spread of 425 basis points with an interest rate floor of 6.50% (effective rate of 6.50% as of April 7, 2010). This loan matures on July 1, 2011. This loan requires principal amortization payments of \$2.0 million per quarter, and the amounts reflected in the table above give effect to \$4.0 million of amortization payments we made in January and April 2010.
- (3) The Grapevine mortgage loan bears interest at a floating rate of 90-day LIBOR plus a spread of 400 basis points with an interest rate floor of 7.00% (effective rate of 7.00% as of April 7, 2010). This loan matures on July 1, 2011. This loan requires principal amortization payments of \$0.8 million per quarter, and the amounts reflected in the table above give effect to \$1.6 million of amortization payments we made in January and April 2010.
- (4) Represents prepayment fees of \$1.7 million with respect to the Mason mortgage loan and \$1.6 million with respect to the Grapevine mortgage loan.
- (5) Transaction fees and expenses include the initial purchasers' discount and estimated fees and expenses related to the offering of initial notes.





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The following table sets forth Great Wolf Resorts' capitalization and cash and cash equivalents as of June 30, 2010 on an actual basis:

		<b>As of June 30, 2010 (Unaudited, dollars in millions, except share and per share data)</b>
Cash and cash equivalents	\$	30.4
<b>Indebtedness:</b>		
Long-term debt of the Issuers:		
10.875% first mortgage notes due 2017 offered hereby(1)	\$	219.7
Traverse City/Kansas City mortgage loan due 2015		68.0
Pocono Mountains mortgage loan due 2017		94.8
Concord mortgage loan due 2012		78.6
Other Debt of the Issuers:		
City of Sheboygan bonds due 2028		8.6
City of Sheboygan loan due 2018		3.2
Other		0.1
Total indebtedness of the Issuers	\$	473.0
Long-term debt of Great Wolf Resorts:		
Junior subordinated notes due 2017 and 2035		80.5
Total consolidated indebtedness of Great Wolf Resorts	\$	553.5
<b>Equity:</b>		
Common stock, \$0.01 par value, 250,000,000 shares authorized, 32,445,206 shares issued actual and as adjusted	\$	0.3
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, no shares issued actual and as adjusted		
Additional paid-in capital		401.5
Accumulated deficit		(207.1)
Deferred compensation		(0.2)
Total Great Wolf Resorts stockholders' equity	\$	194.5
Noncontrolling interest	\$	
Total capitalization	\$	748.1

(1) Reflects \$230.0 aggregate principal amount of notes, net of original issue discount of \$10.3.

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**SELECTED CONSOLIDATED FINANCIAL DATA OF GREAT WOLF RESORTS**

The following consolidated financial data should be read in conjunction with, and are qualified by reference to, Great Wolf Resorts' consolidated financial statements and related Notes and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this prospectus. The selected consolidated financial data as of and for the years ended December 31, 2009, 2008 and 2007, are derived from Great Wolf Resorts' audited consolidated financial statements included in this prospectus. The selected consolidated financial data as of and for the years ended December 31, 2006 and 2005 are derived from Great Wolf Resorts' audited consolidated financial statements, which have previously been filed with the SEC. The selected consolidated financial data as of and for the six months ended June 30, 2010 and 2009, are derived from Great Wolf Resorts' unaudited consolidated financial statements included in this prospectus. The results of any interim period are not necessarily indicative of the results that may be expected for the full year. The historical results are not necessarily indicative of future results.

Great Wolf Resorts' consolidated financial information includes:

our subsidiary entity that provides resort development and management/licensing services;

our Traverse City, Kansas City, Sheboygan, Williamsburg, Pocono Mountains, Mason, Grapevine and Concord wholly-owned resorts;

our subsidiary that is the developer of experiential gaming products, less our noncontrolling interest, beginning in June 2010; and

our equity interests in the Wisconsin Dells and Sandusky resorts through August 2009, when we sold our minority ownership interests in those resorts, and our equity interest in the Grand Mound resort in which we have an ownership interest but which we do not consolidate.

Because Great Wolf Resorts has no material assets or operations other than through us, our consolidated financial data is substantially the same as the consolidated financial data of Great Wolf Resorts, except that:

the Company is not liable for any of the \$80.5 million of junior subordinated notes outstanding as of June 30, 2010, which are issued by Great Wolf Resorts;

the Company's interest expense for the years ended December 31, 2009, 2008 and 2007 and the six months ended June 30, 2010 and 2009 does not include \$6.3 million, \$6.3 million and \$5.3 million and \$3.2 million and \$3.0 million, respectively, which represents Great Wolf Resorts' interest payments on the junior subordinated notes;

the Company is not liable with respect to Great Wolf Resorts' guarantee of the \$78.6 million mortgage loan owed by our subsidiary that owns the Concord resort nor the environmental indemnity granted by Great Wolf Resorts pursuant to the Concord loan;

the Company is not liable for the non-recourse carve-out provisions and environmental indemnities provided by Great Wolf Resorts with respect to our Pocono Mountains resort nor the non-recourse carve-out provision provided by Great Wolf Resorts with respect to our Wisconsin Dells and Sandusky resorts or the environmental indemnity provided by Great Wolf Resorts with respect to our Grand Mound (Chehalis) resort; and

various ordinary course expenses, franchise taxes, corporate overhead and director fees are incurred by Great Wolf Resorts and not by the Company.

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	<b>Years Ended December 31,</b>				<b>Six Months Ended</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>June 30,</b>	
	<b>(Dollars in thousands)</b>				<b>(Unaudited)</b>		
						<b>2010</b>	<b>2009</b>
<b>Statement of Operations:</b>							
Revenues:							
Rooms	\$ 154,751	\$ 143,395	\$ 112,261	\$ 87,775	\$ 73,207	\$ 81,248	\$ 76,665
Food, beverage and other	81,020	74,173	56,673	43,137	36,846	43,660	40,332
Management and other fees	1,990	2,798	2,855	2,087	494	1,195	991
Management and other fees-affiliates	4,973	5,346	4,314	3,729	482	1,980	2,434
	242,734	225,712	176,103	136,728	111,029	128,083	120,412
Other revenue from managed properties(1)	21,298	19,826	11,477	11,920	2,524	11,024	10,520
Total revenues	264,032	245,538	187,580	148,648	139,415	139,107	130,932
Net operating income (loss)	(24,463)	(25,666)	(2,883)	(53,691)	(26,341)	221	(3,031)
Net loss	(58,476)	(40,725)	(10,033)	(49,752)	(24,417)	(20,785)	(11,351)
Net loss attributable to Great Wolf Resorts, Inc.	\$ (58,476)	\$ (40,725)	\$ (9,581)	(49,250)	(24,413)	(20,825)	(11,351)
<b>Cash Flows:</b>							
Net cash provided by operating activities	\$ 12,215	\$ 33,534	\$ 29,751	\$ 29,723	17,788	\$ 18,270	8,335
Net cash used in investing activities	(36,659)	(144,612)	(206,967)	(107,123)	(65,496)	(2,607)	(38,115)
Net cash provided by (used in) financing activities	31,126	106,712	99,035	119,396	23,081	(6,166)	38,584
<b>Balance Sheet Data (end of</b>							

**period):**

Total assets	\$ 805,744	\$ 840,061	\$ 770,805	\$ 683,439	\$ 605,526	\$ 805,872	\$ 805,744
Total debt	550,071	507,051	396,302	289,389	168,328	553,467	550,071
Total liabilities	590,988	568,121	460,412	360,173	235,022	611,279	590,988
Total equity	214,756	271,940	310,393	323,266	370,504	194,593	214,756

(1) Reflects reimbursement of payroll, benefits and costs related to the operations of properties managed by Great Wolf Resorts.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*This Management's Discussion and Analysis of Financial Condition and Results of Operations is a discussion and analysis of the financial condition, results of operations and liquidity and capital resources for the fiscal years ended December 31, 2009, 2008 and 2007 and the six months ended June 30, 2010 and 2009 of Great Wolf Resorts and should be read in conjunction with Great Wolf Resorts' consolidated financial statements and the related Notes that appear elsewhere herein. Certain statements we make under this section constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. See Note Regarding Forward-Looking Statements included elsewhere in this prospectus. You should consider our forward-looking statements in light of the risks discussed under the heading Risk Factors above as well as Great Wolf Resorts' consolidated financial statements, related notes, and other financial information appearing elsewhere in this prospectus.*

*All dollar amounts in this discussion, except for per share data, operating statistics, ADR, RevPAR and RevPOR, are in thousands.*

**Overview**

The terms Great Wolf Resorts, us, we and our used in this Management's Discussion and Analysis of Financial Condition and Results of Operations refer to Great Wolf Resorts, Inc. and its consolidated subsidiaries.

*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, licensor, operator and developer in North America of drive-to, destination family resorts featuring indoor waterparks and other family-oriented entertainment activities based on the number of resorts in operation. Each of our resorts features approximately 300 to 600 family suites, each of which sleeps from six to ten people and includes a wet bar, microwave oven, refrigerator and dining and sitting area. We provide a full-service entertainment resort experience to our target customer base: families with children ranging in ages from 2 to 14 years old that live within a convenient driving distance of our resorts. We operate and license resorts under our Great Wolf Lodge and Blue Harbor Resort brand names and have entered into licensing arrangements with third-parties to operate resorts under the Great Wolf Lodge brand name. Our resorts are open year-round and provide a consistent, 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 some or all of the following revenue-generating amenities: themed restaurants and snack bars, ice cream shop and confectionery, full-service adult spa, kid spa, game arcade, gift shop, miniature golf, interactive game attractions, family tech center and meeting space. We also generate revenues from licensing arrangements, management fees and other fees with respect to our operation or development of properties owned in whole or in part by third parties.

On June 7, 2010, we acquired a 62.4% equity interest in Creative Kingdoms. Creative Kingdoms is a developer of experiential gaming products including MagiQuest®, an interactive game attraction available at nine of our resorts. Creative Kingdoms also licenses or has sold to other parties several stand-alone MagiQuest facilities or similar attractions.

*Acquisition of Creative Kingdoms, LLC.* On June 7, 2010, we acquired a 62.4% equity interest in Creative Kingdoms in exchange for all of the \$8,700 principal balance, plus accrued interest of \$1,263, of convertible indebtedness owed

to us by Creative Kingdoms. We have consolidated Creative Kingdoms as we have a majority ownership interest in Creative Kingdoms. We accounted for this business combination using the acquisition method of accounting, which requires us to measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest at the acquisition-date fair value. We have recorded the identifiable assets acquired, the liabilities assumed and the noncontrolling interest at amounts that approximate



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fair value. We have recorded \$2,276 of goodwill, which represents the excess of (a) the consideration transferred and the fair value of any noncontrolling interest in the acquiree over (b) the net of the acquisition date fair values of the assets acquired and the liabilities assumed.

*Industry Trends.* We operate in the family entertainment resort segment of the travel and leisure industry. The concept of a family entertainment resort with an indoor waterpark was first introduced to the United States in Wisconsin Dells, Wisconsin, and has evolved since 1987. In an effort to boost occupancy and daily rates, as well as capture off-season demand, hotel operators in the Wisconsin Dells market began expanding indoor pools and adding waterslides and other water-based attractions to existing hotels and resorts. The success of these efforts prompted several local operators to build new, larger destination resorts based primarily on the concept.

We believe that these resorts have proven popular because of several factors, including the ability to provide a year-round vacation destination without weather-related risks, the wide appeal of water-based recreation and the favorable trends in leisure travel discussed below.

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. A Hotel & Leisure Advisors, LLC (H&LA) survey as of June 2010 indicates that there are 144 open indoor waterpark resort properties in the United States and Canada. Of the total, 51 are considered indoor waterpark destination resorts offering more than 30,000 square feet of indoor waterpark space. Of these 51 properties, 11 are Great Wolf Resorts properties.

We believe recent vacation trends favor drive-to family entertainment resorts featuring indoor waterparks, as the number of families choosing to take shorter, more frequent vacations that they can drive to have increased in recent years. We believe these trends will continue. We believe indoor waterpark resorts are generally less affected by changes in economic cycles, as drive-to destinations are generally less expensive and more convenient than destinations that require air travel.

*Outlook.* We believe that no other operator or developer other than us has established a national portfolio of destination family entertainment resorts that feature indoor waterparks. Our resorts do, however, compete directly with other family entertainment resorts in several of our markets. We intend to continue to expand our portfolio of resorts throughout the United States and to selectively seek licensing and management opportunities domestically and internationally.

The resorts we plan to develop, license and/or operate in the future require significant industry knowledge and/or substantial capital resources. Our external growth strategy going forward is to seek joint venture, licensing and management opportunities. We expect each of the joint venture arrangements would involve us having a minority or no ownership interest in the new resort. We believe there are opportunities to capitalize on our existing brand and operational platforms with lower capital requirements from us than if we were the sole or majority owner of the new resort.

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 growth strategies are:

leveraging our competitive advantages and increasing domestic geographic diversification through a licensing-based business model and joint venture investments in target markets;

expanding our brand footprint internationally;

selective sales of ownership interests/recycling of capital;

expanding and enhancing existing resorts;

continuing to innovate;

maximizing total resort revenues;

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minimizing total resort costs; and

building upon our existing brand awareness and loyalty.

In attempting to execute our internal and external growth strategies, we are subject to a variety of business challenges and risks. These risks include those described under Risk Factors Risks Related to Our Business Activities and Risk Factors Risks Related to Regulation. 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.

Our business model is highly dependent on consumer spending, because the majority of our revenues are earned from leisure guests and a vacation experience at one of our resorts is a discretionary expenditure for a family. Over the past three years, the slowing U.S. economy has led to a decrease in credit for consumers and a related decrease in consumer discretionary spending. Through the second quarter of 2010, consumers continued to deal with several negative economic impacts, including:

severe turbulence in the banking and lending sectors, which has led to a general lessening of the availability of credit to consumers;

an increased national unemployment rate;

a continuing decline in the national average of home prices and an increase in the national home foreclosure rate; and

high volatility in the stock market that led to substantial declines in leading market averages and aggregate household savings from 2007 to 2010.

These and other factors impact the amount of discretionary income for consumers and consumer sentiment toward discretionary purchases. As a result, these types of items could negatively impact consumer spending in future periods. While we believe the convenience, quality and overall affordability of a stay at one of our resorts continues to be an attractive alternative to other potential family vacations, a sustained decrease in overall consumer discretionary spending could have a material adverse effect on our overall results. We develop resorts with expectations of achieving certain financial returns on a resort's operations. The economic slowdown of the past three years has materially and adversely affected our ability to achieve the operating results on our resorts that we had expected to achieve when those resorts were first planned and developed. Also:

we believe that our Traverse City and Sandusky resorts have been and will continue to be affected by especially adverse general economic circumstances in the Michigan/Northern Ohio region (such as bankruptcies of several major companies and/or large announced layoffs by major employers) and increased competition that has occurred in these markets over the past few years. The Michigan/Northern Ohio region includes cities that have historically been the Traverse City and Sandusky resorts' largest source of customers. We believe the adverse general economic circumstances in the region have negatively impacted overall discretionary consumer spending in that region over the past few years and may continue to do so going forward. Although we have taken steps to reduce our operating costs at these resorts, we believe the general regional economic downturn has and may continue to have an impact on the operating performance of our Traverse City and Sandusky resorts.

our Wisconsin Dells property has been significantly impacted by the abundance of competing indoor waterpark resorts in that market. The Wisconsin Dells market has approximately 16 indoor waterpark resorts that compete with us. We believe this large number of competing properties in a relatively small tourist destination location has and will likely continue to have an adverse impact on the operating performance of our Wisconsin Dells resort.

we have experienced much lower than expected occupancy and lower than expected average daily room rates at our Sheboygan, Wisconsin property since its opening in 2004. We believe this operating weakness has been primarily attributable to the fact that the overall development of Sheboygan as a

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tourist destination continues to lag significantly behind our initial expectations. We believe this has materially impacted and will likely continue to impact the consumer demand for our indoor waterpark resort in that market and the operations of the resort. As a result of those conditions, we recorded an impairment charge in 2009 to decrease the resort's carrying value to its estimated fair value (net of disposal costs). In May 2010, we listed the resort for sale.

Our external growth strategies are based primarily on developing additional indoor waterpark resorts (in conjunction with joint venture partners) or by licensing our intellectual property and proprietary management systems to others. Developing new resorts of the size and scope of our family entertainment resorts generally requires obtaining financing for a significant portion of a project's expected construction costs. The general tightening in U.S. lending markets has dramatically decreased the overall availability of construction financing.

Although the ultimate effect on our external growth strategy of the current credit environment is difficult to predict with certainty, we believe that the availability of construction financing to us and other investors and/or developers may be more restrictive in the future and that terms of construction financing may be less favorable than we have seen historically. Although we believe that we and other investors and/or developers may be able to continue to obtain construction financing sufficient to execute development strategies, we expect that the more difficult credit market environment is likely to continue at least through 2010.

*Revenue and Key Performance Indicators.* We seek to generate positive cash flows and maximize our return on invested capital 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 EBITDA. Rooms revenue accounted for approximately 66% of our total consolidated resort revenue for the year ended December 31, 2009 and approximately 66% of our total consolidated resort revenue for the six months ended June 30, 2010. 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:

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

earnings before interest, taxes, depreciation and amortization, or EBITDA.

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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.

Total RevPAR and Total RevPOR are defined as follows:

Total RevPAR is calculated by dividing total revenue by total available rooms.

Total RevPOR is calculated by dividing total revenue by total occupied rooms.

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 year ended December 31, 2009, approximately 34% of our total consolidated resort revenues consisted of non-rooms revenue. For the six months ended June 30, 2010, approximately 34% of our total consolidated 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 results. We focus on increasing ADR and Total RevPOR because we believe those increases can have the greatest positive impact on our results. In addition, we seek to maximize occupancy, as increases in occupancy generally lead to greater total revenues at our resorts, and we believe 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 generally, in a greater increase in operating cash flow.

We also use EBITDA and Adjusted EBITDA as measures of our operational performance. See Non-GAAP Financial Information and notes (2), (3) and (4) to the summary financial information under the caption, Summary Consolidated Financial Data for more information regarding how we use and calculate EBITDA and Adjusted EBITDA and the limitations applicable to our EBITDA-based measures.

## **Critical Accounting Policies and Estimates**

This discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unconsolidated financial statements, as well as revenue and expenses during the reporting periods. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could

therefore differ materially from those estimates under different assumptions or conditions.

*Acquisition Accounting* We follow acquisition accounting for all acquisitions that meet the business combination definition. Acquisition accounting requires us to measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest at the acquisition-date fair value. While we use our best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement.



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As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

*Investments in Property and Equipment.* We record investments in property and equipment at cost. Improvements and replacements are capitalized when they extend the useful life, increase capacity or improve the efficiency of the asset. Repairs and maintenance are charged to expense as incurred.

Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	20-40 years
Fixtures and equipment, including waterpark equipment	5-15 years

We are required to make subjective assessments as to these useful lives for purposes of determining the amount of depreciation and amortization to record annually with respect to our investments in property and equipment. These assessments have a direct impact on our net loss because if we were to shorten the expected useful lives of our investments in property and equipment we would depreciate and amortize such investments over fewer years, resulting in more depreciation and amortization expense and a larger net loss on an annual basis. We periodically review the estimated useful lives we have assigned to our depreciable assets to determine whether those useful lives are reasonable and appropriate.

When circumstances, such as adverse market conditions, indicate the carrying values of a long-lived asset may be impaired, we perform an analysis to review the recoverability of the asset's carrying value. We make estimates of the undiscounted cash flows (excluding interest charges) from the expected future operations of the asset. These estimates consider factors such as expected future operating income, operating trends and prospects, as well as the effects of demand, competition and other factors. If the analysis indicates that the carrying value is not recoverable from future cash flows, an impairment loss is recognized to the extent that the carrying value exceeds the estimated fair value. Any impairment losses are recorded as operating expenses, which reduce net income.

We have experienced much lower than expected occupancy and lower than expected average daily room rates at our Sheboygan resort since its opening in 2004. We believe this operating weakness has been primarily attributable to the fact that the overall development of Sheboygan as a tourist destination continues to lag materially behind our initial expectations. We believe this has materially impacted and will likely continue to impact the consumer demand for our indoor waterpark resort in that market and the operations of the resort.

Because of triggering events that occurred during 2009 related to our Sheboygan resort, including changes in the expectation of how long we will hold this property, current period and historical operating losses and the deterioration in the current market conditions, we performed a recoverability test of this resort to determine if further assessment for potential impairment was required. Based on this analysis of undiscounted cash flows, we determined the carrying value of this resort was not recoverable. As a result, we recorded a \$24,000 impairment charge to decrease the resort's carrying value to its estimated fair value (net of estimated disposal costs) in 2009. To determine the estimated fair value for purposes of calculating the impairment charge, we used a combination of historical and projected cash flows and other available market information, such as recent sales prices for similar assets. Although we believe our estimated fair value for the resort is reasonable, the actual fair value we ultimately realize from this resort could differ materially from this estimate. The impaired long-lived asset is included in our Resort Ownership/Operation segment.

*Goodwill* Goodwill is measured at an acquisition date as the excess of (a) the consideration transferred and the fair value of any noncontrolling interest in the acquiree over (b) the net of the acquisition date fair values of the assets acquired and the liabilities assumed. We are required to assess goodwill for impairment annually, or more frequently if circumstances indicate impairment may have occurred. We assess goodwill for such impairment by comparing the carrying value of our reporting units to their fair values. We determine our reporting units' fair values using a discounted cash flow model.

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In connection with the acquisition of the majority interest in Creative Kingdoms we have recorded \$2,276 of goodwill that is included within Intangible Assets on our condensed consolidated balance sheet.

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Goodwill	\$ 2,276	130,496
Accumulated impairment losses		(68,405)
Goodwill related to sale of affiliate		(62,091)
	\$ 2,276	\$

*Noncontrolling Interests* We record the non-owned equity interests of our consolidated subsidiaries as a separate component of our consolidated equity on our condensed consolidated balance sheet. The net earnings attributable to the controlling and noncontrolling interests are included on the face of our statements of operations. Due to our acquisition of Creative Kingdoms in June 2010 we have a consolidated subsidiary with a noncontrolling interest as of June 30, 2010.

*Intangible Assets* We are required to assess indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. To test indefinite-lived intangible assets for impairment, we compare the fair value of the intangible asset with its carrying amount. If the fair value of the intangible asset is less than its carrying value, an impairment loss is recognized. Any impairment losses are recorded as operating expenses, which reduce net income. Future adverse changes in the hospitality and lodging industry, market conditions or poor operating results of the underlying real estate assets could result in future losses or the inability to recover the carrying value of these intangibles. We had no impairment losses related to intangible assets in any of the periods presented.

Our consolidated balance sheet as of December 31, 2009 and June 30, 2010 reflects \$23,829 and \$27,715 of intangible assets primarily related to our Great Wolf Lodge brand name. This brand name intangible asset has an indefinite life.

*Investments in Affiliates* When circumstances, such as adverse market conditions, indicate that the carrying value of our investments in affiliates may be impaired, we perform an analysis to review the recoverability of the asset's carrying value. To test investment in affiliates for impairment, we compare the fair value of the investment in affiliates with its carrying amount. If the fair value of the investment in affiliates is less than its carrying value, an impairment loss is recognized. Any impairment losses are recorded as operating expenses, which reduce net income. Future adverse changes in the hospitality and lodging industry, market conditions or poor operating results of the underlying investments could result in future losses or the inability to recover the carrying value of these assets.

In the fourth quarter of 2008, we concluded that continued adverse current and expected market conditions for our Wisconsin Dells and Sandusky resorts indicated that our minority investment in the joint venture that owns these resorts may be impaired. In early 2009, we concluded that the fair value of our investment in this joint venture, as discussed above, was less than its carrying value. As a result, we recorded an \$18,777 impairment loss related to our 30.26% interest in the joint venture that owns the Wisconsin Dells and Sandusky resorts, as the implied fair value of the investment, as discussed above, was less than its carrying value. On August 6, 2009, we sold our 30.26% joint venture interest to CNL for \$6,000.

We do not believe current circumstances indicate that the carrying value of our minority investment in the joint venture that owns our Grand Mound resort may be impaired. The carrying value of our 49% interest in our joint venture that owns the Great Wolf Lodge in Grand Mound was \$27,484 as of December 31, 2009 and \$27,017 as of June 30, 2010.

*Accounting for Income Taxes.* We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a

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change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Significant management judgment is required in determining our provision or benefit for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets. We record net deferred tax assets (primarily resulting from net operating loss carryforwards) to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income (that could result from a sale of one or more of our resorts where there is a sales price in excess of tax basis), tax planning strategies and recent financial operations. In the event we were to determine that we would not be able to realize our deferred tax assets, we would establish a valuation allowance which would increase the provision for income taxes. Conversely, in the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance which would reduce the provision for income taxes.

In 2009 we determined that due to current conditions in the credit markets, real estate markets and our current financial position, the tax planning strategy we previously expected to generate substantial taxable income was no longer feasible. As a result, we recorded a valuation allowance of \$23,008 in 2009, due to uncertainties related to our ability to utilize some of our deferred tax assets, primarily consisting of certain net operating loss carryforwards, before they expire. The valuation allowance we recorded is based on our estimates of taxable income solely from the reversal of existing deferred tax liabilities and the period over which deferred tax assets reverse. In the event that actual results differ from these estimates or we adjust these estimates in a future period, we may need to increase or decrease our valuation allowance, which could materially impact our consolidated statement of operations.

## **Recent Accounting Pronouncements**

In June 2009, the FASB issued guidance which changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The guidance requires a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. The adoption of this guidance is effective for fiscal years beginning after November 15, 2009, and interim periods within those fiscal years. We adopted this guidance on January 1, 2010. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

In August 2009, the FASB issued guidance on measuring liabilities at fair value which provides clarification on measuring liabilities at fair value when a quoted price in an active market is not available. The guidance is effective for the first reporting period beginning after issuance. The adoption of this guidance did not have an impact on our condensed consolidated financial statements.

In October 2009, the FASB issued guidance for revenue recognition with multiple deliverables. This guidance eliminates the residual method under the current guidance and replaces it with the relative selling price method when allocating revenue in a multiple deliverable arrangement. The selling price for each deliverable shall be determined using vendor specific objective evidence of selling price, if it exists, otherwise third-party evidence of selling price shall be used. If neither exists for a deliverable, the vendor shall use its best estimate of the selling price for that deliverable. After adoption, this guidance will also require expanded qualitative and quantitative disclosures. The

guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, although early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our condensed consolidated financial statements.

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In January 2010, the FASB issued updated guidance related to fair value measurement and disclosures, which requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfers. The updated guidance also requires that an entity should provide fair value measurement disclosures for each class of assets and liabilities and disclosures about the valuation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements for Level 2 and Level 3 fair value measurements. This updated guidance became effective for interim or annual financial reporting periods beginning after December 15, 2009. We adopted this guidance on January 1, 2010. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

## **Results of Operations**

### ***General***

Our financial information includes:

our subsidiary entity that provides resort development and management/licensing services;

our Traverse City, Kansas City, Sheboygan, Williamsburg, Pocono Mountains, Mason, Grapevine and Concord wholly-owned resorts;

our subsidiary that is a developer of experiential gaming products, less our noncontrolling interest, beginning in June 2010; and

our equity interests in the Wisconsin Dells and Sandusky resorts through August 2009, when we sold our minority ownership interests in those resorts, and our equity interest in the Grand Mound resort in which we have an ownership interest but which we do not consolidate.

*Revenues.* Our revenues consist of:

lodging revenue, which includes rooms, food and beverage, and other department revenues from our resorts;

management fee and other revenue from resorts, which includes fees received under our management, license, development and construction management agreements; and

other revenue from managed properties. We employ the staff at our managed properties. Under our management agreements, the resort owners reimburse us for payroll, benefits and certain other costs related to the operations of the managed properties. We include the reimbursement of payroll, benefits and costs, recorded as revenue on our statements of operations, with a corresponding expense recorded as other expenses from managed properties.

*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 operations and 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, such as utility costs and property taxes;

depreciation and amortization; and

other expenses from managed properties.



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*Six Months Ended June 30, 2010 compared with Six Months Ended June 30, 2009*

The following table shows key operating statistics for our resorts for the six months ended June 30, 2010 and 2009:

	<b>All</b>		<b>Same Store Comparison(b)</b>		
	<b>Properties(a)</b>				<b>Increase (Decrease)</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>\$</b>	<b>%</b>
Occupancy	59.2%	59.9%	60.4%	N/A	(0.8)%
ADR	\$ 248.42	\$ 247.87	\$ 240.88	\$ 6.99	2.9%
RevPAR	\$ 147.14	\$ 148.60	\$ 145.47	\$ 3.13	2.2%
Total RevPOR	\$ 384.97	\$ 384.62	\$ 373.31	\$ 11.31	3.0%
Total RevPAR	\$ 228.02	\$ 230.58	\$ 225.44	\$ 5.14	2.3%
Non-rooms revenue per occupied room	\$ 136.55	\$ 136.75	\$ 132.43	\$ 4.32	3.3%

(a) Includes results for properties that were open for any portion of the period, for all owned, managed and/or licensed resorts.

(b) Same store comparison includes properties that were open for the full and with comparable number of rooms in 2010 and 2009 (that is, all properties other than our Concord resort).

The changes in key operating statistics for the six months ended June 30, 2010, compared to the six months ended June 30, 2009, were positively impacted by overall better economic conditions which appear to be having a positive impact on consumer sentiment and spending patterns.

Presented below are selected amounts from the statements of operations for the six months ended June 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>	<b>Increase (Decrease)</b>
Revenues	\$ 139,107	\$ 130,932	\$ 8,175
Operating expenses:			
Departmental operating expenses	46,281	42,949	3,332
Selling, general and administrative	33,228	31,631	1,597
Property operating costs	17,204	21,456	(4,252)
Depreciation and amortization	31,130	27,216	3,914
Net operating income (loss)	221	(3,031)	3,252
Interest expense, net of interest income	21,225	14,708	6,517
Income tax expense (benefit)	369	(6,783)	7,152
Net loss attributable to Great Wolf Resorts, Inc.	(20,825)	(11,351)	(9,474)

*Revenues.* Total revenues increased due to the following:

An increase in revenue in 2010 due to the inclusion of six full months of operations of our Concord resort, which opened in March 2009.

*Operating expenses.* Total operating expenses increased primarily due to the opening of our Concord resort in March 2009.

Departmental expenses increased by \$3,332 for the six months ended June 30, 2010, as compared to the six months ended June 30, 2009, due primarily to the opening of our Concord resort.

Total selling, general and administrative expenses increased by \$1,597 in the six months ended June 30, 2010, as compared to the six months ended June 30, 2009, due primarily to the opening of our Concord resort offset by a settlement received at our Poconos resort related to wastewater treatment litigation during the six months ended June 30, 2010 as compared to the six months ended June 30, 2009.

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Opening-related costs (included in total property operating costs) related to our resorts were \$5,583 for the six months ended June 30, 2009, due primarily to the expansion of our Grapevine property in January 2009 and opening of our Concord resort in March 2009. There were no similar opening-related costs for the six months ended June 30, 2010.

Total depreciation and amortization increased for the six months ended June 30, 2010, as compared to the six months ended June 30, 2009, primarily due to unamortized loan fees expensed in the amount of \$3,500 related to our existing Williamsburg, Mason and Grapevine loans that were repaid with the net proceeds of the first mortgage notes. This increase was partially offset by a decrease in depreciation on our Sheboygan resort due to the asset impairment loss recorded in 2009.

*Net operating income (loss).* During the six months ended June 30, 2010, we had net operating income of \$221 as compared to a net operating loss of \$3,031 for the six months ended June 30, 2009.

*Net loss attributable to Great Wolf Resorts, Inc.* Net loss attributable to Great Wolf Resorts, Inc. increased due to:

An increase in net interest expense of \$6,517, mainly due to interest expense on the notes, whose interest rate is higher than the interest rates of the mortgage loans that were repaid with the proceeds of the notes, and less interest being capitalized to development properties in 2010 as compared to 2009 due to fewer properties being developed.

An increase in income tax expense of \$7,152 recorded in the six months ended June 30, 2010 as compared to the six months ended June 30, 2009 as a result of fully reserving deferred tax assets resulting from net operating losses in 2010. We did not record a similar reserve in the six months ended June 30, 2009.

*Year Ended December 31, 2009 compared with Year Ended December 31, 2008*

The following table shows key operating statistics for our resorts for the years ended December 31, 2009 and 2008:

	All Properties(a)		Same Store Comparison(b)		
	2009	2009	2008	Increase (Decrease)	
				\$	%
Occupancy	59.0%	58.9%	61.9%	N/A	(4.8)%
ADR	\$ 242.07	\$ 235.14	\$ 243.81	\$ (8.67)	(3.6)%
RevPAR	\$ 142.79	\$ 138.59	\$ 151.02	\$ (12.43)	(8.2)%
Total RevPOR	\$ 374.21	\$ 359.79	\$ 369.61	\$ (9.82)	(2.7)%
Total RevPAR	\$ 220.74	\$ 212.07	\$ 228.95	\$ (16.88)	(7.4)%
Non-rooms revenue per occupied room	\$ 132.14	\$ 124.65	\$ 125.80	\$ (1.15)	(0.9)%

(a) Includes results for properties that were open for any portion of the period, for all owned, managed and/or licensed resorts.

(b) Same store comparison includes properties (other than properties that had significant expansions) that were open for the full periods in 2009 and 2008 (that is, our Wisconsin Dells, Sandusky, Traverse City, Kansas City, Sheboygan, Williamsburg, Pocono Mountains, Niagara Falls, and Mason resorts).

We believe that, consistent with other hospitality and entertainment companies' experience in 2009, the decreases in occupancy, ADR, and non-rooms revenue per occupied room and RevPAR were due in part to the effect of the overall economic downturn on consumer discretionary spending.

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Presented below are selected amounts from our consolidated statements of operations for the years ended December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>	<b>Increase (Decrease)</b>
Revenues	\$ 264,032	\$ 245,538	\$ 18,494
Operating expenses:			
Departmental operating expenses	87,790	80,083	7,707
Selling, general and administrative	60,986	51,902	9,084
Depreciation and amortization	56,378	46,081	10,297
Impairment loss on investment in affiliates		18,777	(18,777)
Goodwill impairment		17,430	(17,430)
Asset impairment loss	24,000		24,000
Net operating loss	(24,463)	(25,666)	1,203
Gain on sale of unconsolidated affiliate	(962)		(962)
Interest expense, net of interest income	33,430	25,853	7,577
Income tax expense (benefit)	440	(11,956)	12,396
Net loss attributable to Great Wolf Resorts, Inc.	(58,476)	(40,725)	(17,751)

*Revenues.* Total revenues increased due to the following:

an increase in revenue from our Grapevine resort, due primarily to the completion of its expansion in early 2009; and

an increase in revenue from our Concord resort, which opened in March 2009.

This increase was partially offset by decreases in revenues at our other resorts due to the overall downturn in consumer discretionary spending and its negative effects on RevPAR, RevPOR, occupancy and other on-site revenues on a same-store basis.

*Operating expenses.* Total operating expenses increased primarily due to the opening of our Concord resort in March 2009, as well as our expansion at our Grapevine resort, which was completed in January 2009.

departmental expenses increased by \$7,707 for the year ended December 31, 2009, as compared to the year ended December 31, 2008, due primarily to the opening of our Concord resort.

total selling, general and administrative expenses increased by \$9,084 in the year ended December 31, 2009, as compared to the year ended December 31, 2008, due primarily to the opening of our Concord resort in March 2009, the expansion at our Grapevine resort, which was completed in January 2009, and lower labor and overhead expenses allocated to properties under development during the year ended December 31, 2009 than in the year ended December 31, 2008 due to fewer properties under development.

total depreciation and amortization increased for the year ended December 31, 2009, as compared to the year ended December 31, 2008, primarily due to the expansion of our Grapevine resort as well as the opening of our Concord resort. Also, loan fees incurred during the year ended December 31, 2009 were higher than in the year ended December 31, 2008 due to fees incurred in connection with the extensions of our Mason and Grapevine mortgage loans.

for the year ended December 31, 2008, we recorded an aggregate \$18,777 impairment loss related to our 30.26% interest in the joint venture that owed Wisconsin Dells and Sandusky resorts. There was no similar charge recorded in the year ended December 31, 2009.

for the year ended December 31, 2008, we recorded a goodwill impairment charge of \$17,430 related to our Kansas City and Mason resorts. We had no similar charge in the year ended December 31, 2009.

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we recorded a \$24,000 asset impairment loss related to our resort in Sheboygan during the year ended December 31, 2009. We had no similar loss in the year ended December 31, 2008.

*Net operating loss.* During the year ended December 31, 2009, we had net operating loss of \$24,463 as compared to a net operating loss of \$25,666 for the year ended December 31, 2008.

*Net loss attributable to Great Wolf Resorts, Inc.* Net loss attributable to Great Wolf Resorts, Inc. increased due to:

an increase in net interest expense of \$7,577, mainly due to interest expense on our Concord loan, and less interest being capitalized to development properties in 2009 as compared to 2008; and

a decrease in income tax benefit mainly due to a \$23,008 income tax expense related to our net operating loss valuation allowance.

These increases were partially offset by a decrease in net operating loss of \$1,203 and the gain on sale of unconsolidated affiliate in the amount of \$962 recorded in the year ended December 31, 2009. We had no similar gain in the year ended December 31, 2008.

*Year Ended December 31, 2008 compared with Year Ended December 31, 2007*

The following table shows key operating statistics for our resorts for the years ended December 31, 2008 and 2007:

	All Properties(a) 2008	Same Store Comparison(b)		Increase (Decrease)	
		2008	2007	\$	%
Occupancy	62.9%	61.9%	61.5%	N/A	0.7%
ADR	\$ 249.92	\$ 243.81	\$ 244.16	\$ (0.35)	(0.1)%
RevPAR	\$ 157.19	\$ 151.02	\$ 150.16	\$ 0.86	0.6%
Total RevPOR	\$ 383.75	\$ 369.61	\$ 370.77	\$ (1.16)	(0.3)%
Total RevPAR	\$ 241.36	\$ 228.95	\$ 228.02	\$ 0.93	0.4%
Non-rooms revenue per occupied room	\$ 133.83	\$ 125.80	\$ 126.61	\$ (0.81)	(0.6)%

(a) includes results for properties that were open for any portion of the period, for all owned and/or managed resorts.

(b) Same store comparison includes properties that were open for the full periods in 2008 and 2007 (that is, our Wisconsin Dells, Sandusky, Traverse City, Kansas City, Sheboygan, Williamsburg, Pocono Mountains, Niagara Falls, and Mason resorts).

In December 2007 we opened our resort in Grapevine, Texas. As a result, total revenue, rooms revenue and other revenue for the years ended December 31, 2008 and 2007 are not directly comparable.

The increases in same store occupancy and RevPAR were due in part to an increase in the number of rooms sold for group business (as opposed to leisure guests) in 2008 as compared to 2007. As we typically charge lower room rates for group rooms as compared to leisure, this resulted in a decrease in ADR in 2008 as compared to 2007.





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Presented below are selected amounts from our consolidated statements of operations for the years ended December 31, 2008 and 2007:

	2008	2007	Increase (Decrease)
Revenues	\$ 245,538	\$ 187,580	\$ 57,958
Operating expenses:			
Departmental operating expenses	80,083	64,016	16,067
Selling, general and administrative	51,902	47,915	3,987
Property operating costs	37,086	30,555	6,531
Depreciation and amortization	46,081	36,372	9,709
Impairment loss on investment in affiliates	18,777		18,777
Goodwill impairment	17,430		17,430
Net operating loss	(25,666)	(2,883)	(22,783)
Interest expense, net of interest income	25,853	12,129	13,724
Income tax benefit	(11,956)	(5,859)	(6,097)
Net loss attributable to Great Wolf Resorts, Inc.	(40,725)	(9,581)	(31,144)

*Revenues.* Total revenues increased primarily due to the opening of our Grapevine resort in December 2007; our construction of 104 additional guest suites at our Williamsburg resort that opened in March 2007; and other fees and other revenues from managed properties related to our joint venture with Chehalis at our resort in Grand Mound, Washington.

*Operating expenses.* Total operating expenses increased primarily due to the opening of our Grapevine resort in December 2007.

departmental expenses increased \$16,067 for the year ended December 31, 2008, as compared to the year ended December 31, 2007, due primarily to the opening of our Grapevine resort.

total selling, general and administrative expenses increased \$3,987 for the year ended December 31, 2008, as compared to the year ended December 31, 2007, due primarily to the opening of our Grapevine resort. This increase was offset by a decrease in corporate selling, general and administrative expenses. Corporate selling, general and administrative expenses decreased due to decreases in bonus expense and restricted stock expense, primarily due to the resignation of two senior officers in 2008; and a decrease in stock option expense, as most options were fully vested as of December 31, 2007.

total property operating costs (exclusive of opening costs) increased \$9,614 for the year ended December 31, 2008, as compared to the year ended December 31, 2007, due primarily to the opening of our Grapevine resort, as well as increased repairs and maintenance expense and increased utilities expense related to the expansion of our Williamsburg resort. Opening costs related to our resorts were \$6,301 for the year ended December 31, 2008, as compared to \$9,384 for the year ended December 31, 2007.

total depreciation and amortization increased mainly due to the opening of our Grapevine resort and the expansion of our Williamsburg resort as well as the write off of loan fees of \$615 related to our Williamsburg mortgage loan that we paid off in August 2008. We had no similar loan fee write offs for the year ended December 31, 2007.

for the year ended December 31, 2008, we recorded an aggregate \$18,777 impairment loss related to our 30.32% interest in the joint venture that owns the Wisconsin Dells and Sandusky resorts. There was no similar charge recorded in the year ended December 31, 2007.

for the year ended December 31, 2008, we recorded a goodwill impairment charge of \$17,430 related to our Kansas City and Mason resorts. There was no similar charge recorded in the year ended December 31, 2007.

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*Net operating loss.* During the year ended December 31, 2008, we had a net operating loss of \$25,666 as compared to a net operating loss of \$2,883 for the year ended December 31, 2007.

*Net loss attributable to Great Wolf Resorts, Inc.* Net loss attributable to Great Wolf Resorts, Inc. increased due to the increase in operating loss of \$22,783 and an increase in net interest expense of \$13,724 mainly due to interest expense on mortgage debt related to our Williamsburg and Grapevine resorts, and having less interest expense capitalized to development projects in 2008 as compared to 2007, due to fewer development projects in process in 2008 as compared to 2007.

These increases were partially offset by an increase of \$6,097 in income tax benefit recorded for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

**Segments**

We are organized into a single operating division. Within that operating division, we have three reportable segments:

*resort ownership/operation* revenues derived from our consolidated owned resorts;

*resort third-party management/licensing* revenues derived from management, license and other related fees from unconsolidated managed resorts; and

*condominium sales* revenues derived from sales of condominium units to third-party owners. This segment had no activity in 2008, 2009 or 2010.

See our Segments section in our Summary of Significant Accounting Policies, in Note 2 of our condensed consolidated financial statements.

	<b>Six Months Ended June 30,</b>		<b>Increase (Decrease)</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Resort Ownership/Operation</b>				
Revenues	\$ 124,041	\$ 116,987	\$ 7,054	
EBITDA	29,569	23,185	6,384	
<b>Resort Third-Party Management/Licensing</b>				
Revenues	14,199	13,945	254	
EBITDA	3,175	3,425	(250)	
<b>Condominium Sales</b>				
Revenues				
EBITDA				
<b>Other</b>				
Revenues	867		867	
EBITDA	(845)	3,560	2,715	

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The Other column in the table above includes items that do not constitute a reportable segment and represent corporate level activities and the activities of other operations not included in the Resort Ownership/Operation or Resort Third Party Management/License segments.

	Year Ended December 31,			Increase (Decrease)			
	2009	2008	2007	2009	2008	2008	2007
<b>Resort Ownership/Operation</b>							
Revenues	\$ 235,771	\$ 217,568	\$ 168,934	\$ 18,203	\$	\$ 48,634	
EBITDA	27,350	33,756	32,179	(6,406)		1,577	
<b>Resort Third-Party Management/Licensing</b>							
Revenues	28,261	27,970	18,646	291		9,324	
EBITDA	6,963	8,144	7,169	(1,181)		975	
<b>Condominium Sales</b>							
Revenues							
EBITDA			(682)			682	
<b>Other</b>							
Revenues							
EBITDA	(2,522)	(23,719)	(6,361)	21,197		(17,358)	

The Other items in the table above represent corporate-level activities that do not constitute a reportable segment. In 2008 Resort Ownership/Operation EBITDA includes \$16,021 for a goodwill impairment charge and Other EBITDA includes \$1,409 for a goodwill impairment charge and \$18,777 for the write-down of investment in affiliates. In 2009 Resort Ownership/Operation EBITDA includes \$24,000 for an asset impairment loss.

For a reconciliation of consolidated EBITDA for each of the periods presented, see the table included in the Summary Consolidated Financial Data of Great Wolf Resorts section.

**Liquidity and Capital Resources**

We had total indebtedness of \$553,467 and \$550,017 as of June 30, 2010 and December 31, 2009 respectively, summarized as follows:

	June 30, 2010	December 31, 2009
<b>Long-Term Debt of the Issuers:</b>		
First Mortgage Notes due 2017 (net of discount of \$10,343)(1)	\$ 219,657	\$
Traverse City/Kansas City mortgage loan	68,011	68,773
Mason mortgage loan(2)		73,800
Pocono Mountains mortgage loan	94,867	95,458
Williamsburg mortgage loan(2)		63,125
Grapevine mortgage loan(2)		77,909
Concord mortgage loan	78,588	78,549
<b>Other Debt of the Issuers:</b>		
City of Sheboygan bonds	8,564	8,544

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City of Sheboygan loan	3,172	3,290
Other	63	78
Total Debt of the Issuer	\$ 472,922	\$ 469,526
<b>Long-Term Debt of Great Wolf Resorts:</b>		
Junior subordinated notes due 2017 and 2035	80,545	80,545
Total consolidated indebtedness of Great Wolf Resorts	\$ 553,467	\$ 550,071

- (1) The First Mortgage Notes were issued on April 7, 2010.
- (2) The Mason mortgage loan, Williamsburg mortgage loan and Grapevine mortgage loan were repaid in their entirety on April 7, 2010 using the proceeds of the issuance of the First Mortgage Notes.

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*First Mortgage Notes* In April 2010, we completed a private placement of \$230,000 in aggregate principal amount of our 10.875% first mortgage notes due April 2017. The notes were sold at a discount, resulting in an effective yield of 11.875% before transaction costs. We are amortizing the discount over the life of the notes using the straight-line method, which approximates the effective interest method. The proceeds of the notes were used to retire the outstanding mortgage debt on our Mason, Williamsburg, and Grapevine properties and for general corporate purposes.

The notes are senior obligations of the issuers, GWR Operating Partnership, L.L.L.P. and Great Wolf Finance Corp. The Notes are guaranteed by Great Wolf Resorts, Inc. and by our subsidiaries that own three of our resorts and those guarantees are secured by first priority mortgages on those three resorts. The notes are also guaranteed by certain of our other subsidiaries on a senior unsecured basis.

The notes require that we satisfy certain tests in order to: (i) incur additional indebtedness except to refinance maturing debt with replacement debt, as defined under our indentures; (ii) pay dividends; (iii) repurchase capital stock; (iv) make investments or (v) merge. We are currently restricted from these activities with certain carve-outs under our indentures. For a more detailed description of the terms and provisions of the notes, see Description of Notes.

*Traverse City/Kansas City Mortgage Loan* This loan is secured by our Traverse City and Kansas City resorts. The loan bears interest at a fixed rate of 6.96%, is subject to a 25-year principal amortization schedule, and matures in January 2015. The loan has customary financial and operating debt compliance covenants. The loan also has customary restrictions on our ability to prepay the loan prior to maturity. We were in compliance with all covenants under this loan at June 30, 2010 and December 31, 2009.

The loan requires us to maintain a minimum debt service coverage ratio (DSCR) of 1.35, calculated on a quarterly basis. This ratio is defined as the two collateral properties' combined trailing twelve-month net operating income divided by the greater of (i) the loan's twelve-month debt service requirements and (ii) 8.5% of the amount of the outstanding principal indebtedness under the loan. Failure to meet the minimum DSCR is not an event of default and does not accelerate the due date of the loan. Not meeting the minimum DSCR, however, subjects the two properties to a lock-box cash management arrangement, at the discretion of the loan's servicer. We believe that a lock-box arrangement would require substantially all cash receipts for the two resorts to be moved each day to a reserve bank account, from which, provided no Event of Default has occurred and is continuing, funds would be available to fund debt service and certain agreed operating expenses for the two resorts, with excess cash flow being deposited in a lender-controlled account. While recourse under the loan is limited to the property owner's interest in the mortgage property, Great Wolf Resorts and the Company have provided limited guarantees with respect to certain customary non-recourse carve-out provisions and environmental indemnities relating to the loan.

For the twelve-month period ended June 30, 2010, the DSCR for this loan was 0.78. As a result, on September 13, 2010, the loan servicer elected to implement the lock-box cash management arrangement. We believe that such an arrangement constitutes a traditional lock-box arrangement as discussed in authoritative accounting guidance. Based on that guidance, we will be required to classify the entire outstanding principal balance of the loan as a current liability on our balance sheet, since the lock-box arrangement requires us to use the properties' working capital to liquidate the loan, and we do not presently have the ability to refinance this loan to a new, long-term loan.

The loan also contains a similar lock-box requirement if we open any Great Wolf Lodge or Blue Harbor Resort within 100 miles of either resort, and the two collateral properties' combined trailing twelve-month net operating income is not at least equal to 1.8 times 8.5% of the amount of the outstanding principal indebtedness under the loan.

The loan also contains limitations on our ability, without lender's consent, to (i) make payments to our affiliates if a default exists; (ii) enter into transactions with our affiliates; (iii) make loans or advances; or (iv) assume, guarantee or become liable in connection with any other obligations.

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*Pocono Mountains Mortgage Loan* This loan is secured by a mortgage on our Pocono Mountains resort. The loan bears interest at a fixed rate of 6.10% and matures in January 2017. The loan is currently subject to a 30-year principal amortization schedule. The loan has customary covenants associated with an individual mortgaged property. The loan also has customary restrictions on our ability to prepay the loan prior to maturity. We were in compliance with all covenants under this loan at June 30, 2010.

The loan requires us to maintain a minimum DSCR of 1.25, calculated on a quarterly basis. Subject to certain exceptions, the DSCR is increased to 1.35 if we open up a waterpark resort within 75 miles of the property or incur mezzanine debt secured by the resort. This ratio is defined as the property's combined trailing twelve-month net operating income divided by the greater of (i) the loan's twelve-month debt service requirements and (ii) 7.25% of the amount of the outstanding principal indebtedness under the loan. Failure to meet the minimum DSCR is not an event of default and does not accelerate the due date of the loan. Not meeting the minimum DSCR, however, subjects the property to a lock-box cash management arrangement, at the discretion of the loan's servicer. We believe that lock-box arrangement would require substantially all cash receipts for the resort to be moved each day to a lender-controlled bank account, from which, provided no Special Event of Default has occurred and is continuing, funds would be available to fund debt service and certain agreed operating expenses for the resort, with excess cash flow being deposited in a lender-controlled account and held as additional collateral for the loan. While recourse under the loan is limited to the property owner's interest in the mortgage property, Great Wolf Resorts has provided limited guarantees with respect to certain customary non-recourse carve-out provisions and environmental indemnities relating to the loan.

The loan also contains limitations on our ability, without lender's consent, to (i) make payments to our affiliates if a default exists; (ii) enter into transactions with our affiliates; (iii) make loans or advances; or (iv) assume, guarantee or become liable in connection with any other obligations.

*Concord Mortgage Loan* In April 2008 we closed on a \$63,940 mortgage loan to fund a portion of the total costs of our Great Wolf Lodge resort in Concord. The loan, which matures in April 2012, was expanded to its \$79,900 maximum principal amount in January 2009. The loan had an aggregate outstanding principal amount of \$78,588 as of June 30, 2010. The loan requires monthly amortization payments on a 25-year basis beginning on September 30, 2010. The loan bears interest at a floating annual rate of 30-day LIBOR plus a spread of 310 basis points, with a minimum rate of 6.50% per annum (effective rate of 6.50% as of December 31, 2009). The loan requires interest only payments until the one-year anniversary of the conversion date of the property (which such one-year anniversary will occur in September 2010) and then requires monthly principal payments based on a 25-year amortization schedule. However, if the resort owner's net income available to pay debt service on this loan for four consecutive quarters after September 2009 is less than \$10,000, or if the maximum principal amount of the loan exceeds 75% of the fair market value of the property based on an appraisal conducted after September 2010, then we are required to post cash collateral or partially repay the loan in an amount sufficient to remedy such deficiency. Based on our current projections, we anticipate that we will be required to make a principal paydown of approximately \$3,100, pursuant to these requirements, in December 2010. This loan has customary financial and operating debt compliance covenants associated with an individual mortgaged property. We were in compliance with all covenants under this loan at June 30, 2010.

Great Wolf Resorts has provided a full payment guarantee of amounts outstanding under the Concord mortgage loan and a customary environmental indemnity, and Great Wolf Resorts must maintain a minimum consolidated tangible net worth. Great Wolf Resorts has also agreed that if we sell one or more of our Sheboygan, Traverse City or Kansas City resorts, Great Wolf Resorts or the owner of the Concord mortgage loan in an amount equal to a partial repayment of the Concord mortgage loan in an amount equal to 25% of the gross proceeds of any such sales, but capped at \$10,000 in the aggregate. The minimum tangible net worth requirement is reduced by six times the amount of such partial repayments, but in no event will be reduced to less than \$50,000.



The loan also contains restrictions on our ability to make loans or capital contributions or any other investment to affiliates.

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

Trust I used the proceeds of the offering and our investment to purchase from us \$51,550 of junior subordinated notes with payment terms that mirror the distribution terms of the TPS. The indenture governing the notes contains limitations on our ability, without the consent of holders of notes to make payments to our affiliates or for our affiliates to make payments to us, if a default exists. The costs of the TPS offering totaled \$1,600, including \$1,500 of underwriting commissions and expenses and \$100 of costs incurred directly by Trust I. Trust I paid these costs utilizing an investment from us. These costs are being amortized over a 30-year period. The proceeds from our sale of notes, net of the costs of the TPS offering and our investment in Trust I, were \$48,400. We used the net proceeds to retire a construction loan.

In June 2007 we completed a private offering of \$28,125 of TPS through Great Wolf Capital Trust III (Trust III), a Delaware statutory trust which is our subsidiary. The securities pay holders cumulative cash distributions at an annual rate which is fixed at 7.90% through July 2012 and then floats at LIBOR plus a spread of 300 basis points thereafter. The securities mature in July 2017 and are callable at no premium after July 2012. In addition, we invested \$870 in the Trust's common securities, representing 3% of the total capitalization of Trust III.

Trust III used the proceeds of the offering and our investment to purchase from us \$28,995 of junior subordinated notes with payment terms that mirror the distribution terms of the trust securities. The costs of the TPS offering totaled \$932, including \$870 of underwriting commissions and expenses and \$62 of costs incurred directly by Trust III. Trust III paid these costs utilizing an investment from us. These costs are being amortized over a 10-year period. The proceeds from these note sales, net of the costs of the TPS offering and our investment in Trust III, were \$27,193. We used the net proceeds for development costs.

Issue trusts, like Trust I and Trust III (collectively, the Trusts), are generally variable interests. We have determined that we are not the primary beneficiary under the Trusts, and accordingly we do not include the financial statements of the Trusts in our consolidated financial statements.

Based on the foregoing accounting authority, our consolidated financial statements present the notes issued to the Trusts as long-term debt. Our investments in the Trusts are accounted as cost investments and are included in other assets on its consolidated balance sheet. For financial reporting purposes, we record interest expense on the corresponding notes in our condensed consolidated statements of operations.

*City of Sheboygan Bonds* The City of Sheboygan bonds represent the principal 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. We have recognized as a liability the obligations for the BANs. We have an obligation to fund certain minimum guaranteed amounts of room tax payments to be made by the Blue Harbor Resort through 2028, which obligation is indirectly related to the payments by the City on the BANs.

*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. There are restrictions on the ability of the borrower under the loan to enter into transactions with affiliates without the consent of the lender. 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 as of June 30, 2010 are as follows:

2011	\$ 4,186
2012	80,780
2013	3,538
2014	3,818
2015	63,003
Thereafter(1)	408,485
Total	\$ 563,810

(1) Excluding \$80,545 of junior subordinated notes due 2017 and 2035 of Great Wolf Resorts, the Issuers requirements for periods after 2015 would be \$327,940, and the Issuers total maturities would be \$483,265.

***Short-Term Liquidity Requirements***

Our short-term liquidity requirements generally consist primarily of funds necessary to pay operating expenses for the next 12 months, including:

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

recurring capital expenditures we make at our resorts;

debt maturities within the next year;

property taxes and insurance expenses;

interest expense and scheduled principal payments on outstanding indebtedness;

general and administrative expenses; and

income taxes.

Historically, we have satisfied our short-term liquidity requirements through a combination of operating cash flows and cash on hand. We believe that cash provided by our operations, together with cash on hand, will be sufficient to fund our short-term liquidity requirements for working capital, capital expenditures and debt service for the next 12 months.

***Long-Term Liquidity Requirements***

Our long-term liquidity requirements generally consist primarily of funds necessary to pay for the following items for periods beyond the next 12 months:

scheduled debt maturities;

costs associated with the development of new resorts;

renovations, expansions and other non-recurring capital expenditures that need to be made periodically to our resorts; and

capital contributions and loans to unconsolidated joint ventures.

We expect to meet these needs through a combination of:

existing working capital,

cash provided by operations,

proceeds from investing activities, including sales of partial or whole ownership interests in certain of our resorts; and

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proceeds from financing activities, including mortgage financing on properties being developed, additional or replacement borrowings under future credit facilities, contributions from joint venture partners, and the issuance of equity instruments, including common stock, or additional or replacement debt, including debt securities, as market conditions permit.

We believe these sources of capital will be sufficient to provide for our long-term capital needs. We cannot be certain, however, that we will have access to financing sufficient to meet our long-term liquidity requirements on terms that are favorable to us, or at all.

Our largest long-term expenditures (other than debt maturities) are expected to be for capital expenditures for development of future resorts, non-routine capital expenditures for our existing resorts, and capital contributions or loans to joint ventures owning resorts under construction or development. Such expenditures were \$6,229 for the six months ended June 30, 2010. We expect to have approximately \$2,000 of such expenditures for the rest of 2010. As discussed above, we expect to meet these requirements through a combination of cash provided by operations and cash on hand.

We currently project that the combination of our cash on hand plus cash provided by operations in 2010 will be sufficient to meet the short-term liquidity requirements, as described above. Based on our current projections, however, we do not believe that we will have sufficient excess amounts of cash available in 2010 in order either to begin development of any resort we would wholly own, although we expect to have cash available for minimal capital contributions to new joint ventures that would develop resorts that we would license and/or manage. Also, due to the current state of the capital markets, which are marked by the general unavailability of debt financing for large commercial real estate construction projects, we do not expect to have significant expenditures for development of new resorts until we have all equity and debt capital amounts fully committed, including our projected ability to fund our required equity contribution to a project. We believe this may result in our not making any significant expenditures in 2010 for development of new resorts or capital contributions to new joint ventures that develop future resorts.

### ***Off Balance Sheet Arrangements***

In August 2009 we sold our 30.26% joint venture interest in the joint venture that owns two resorts, Great Wolf Lodge-Wisconsin Dells, Wisconsin and Great Wolf Lodge-Sandusky, Ohio to CNL. We currently manage both properties and license the Great Wolf Lodge brand to the joint venture.

We have one unconsolidated joint venture arrangement at June 30, 2010. We account for our unconsolidated joint venture using the equity method of accounting.

Our joint venture with The Confederated Tribes of the Chehalis Reservation owns the Great Wolf Lodge resort and conference center on a 39-acre land parcel in Grand Mound, Washington. This resort opened in March 2008. This joint venture is a limited liability company. We are a member of that limited liability company with a 49% ownership interest. At June 30, 2010, the joint venture had aggregate outstanding indebtedness to third parties of \$99,645. As of June 30, 2010, we have made combined loan and equity contributions, net of loan repayments, of \$29,210 to the joint venture to fund a portion of construction costs of the resorts.

Based on the nature of the activities conducted in the joint venture, we cannot estimate with any degree of accuracy amounts that we may be required to fund in the long term. We do not currently believe that any additional future funding of the joint venture will have a material adverse effect on our financial condition, as we currently do not expect to make any significant future capital contributions to this joint venture.



**Table of Contents****Contractual Obligations**

The following table summarizes our contractual obligations as of June 30, 2010:

	Total	Payment Terms			More Than 5 Years
		Less Than 1 Year	1-3 Years	3-5 Years	
Debt obligations(1)(2)	\$ 796,304	\$ 39,392	\$ 155,011	\$ 134,870	\$ 467,031
Operating lease obligations	4,787	1,030	1,816	1,282	659
Reserve on unrecognized tax benefits	1,268				1,298
Total(2)	\$ 802,359	\$ 40,422	\$ 156,827	\$ 136,152	\$ 468,958

- (1) Amounts include interest (for fixed rate debt) and principal. They also include \$8,564 of fixed rate debt recognized as a liability related to certain bonds issued by the City of Sheboygan and \$3,172 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.
- (2) Excluding \$80,545 of junior subordinated notes due 2017 and 2035 of Great Wolf Resorts and interest on those junior subordinated notes, the Issuers' debt obligations (including interest for fixed rate debt) due in more than 5 years would be \$386,486, and the Issuers' total debt obligations would be \$715,759.

If we develop future resorts where we are the majority owner, we expect to incur significant additional debt and construction contract obligations.

**Working Capital**

We had \$30,410 of available cash and cash equivalents and a working capital deficit of \$7,609 (current assets less current liabilities) at June 30, 2010, compared to the \$20,913 of available cash and cash equivalents and a working capital deficit of \$15,534 at December 31, 2009. We had \$20,913 of available cash and cash equivalents and a working capital deficit of \$15,534 (current assets less current liabilities) at December 31, 2009, compared to the \$14,231 of available cash and cash equivalents and a working capital deficit of \$114,768 at December 31, 2008. The primary reasons for the working capital deficit as of June 30, 2010 is the use of cash for capital expenditures and an increase in accruals related to the issuance of our first mortgage notes that closed in April 2010. The primary reason for the working capital deficit as of December 31, 2009 was the use of cash for capital expenditures for our properties that were under development.

**Cash Flows****Comparison of Six Months Ended June 30, 2010 to Six Months Ended June 30, 2009**

**Six Months Ended June 30,  
Increase**



	<b>2010</b>	<b>2009</b>	<b>(Decrease)</b>
Net cash provided by operating activities	\$ 18,270	\$ 8,335	\$ 9,935
Net cash used in investing activities	(2,607)	(38,115)	(35,508)
Net cash (used in) provided by financing activities	(6,166)	38,584	(44,750)

*Operating Activities.* The increase in net cash provided by operating activities resulted primarily from an increase in accounts payable, accrued expenses and other liabilities during the six months ended June 30, 2010 as compared to the six months ended June 30, 2009.

*Investing Activities.* The decrease in net cash used in investing activities for the six months ended June 30, 2010, as compared to the six months ended June 30, 2009, resulted primarily from a decrease in capital expenditures related to our properties that are in service and in development.

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*Financing Activities.* The decrease in net cash provided by financing activities resulted primarily from receiving fewer loan proceeds, net of principal payments, during the six months ended June 30, 2010 as compared to the six months ended June 30, 2009.

**Comparison of Year Ended December 31, 2009 to Year Ended December 31, 2008**

	Year Ended December 31,		Increase (Decrease)
	2009	2008	
Net cash provided by operating activities	\$ 12,215	\$ 33,534	\$ (21,319)
Net cash used in investing activities	(36,659)	(144,612)	107,953
Net cash provided by financing activities	31,126	106,712	(75,586)

*Operating Activities.* The decrease in net cash provided by operating activities resulted primarily from a decrease in operating income, deferred tax benefit and accounts payable, accrued expenses and other liabilities during the year ended December 31, 2009 as compared to December 31, 2008.

*Investing Activities.* The decrease in net cash used in investing activities for the year ended December 31, 2009, as compared to the year ended December 31, 2008, resulted primarily from a decrease in contributions to our investments in affiliates, proceeds from the sale of our interest in a joint venture, as well as an increase in loan repayments received from our affiliates. This decrease is also due to a decrease in capital expenditures related to our properties that are in service and in development.

*Financing Activities.* The decrease in net cash provided by financing activities resulted primarily from receiving fewer loan proceeds during the year ended December 31, 2009 as compared to the year ended December 31, 2008.

**Comparison of Year Ended December 31, 2008 to Year Ended December 31, 2007**

	Year Ended December 31,		Increase (Decrease)
	2008	2007	
Net cash provided by operating activities	\$ 33,534	\$ 29,751	\$ 3,783
Net cash used in investing activities	(144,612)	(206,967)	62,355
Net cash provided by financing activities	106,712	99,035	7,677

*Operating Activities.* The increase in net cash provided by operating activities resulted primarily from an increase in equity in losses of unconsolidated affiliates, during the year ended December 31, 2008 as compared to December 31, 2007.

*Investing Activities.* The decrease in net cash used in investing activities for the year ended December 31, 2008, as compared to the year ended December 31, 2007, resulted primarily from decreased capital expenditures for our properties that are in service and under development, a decrease in cash used to fund our investments in unconsolidated affiliates, and the receipt of payments on a loan from one of our joint ventures.

*Financing Activities.* The increase in net cash provided by financing activities resulted primarily from the proceeds from our Williamsburg loan during the year ended December 31, 2008. The increase from the loan proceeds were offset partially by an increase in principal payments and loan costs.

**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.

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**Quantitative and Qualitative Disclosures About Market Risk**

Our future income, cash flows and fair values relevant to financial instruments are dependent, in part, upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. Our earnings are also affected by the changes in interest rates due to the impact those changes have on our interest income from cash and our interest expense from variable-rate debt instruments. 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.

As of June 30, 2010, we had total indebtedness of \$553,467. This debt consisted of:

\$68,011 of fixed rate debt secured by two of our resorts. This debt bears interest at 6.96%.

\$94,867 of fixed rate debt secured by one of our resorts. This debt bears interest at 6.10%.

\$78,588 of variable rate debt secured by one of our resorts. This debt bears interest at a floating annual rate of LIBOR plus a spread of 310 basis points, with a minimum rate of 6.50% per annum. The effective rate was 6.50% at June 30, 2010.

\$219,657 (net of discount of \$10,343) of first mortgage notes that are secured by first priority liens on three of our resorts. This debt bears interest at 10.875%. The notes are due April 2017.

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

\$28,995 of subordinated debentures that bear interest at a fixed rate of 7.90% through June 2012 and then at a floating rate of LIBOR plus 300 basis points thereafter. The securities mature in June 2017.

\$8,564 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 \$3,172 of non-interest 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.

\$63 related to a capital lease that was entered into in June 2009. The lease matures in May 2012.

As of June 30, 2010, we estimate the total fair value of the indebtedness described above to be \$74,768 less than their total carrying values, due to the terms of the existing debt being different than those terms we believe would currently be available to us for indebtedness with similar risks and remaining maturities.

At June 30, 2010 all of our variable rate debt is subject to minimum rate floors. If LIBOR were to increase or decrease by 1% or 100 basis points, there would be no change in interest expense on our variable rate debt based on our debt balances outstanding and current interest rates in effect as of June 30, 2010, as LIBOR plus the loans' basis points would not increase or decrease above the minimum rate floor.

During the six months ended June 30, 2010, there were no other material changes in our market risk exposure. For a complete discussion of our market risk associated with interest rate risk as of June 30, 2010, see Item 7A. Quantitative and Qualitative Disclosures about Market Risk in our Annual Report on Form 10-K for the year ended December 31, 2009.



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**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, licensor, operator and developer in North America of drive-to family resorts featuring indoor waterparks and other family-oriented entertainment activities based on the number of resorts in operation. Each of our resorts features approximately 300 to 600 family suites, each of which sleeps from six to ten people and includes a wet bar, microwave oven, refrigerator and dining and sitting area. We provide a full-service entertainment resort experience to our target customer base: families with children ranging in ages from 2 to 14 years old that live within a convenient driving distance of our resorts. We operate and license resorts under our Great Wolf Lodge and Blue Harbor Resort brand names and have entered into licensing arrangements with third-parties to operate resorts under the Great Wolf Lodge brand name. Our resorts are open year-round and provide a consistent, 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. Our resorts 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 some or all of the following revenue-generating amenities: themed restaurants, ice cream shop and confectionery, full-service adult spa, kid spa, game arcade, gift shop, miniature golf, interactive game attraction, family tech center and meeting space. We also generate revenues from licensing arrangements, management fees and other fees with respect to our operation or development of properties owned in whole or in part by third parties.

Financial information regarding our reportable segments during 2010 and 2009 is included in Note 2 to Great Wolf Resorts Consolidated Financial Statements.

**Industry Overview**

We operate in the family entertainment resort segment of the travel and leisure industry. The concept of a family entertainment resort with an indoor waterpark was first introduced to the United States in Wisconsin Dells, Wisconsin, and has evolved there since 1987. In an effort to boost occupancy and daily rates, as well as capture off-season demand, hotel operators in the Wisconsin Dells market began expanding indoor pools and adding waterslides and other water-based attractions to existing hotels and resorts. The success of these efforts prompted several local operators to build new, larger destination resorts based primarily on this concept, including the Wilderness Hotel & Golf Resort, Treasure Island, Raintree Resort, Kalahari and the Great Wolf Lodge (formerly known as the Black Wolf Lodge), which our predecessor company purchased in 1999.

We believe that these resorts have proven popular because of several factors, including the ability to provide a year-round vacation destination without weather-related risks, the wide appeal of water-based recreation and the favorable trends in leisure travel discussed below. No operator or developer other than us has established a national portfolio of destination family resorts featuring indoor waterparks.

No standard industry definition for a family entertainment resort featuring an indoor waterpark has developed. A recent H&LA survey indicates that there are 144 open indoor waterpark resort properties in the United States and Canada as of June 2010. Of the total, 51 are considered indoor waterpark destination resorts offering more than 30,000 square feet of indoor waterpark space. Of these 51 properties, 11 are our properties. Most of our resorts are located in well-established, traditional drive-to family vacation destinations, which allow us to leverage the popularity of these destinations by offering a complementary entertainment option to existing venues and a high-quality family resort alternative. In addition, many of these destinations offer beaches, theme parks, waterparks, amusement parks

and many other forms of outdoor activities that are only available on a seasonal basis. Within our enclosed resort environment, our guests can enjoy a total resort experience year round, regardless of weather conditions.

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### **Competitive Strengths**

We are the market leader for family entertainment resorts that feature indoor waterparks and other family-oriented amenities in North America. Our competitive strengths include:

*Significant barriers to entry with an established first mover advantage.* We strive to be the first operators of family entertainment resorts featuring indoor waterparks in our selected target markets, and our resorts have typically been the first indoor waterpark resorts to open in their respective markets. Our experience in establishing 12 family-focused resorts and the economies of scale resulting from our current operation of multiple resorts provide us with the ability to move into a selected target market quickly. We believe there are significant barriers to entry in our industry segment that discourage others from developing similar resorts, including operational complexity, substantial capital requirements, availability of suitable sites in desirable markets and a challenging, multi-year permitting process. A new Great Wolf Lodge resort typically costs in excess of \$120.0 million and takes from one to three years to develop and permit, and an additional 18 months or more to build. We believe that the combination of our first mover advantage, existing economies of scale and the significant barriers to entry in our target markets provide us with a competitive advantage.

*Strong brand name awareness.* Our Great Wolf Lodge brand name is well recognized in our industry. We are the largest owner, licensor and operator of family entertainment resorts with indoor waterparks in North America based on the number of resorts in operation. Our Great Wolf Lodge brand is symbolized by our distinctive and easily identifiable theming, from our signature treehouse waterfort, to our mascots and recognizable logos and merchandise. We believe that our strong brand awareness has helped foster strong customer and brand loyalty, which is evidenced by high levels of repeat and referral guests. We will continue to focus on ensuring that each of our guests associates the Great Wolf Lodge brand with a memorable and consistent family vacation experience.

*Resilient business model.* Our business model generally targets customers within a three-hour driving radius of our resorts. We believe recent vacation trends favor our business model as families increasingly choose to take shorter, more frequent vacations within driving distance of their homes. We are well positioned to continue to take advantage of these trends. We also believe that our resorts offer a high-quality vacation at an affordable price, which appeals to families during all stages of the economic cycle. We believe our resorts are less affected by changes in the economic cycle than are other vacation destinations, as drive-to destinations are generally less expensive and more convenient than destinations that require air travel. For the year ended December 31, 2009, Great Wolf Resorts' same store RevPAR decreased 6.8% in constant dollar terms versus a 16.7% RevPAR decrease for the overall U.S. hotel industry, according to Smith Travel Research data. We also believe we have a significant opportunity to increase group demand from our current levels as we increase utilization of the meeting space at several of our newer resorts.

*Positioned for economic recovery.* During the past two years we have positioned our business to benefit in an economic recovery. We have completed the construction of each of our resorts, and therefore have no current development exposure. We have also strengthened our capital structure, extending the maturities of our near-term debt so that on an as-adjusted basis we would have no debt maturities until April 2012. Additionally, we have taken steps to sell non-core assets. In August 2009, we closed on the sale of our 30.26% interest in the Great Wolf Lodge properties in Wisconsin Dells, WI and Sandusky, OH. All of these steps have allowed us to focus on our core operations, eliminate development risk from our portfolio and improve cash flows.

*Extensive customer database through a centralized service center drives repeat and referral business.* Since 1997, we have accumulated an extensive customer database, which allows us to market directly to our customers and drive repeat and referral business. Despite the recent economic downturn, our repeat and referral business has continued to grow, which we believe is a testament to the quality of our business. For the six months ended June 30, 2010, we estimate that approximately 62.8% of our business came from repeat and referral guests.





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In addition, by centralizing certain of our services, we focus on decreasing our per-unit costs. Centralized services provide operational efficiency, increasing our control over those services and positioning ourselves to deliver a higher quality of service to our customers. For example, our central reservations call center operates every day of the year and accepts reservations for our resorts. The call center also has the capacity to efficiently handle high call volumes and should require limited incremental costs as we grow our portfolio. We have also increased the efficiency and functionality of our web-based online reservations system, which we expect to allow us to further efficiently handle an increasing volume of guest reservations with limited incremental costs.

*Expected growth from select resort expansions and openings.* In March 2009, we completed construction of the Great Wolf Lodge in Concord, North Carolina. The resort features 402 guest suites and approximately 97,000 square feet of indoor entertainment, including an approximately 84,000 square foot indoor waterpark. The resort also offers a number of revenue-enhancing amenities and an approximately 20,000 square foot conference center. In addition, our Grapevine, Texas resort completed an expansion in January 2009 that includes 203 additional guest suites and approximately 21,000 square feet of additional meeting space. We expect that our results will improve as our Concord resort begins to stabilize and due to the additional guest suites and meeting space at our Grapevine resort.

*Strategic transition to a license and management model.* We anticipate that our future development projects will be structured as joint ventures or 100% license and management projects. This strategic shift is designed to allow more efficient use of capital as we expand our operation while continuing to leverage our brand, business model and operating expertise. In addition, we believe that numerous opportunities exist to partner with owners of existing hotels and resorts with indoor waterparks that are in need of management expertise.

*Several development projects under letter of intent.* We have entered into non-binding letters of intent with respect to several projects at various stages of development, including proposed joint venture projects to develop resorts with one or more partners while contributing a minority of the total equity for the project. If we choose to move forward with any such projects, we will seek to construct these resorts through joint ventures and manage them after opening in return for development, management, marketing and licensing fees to be paid to us. We plan to pursue these proposed projects as financing availability permits. We have previously entered into resort ownership joint ventures with Paramount Parks, CNL Lifestyle Properties and The Confederated Tribes of the Chehalis Reservation, and we are actively exploring potential joint venture arrangements for future properties.

*Significant portfolio of product offerings that increase ancillary on-site revenues.* Our resorts feature a number of proprietary and branded products and entertainment options that increase ancillary on-site revenues and distinguish our resorts self-contained vacation experience. These products include Buckhorn Exchange gift shop, Elements Spa and Salon, Youkon Jack's Game Parlor, Northern Lights Arcade, Cub Club, Scoops Kid Spa, remote control car racing and miniature golf. Nine of our resorts feature a MagiQuest attraction, an interactive, live-action, fantasy adventure game that guests can play throughout the resort. Additionally, four of our resorts feature an approximately 1,000 square foot interactive family tech center, gr8\_space, which features multiple computer stations offering Internet access, docking stations for digital music players and multiple gaming stations. We believe that these ancillary products will continue to drive additional revenues and enhance the guest experience and brand loyalty. We believe that the RevPOR performance of our Generation II resorts is due to a significant extent to the superior amenities provided at those resorts.

*International growth opportunities.* We believe that our Great Wolf Lodge brand can be successfully leveraged in certain international markets. We are currently discussing opportunities with potential international partners to build Great Wolf Lodge resorts beyond North America. Similar to our arrangement with Ripley's in Niagara Falls, Ontario, we are seeking to enter into licensing and/or management agreements with experienced companies that have local market knowledge in order to increase revenues and expand the reach of our Great Wolf Lodge brand.



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*Continual innovation.* We intend to leverage our in-house expertise, in conjunction with the knowledge and experience of our third-party suppliers and designers, to develop and implement the latest innovations in family entertainment activities and amenities, including waterpark attractions. We have received numerous industry awards for our guests' experiences, our operations, innovative development, sales and marketing initiatives and materials, and employee retention. We are currently exploring several new concepts that, we believe, will allow us to generate additional revenue without requiring significant capital investment. While these concepts are still in the initial stages of development, we are seeking to innovatively extend our brand and to take these concepts to market.

*Strong management team with skilled resort level staff.* Our executive management team includes five individuals who are responsible for our strategic direction and have an average of eight years of experience with Great Wolf Resorts and nineteen years of industry experience. Our executive management has significant experience in the hospitality, family entertainment and real estate development industries and has significant expertise in operating complex, themed family entertainment resorts featuring indoor waterparks. In addition, we have a team of skilled, loyal and committed employees at each of our resorts. We offer our resort employees a number of benefits, including what we believe is a positive and rewarding work environment, career-oriented training, the ability to obtain consistent year-round work, which is uncommon in the resort industry, and career growth opportunities. As a result, we believe our employees are committed to delivering a superb customer experience and helping to assure that our guests fully enjoy their family vacations.

*Focus on Safety.* We invest heavily in safety measures in the design, construction and operation of our resorts. For example, we specifically design our waterparks with attention to sightlines and safety precautions and use one of the most respected training methods in the water safety industry to train each of our lifeguards. We design and construct our indoor waterparks with state-of-the-art air quality and water treatment systems. We also maintain and periodically upgrade our facilities to ensure that we provide our guests with best-in-class safety measures and systems.

## **Business and Growth Strategies**

Our primary business objective is to increase long-term investor value by executing our growth strategies, which include:

*Leveraging Our Competitive Advantages and Increasing Domestic Geographic Diversification through a Licensing-Based Business Model and Joint Venture Investments in Target Markets.* We are seeking to grow our business and diversify our domestic geographic brand footprint in a capital-efficient manner primarily through a licensing-based business model. This business model is designed to further exploit our competitive advantages of being the first-mover in the indoor waterpark resort business, our strong brand equity and our waterpark resort management expertise. We seek opportunities to earn fees through licensing our brand and managing new resorts that are constructed and developed primarily by third-party owners and may also make minority investments in joint ventures that own licensed resorts in order to share in any equity appreciation and profits of those resorts. Our proposed transactions to license and manage new resorts near the Galleria at Pittsburgh Mills in Tarentum, Pennsylvania and in Garden Grove, California, are examples of typical transactions under this strategy. We expect this business model to allow us to deploy our capital resources more efficiently, reduce our overall leverage and diversify our operations geographically, since we will not be fully responsible for the construction and ownership of the licensed resorts, and will generally not be required to incur associated mortgage or construction debt. In addition, this business model is designed to allow us to more quickly expand domestically, reducing our sensitivity to economic conditions affecting any single region.

*Expanding Our Brand Footprint Internationally.* We also plan to use our licensing-based business model to efficiently expand our business internationally. Similar to our arrangement with Ripley's in Niagara Falls, Ontario, we seek to enter into license and/or management agreements with reputable companies that have local

market knowledge in order to increase revenues and expand the international footprint of our Great Wolf Lodge brand. We may also seek to make strategic minority joint venture

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investments in the licensed resorts in order to share in the profits and equity appreciation of the resorts. We believe this model is the most efficient strategy for international expansion, since it enables us to leverage the local expertise of our joint venture partners while minimizing our capital investment.

*Selective Sales of Ownership Interests/Recycling of Capital.* We will selectively consider opportunities to sell partial or whole interests in one or more of our owned and operated properties, as we did in our CNL joint venture. We intend to continue to manage and/or license our Great Wolf Lodge branded resorts, and we will consider transactions that allow us to maintain our management/licensing agreement at a resort while realizing value through our selective sales. In those situations, we expect to recycle capital generated by such transactions for investment in future growth opportunities.

*Expanding and Enhancing Existing Resorts.* We will continue to focus on growth opportunities at our existing resorts by adding revenue-enhancing features that drive ancillary spending and that we believe will meet our return on investment requirement, including non-water based attractions. We also intend to continue to evaluate incremental revenue-generating opportunities, such as expanding the number of rooms at certain of our resorts.

*Continuing to Innovate.* We intend to leverage our in-house expertise, in conjunction with the knowledge and experience of our third-party suppliers and designers, to develop and implement the latest innovations in family entertainment activities and amenities, including waterpark attractions. We have received numerous industry awards for our guests' experiences, our operations, innovative development, sales and marketing initiatives and materials and employee retention. We are currently exploring several new concepts that, we believe, will allow us to generate additional revenue without requiring significant capital investment. Among these concepts is an adaptive re-use model, pursuant to which we would license the right to use entertainment features currently used in Great Wolf resorts to existing, full-service hotels, featuring family-oriented activities. While these concepts are still in the initial stages of development, we are seeking to innovatively extend our brand and to take these concepts to market.

*Maximizing Total Resort Revenues.* We will continue to employ aggressive yield management techniques and sales and marketing efforts to maximize room revenues at both our owned and managed resorts. During off-peak times (generally in May and September, and during the middle of weeks when schools are in session), we will seek to maintain higher occupancy by holding special events and targeting group sales and conferences. We will also seek to maximize other on-site revenue, such as food and beverage, entertainment and merchandise revenue through themed restaurants, ice cream shops, snack shops, adult and kids spas, gift shops, game arcades, MagiQuest, mini-golf and teen-themed areas. We have also entered into a number of co-marketing agreements with strategic partners and expect to enter into additional co-marketing agreements in the future in order to increase other revenue.

*Minimizing Total Resort Costs.* We seek to reduce operating costs by leveraging our purchasing power with respect to operating supplies, food and beverage, insurance and employee benefits. By centralizing certain of our services, we also seek to reduce our per-unit costs, while increasing our control over those services in order to deliver a greater quality of service to our customers. Our centralized reservations system is scalable and, together with our web-based reservations system, enables us to efficiently handle high reservation volumes and which we expect to require limited incremental costs over the next several years as we increase our portfolio of resorts.

*Building Upon Our Existing Brand Awareness and Loyalty.* Our Great Wolf Lodge brand is recognizable by our customers because of our distinctive and easily identifiable theming, from our signature treehouse waterfort, to our mascots and distinctive logos and merchandise. We believe we have fostered strong customer

and brand loyalty, which is evidenced by our high levels of repeat and referral guests. We will continue to focus on ensuring that each of our guests associates the Great Wolf Lodge brand with a memorable and consistent family vacation experience.

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The following table presents an overview of our portfolio of resorts. As of June 30, 2010, we operated and/or have entered into licensing arrangements relating to the operation of 11 Great Wolf Lodge resorts (our signature Northwoods-themed resorts), and one Blue Harbor Resort (a nautical-themed property). We anticipate that most of our future resorts will be licensed and/or developed under our Great Wolf Lodge brand, but we may operate and/or enter into licensing arrangements with regard to additional nautical-themed resorts under our Blue Harbor Resort brand or other brands in appropriate markets.

	<b>Ownership Percentage</b>	<b>Opened</b>	<b>Number of Guest Suites</b>	<b>Number of Condo Units(1)</b>	<b>Indoor Entertainment Area(2) (Approx. sq. ft.)</b>
Wisconsin Dells, WI(3)		1997	308	77	102,000
Sandusky, OH(3)		2001	271		41,000
Traverse City, MI	100%	2003	280		57,000
Kansas City, KS	100%	2003	281		57,000
Sheboygan, WI	100%	2004	182	64	54,000
Williamsburg, VA(4)	100%	2005	405		87,000
Pocono Mountains, PA(4)	100%	2005	401		101,000
Niagara Falls, ONT(5)		2006	406		104,000
Mason, OH(4)	100%	2006	401		105,000
Grapevine, TX(4)	100%	2007	605		110,000
Grand Mound, WA(6)	49%	2008	398		74,000
Concord, NC(4)	100%	2009	402		97,000

- (1) Condominium units are individually owned by third parties and are managed by us.
- (2) Our indoor entertainment areas generally include our indoor waterpark, game arcade, children's activity room, family tech center, MagiQuest (an interactive game attraction) and fitness room, as well as our spa in the resorts that have such amenities.
- (3) These properties are owned by CNL, a real estate investment trust focused on leisure and lifestyle properties. Prior to August 2009, these properties were owned by a joint venture between CNL and us. In August 2009 we sold our 30.26% joint venture interest to CNL for \$6.0 million. We currently manage both properties and license the Great Wolf Lodge brand to these resorts.
- (4) Five of our properties (Great Wolf Lodge resorts in Williamsburg, VA; Pocono Mountains, PA; Mason, OH; Grapevine, TX and Concord, NC) each had a book value of fixed assets equal to ten percent or more of our total assets as of June 30, 2010. Four of our properties (Great Wolf Lodge resorts in Williamsburg, VA; Pocono Mountains, PA; Mason, OH and Grapevine, TX) each had revenues equal to ten percent or more of our total revenues for the six months ended June 30, 2010.
- (5)



An affiliate of Ripley's, our licensee, owns this resort. We have granted Ripley's a license to use the Great Wolf Lodge name for this resort through April 2016. We managed the resort on behalf of Ripley's through April 2009.

- (6) This property is owned by a joint venture. Chehalis owns a 51% interest in the joint venture, and we own a 49% interest. We operate the property and license the Great Wolf Lodge brand to the property under long-term agreements through April 2057, subject to earlier termination in certain situations. The joint venture leases the land for the resort from the United States Department of the Interior, which is trustee for Chehalis.

*Northwoods Lodge Theme.* Each of our Great Wolf Lodge resorts has a Northwoods lodge theme. Our approximately 5,000 to 9,000 square foot atrium lobbies, that are between three and five stories high, are designed in a Northwoods cabin motif with exposed timber beams, massive stone fireplaces, mounted wolves and other Northwoods creatures and an animated two-story Clock Tower that provides theatrical entertainment

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for our younger guests. Throughout the common areas and in each guest suite, we use sturdy, rustic furniture that complements the Northwoods theme. We believe that this consistent theme throughout our resorts creates a comfortable and relaxing environment and provides a sense of adventure and exploration that the entire family can enjoy.

*Guest Suites.* All of our guest suites are themed luxury suites, ranging in size from approximately 385 square feet to 1,970 square feet. Substantially all of the rooms in our resorts also include a private deck or patio, although a lower percentage of rooms in our Grapevine and Grand Mound resorts include this type of amenity. Our resorts offer up to 11 room styles to meet the needs and preferences of our guests, including a selection of rooms with lofts, Jacuzzis and fireplaces. Our standard rooms include two queen beds and a third queen bed in the sleeper sofa, a wet bar, microwave oven, refrigerator and dining and sitting area, and can accommodate up to six people. Our specialty rooms can accommodate up to seven people and provide a separate area for children, including our KidCabin<sup>®</sup> suites that feature a log cabin bunk bed room, our Wolf Den Suites<sup>™</sup> that feature a themed den enclosure with bunk beds and our KidKamp<sup>™</sup> suites that feature bunk beds in a themed tent enclosure. We also offer larger rooms, such as our Majestic Bear Suite<sup>™</sup> and Grizzly Bear Suite<sup>™</sup>, which have separate bedrooms with a king bed, a large dining and living area and can accommodate up to eight people. For business travelers we also offer Luxury King Suites that have a king bed, a 32" television, and wireless Internet access. Our guest suites have wallpaper, artwork and linens that continue the Northwoods theme and our resorts provide pay-per-view movies and pay-per-play video games. Some of our resorts also provide room service dining. Our Blue Harbor Resort has similar appropriate nautical-themed named rooms.

*Indoor Waterparks.* Our existing Great Wolf Lodge indoor waterparks are maintained at a warm and comfortable temperature, range in size from approximately 34,000 to 84,000 square feet and have a Northwoods theme and include decorative rockwork and plantings. The focus of each Great Wolf Lodge waterpark is our signature 12-level treehouse waterfort. The waterfort is an interactive water experience for the entire family that features over 60 water effects, including spray guns, fountains, valves and hoses, has cargo netting and suspension bridges and is capped by an oversized bucket that dumps between 700 and 1,000 gallons of water every five minutes. Our Blue Harbor Resort has a 43,000 square foot Breaker Bay waterpark, including our 12-level Lighthouse Pier waterfort, which features a 1,000-gallon tipping ship.

Our waterparks also feature high-speed body slides and inner tube waterslides that wind in and out of the building into a splash-down pool, smaller slides for younger children, zero-depth water activity pools with geysers for young children, a water curtain, fountains and tumble buckets, a lazy river, additional activity pools for basketball, open swimming and other water activities and two large free-form hot tubs, one of which is for adults only. Each waterpark is constructed with a special nonslip floor surface for maximum traction and has ample deck space and good sight lines to enhance parental oversight.

On average, approximately one to two million gallons of water is cycled through each of our waterparks every hour as part of our water filtration procedures. Our primary operating equipment includes water pumps, tanks and filters, located in separate spaces to allow for quick repairs or replacement. Computerized water and air treatment systems and highly trained technicians monitor the water and air quality of our waterparks in order to promote a clean and safe environment. We seek to minimize the use of chlorine. Most of the water purification is performed by one or more non-chlorinated water treatment systems, which ensures the highest water quality and a substantial reduction in the typical chlorine odor found in indoor pools. In addition, the water within each area circulates at least every hour to maximize hygiene. Each waterpark area has its own water system so that a problem with any one area can be quickly contained and does not affect the operations of the rest of the waterpark.

We expect recurring annual capital expenditures for each resort that we own to be approximately 1-4% of the resort's revenues, depending on the age of the resort. As much of the equipment used in our waterparks is designed for

outdoor application and capable of withstanding intense physical use and the elements year-round, wear and tear is minimal. We believe our equipment has a long useful life. In addition, our water purification system minimizes airborne chemicals, and their potentially corrosive effects on materials and equipment, and is designed to help extend the life of our equipment.

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The safety of our guests is a primary focus in our waterparks. Our lifeguards receive one of the highest levels of training and certification in the industry, provided by Jeff Ellis & Associates, Inc. ( Ellis & Associates ), an international aquatic safety consulting company. Ellis & Associates conducts quarterly unannounced safety inspections at each of our resorts to ensure that proper safety measures and procedures are maintained. All of our on-duty lifeguards perform daily training exercises under the supervision of a certified instructor. We also encourage our lifeguards to obtain EMT certification, and we reimburse them for the costs of the training.

Our indoor waterparks are generally open from 8:30 a.m. until 10:00 p.m., seven days a week, and admission is generally only available to resort guests. Our general guests-only policy, which is in effect at all of our resorts other than our Sheboygan resort, allows our guests to avoid the long lines and other inconveniences of daily admission-based waterparks.

*Amenities.* Each of our resorts features a combination of the following amenities. Some of the amenities described below have different names at certain of our Great Wolf Lodge resorts. Our Blue Harbor Resort amenities have similar appropriate nautical-themed names.

*Themed Restaurants.* Our resorts feature one or more full-service, themed restaurants and a themed bar and grille that serves alcoholic beverages and sandwiches. Our themed restaurants include the Gitchigoomie Grill™, with a life-sized sea plane suspended over the dining area, Lumber Jack's Cook Shanty™, the Loose Moose Bar & Grill™, and the Camp Critter Bar & Grille™, which features a two-story realistic tree with a canopy of leaves and canvas-topped booths with hanging lanterns, giving guests the impression that they are dining in a Northwoods forest campsite. Our Blue Harbor Resort features our On the Rocks Bar & Grille and Rusty Anchor™ Buffet.

*Ice Cream Shop and Confectionery.* Each of our Great Wolf Lodge resorts has a Bear Claw Café™ or Bear Paw Sweets & Eats™ ice cream shop and confectionery that provides sandwiches, coffee, pastries, ice cream, candies, home-made fudge and other snacks that families can share together. Our Blue Harbor Resort has a Sweetshop Landing confectionery.

*Coffee Shop.* Some of our resorts have a separate coffee shop that offers Starbucks® or Dunkin Donuts® coffee, as well as other pastry items provided by those brands.

*Snack Bar.* Each of our waterparks has a snack bar that offers a variety of sandwiches, pizzas and similar foods with ample seating so that our guests do not have to leave the warmth and comfort of the waterpark.

*Gift Shop.* Each of our resorts has a Buckhorn Exchange or Precious Cargo gift shop that provides distinctive themed gifts, including Great Wolf Lodge or Blue Harbor Resort logo merchandise, souvenirs, collectibles and stuffed animals. The gift shop also offers resort toys, swimwear and personal necessities. Our resorts also have a Bear Essentials™ or Washed Ashore gift shop located in the waterpark.

*Full-Service Spa.* Each of our resorts, with the exception of our Sandusky resort, has an Elements Spa and Salon that provides a relaxing get-a-way with a full complement of massages, facials, manicures, pedicures and other spa treatments and a wide selection of Aveda® products. Each of our spas also includes our Scoops Kid Spa. The furnishings for the kid-friendly spa have the look of a modern ice cream parlor, with chocolate-colored walls, retro swivel stools and a pedicure sofa that looks like an oversized ice cream sundae. While enjoying their treatments, kids can listen to music with a provided CD player and speakers or with their own digital music player.

*Game Arcade.* Our Youkon Jack's Game Parlor or Northern Lights Arcade range in size from approximately 3,900 to 7,000 square feet, generally feature over 70 games and are divided into distinct areas with video and skill games that appeal to children of different ages. Tickets won from the skill games may be exchanged for a wide selection of merchandise that appeals to our younger guests.

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*Cub Club.* Our Cub Club rooms are professionally staffed children's activity rooms with programmed activities, including arts and crafts, games and nature hikes. Our Blue Harbor Resort features activities that are similar to our Cub Club.

*Animated Clock Tower.* Each of our Great Wolf Lodge resorts has a two-story animated Clock Tower located in the resort's main atrium lobby. The Clock Tower provides daily theatrical entertainment through talking and singing trees, animals and Northwoods figures. Our Blue Harbor Resort features a 2,000-gallon water fountain featuring a hand-blown glass sculpture and a music and light show located in its main atrium lobby.

*Outdoor Water Amenities.* Outdoor water amenities complement our indoor waterpark facilities and allow our guests to take advantage of favorable weather conditions. Our outdoor water amenities include activity pools and a large deck or patio area and are generally open from May until September, longer if the weather is favorable. Our Wisconsin Dells and Grapevine resorts also have outdoor waterslides.

*Fitness Room.* Our fitness rooms contain aerobic exercise equipment, weight-lifting machines, and numerous televisions for active viewing.

*Meeting Space.* Our resorts offer meeting space ranging from approximately 3,000 to over 7,000 square feet that are available for guest meetings, including a 99-seat, state-of-the-art, symposium-style room at our Traverse City, Mason and Niagara Falls resorts.

*Conference Facility.* Many of our resorts feature conference facility space. Our Traverse City, Sheboygan, Williamsburg, Mason, Grapevine Grand Mound and Concord resorts feature conference facilities that range in size from approximately 10,000 – 40,000 square feet. Each of these conference facilities also feature some if not all, of the following additional aspects to their conference facilities: Grand Ballroom, flexible meeting spaces, executive boardroom, audio visual systems, and multiple pre-function concourses including an outdoor patio.

*MagiQuest.* Nine of our resorts feature a MagiQuest attraction. MagiQuest is an interactive, live-action, fantasy adventure game that guests can play throughout the resort.

*Minigolf.* Five of our resorts feature a custom-designed, outdoor 18-hole miniature golf course.

*gr8\_space.* Five of our resorts feature an approximately 1,000 square foot interactive family tech center, gr8\_space, which features multiple computer stations offering Internet access, docking stations for digital music players, as well as multiple gaming stations. Gr8\_space also features family events, like rock star karaoke and family challenge games. In the evening, gr8\_space features dedicated teen time and activities for fun on their terms.

## **Property descriptions**

We currently operate, manage and/or have entered into licensing arrangements relating to the operation of 12 resorts, located in Wisconsin Dells, Wisconsin; Sandusky, Ohio; Traverse City, Michigan; Kansas City, Kansas; Sheboygan, Wisconsin; Williamsburg, Virginia; Pocono Mountains, Pennsylvania; Niagara Falls, Ontario; Mason, Ohio; Grapevine, Texas; Grand Mound, Washington and Concord, North Carolina.

### ***Great Wolf Lodge Wisconsin Dells, Wisconsin***

Our Great Wolf Lodge, located on 16 acres in Wisconsin Dells, Wisconsin, was originally constructed in 1997 and acquired by our predecessor company in 1999. In October 2005, we sold this resort to a joint venture with CNL. In August 2009, we sold all of our interest in the joint venture to CNL. We continue to manage and license this resort under long-term arrangements.

Wisconsin Dells is a renowned family vacation destination that features a number of entertainment options, including amusement parks, museums, live entertainment and other indoor waterparks. According to the 2009 Travel & Tourism Market Research Handbook, the Wisconsin Dells area attracts over 2.9 million

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visitors each year. Wisconsin Dells is within a one-hour drive from Madison, Wisconsin; a two-hour drive from Milwaukee, Wisconsin; a three-hour drive from Chicago, Illinois; a three and one-half-hour drive from Minneapolis/St. Paul, Minnesota; and a five-hour drive from Des Moines, Iowa. According to Applied Geographic Solutions, Inc., there are approximately 16.4 million people who live within 180 miles of the resort.

Great Wolf Lodge of Wisconsin Dells has 308 guest suites, with an additional 77 third-party owned, one to four bedroom condominium units located adjacent to the resort, on a six-acre land parcel, and an approximately 76,000 square foot indoor waterpark that includes our signature treehouse waterfort. The resort offers a number of revenue-enhancing amenities, including themed restaurants and snack bars, confectionery and ice cream shop, Cub Club, full-service spa, kids spa, game arcade, gift shops, MagiQuest, an outdoor recreation area and meeting rooms. The resort also includes non revenue-generating amenities, such as an animated two-story Clock Tower and fitness center.

### ***Great Wolf Lodge Sandusky, Ohio***

In March 2001, we opened our Great Wolf Lodge in Sandusky, Ohio. In October 2005, we sold this resort to our joint venture with CNL. In August 2009, we sold our interest in that joint venture to CNL. We currently manage this resort under a short-term management agreement that expires on December 31, 2010.

Sandusky is a family destination near Cleveland, Ohio, that is well known for its amusement parks. According to the Sandusky/FIB Erie County Visitors and Convention Bureau, Sandusky attracts approximately 9 million visitors each year. Sandusky is within a one-hour drive from Cleveland and Toledo, Ohio; a two-hour drive from Detroit, Michigan; a two and one-half-hour drive from Columbus, Ohio; and a three-hour drive from Pittsburgh, Pennsylvania. According to Applied Geographic Solutions, Inc., there are approximately 22.9 million people who live within 180 miles of the resort.

Great Wolf Lodge of Sandusky is located on approximately 15 acres and has 271 guest suites and an approximately 34,000 square foot indoor waterpark that includes our signature treehouse waterfort, tube slides, body slides, hot tubs and a lazy river. The resort offers a number of revenue-enhancing amenities, including our themed restaurants and snack bars, confectionery and ice cream shop, Cub Club, game arcade, gift shops, an outdoor recreation area and meeting rooms. The resort also includes non revenue-generating amenities such as our animated two-story Clock Tower and fitness center.

### ***Great Wolf Lodge Traverse City, Michigan***

In March 2003, we opened our Great Wolf Lodge in Traverse City, Michigan. Traverse City is a traditional family vacation destination with skiing and lake activities. According to the Traverse City Convention and Visitors Bureau, Traverse City attracts approximately 2 million visitors each year. Traverse City is within a two-hour drive from Grand Rapids, Michigan; a three-hour drive from the Sault St. Marie, Michigan; and a four-hour drive from Detroit and Ann Arbor, Michigan, as well as Windsor, Ontario. According to Applied Geographic Solutions, Inc., there are approximately 7.1 million people who live within 180 miles of the resort.

Great Wolf Lodge of Traverse City is located on approximately 48 acres and has 280 guest suites and an approximately 40,000 square foot indoor waterpark that includes our signature treehouse waterfort. It also includes a conference center that is approximately 10,000 square feet. The resort offers a number of revenue-enhancing amenities, including our themed restaurants and snack bars, confectionery and ice cream shop, Cub Club, full-service spa, kids spa, game arcade, gift shops, MagiQuest, minigolf, an outdoor recreation area and approximately 7,000 square feet of meeting space. The resort also includes non revenue-generating amenities such as our animated two-story Clock Tower and fitness center.



***Great Wolf Lodge Kansas City, Kansas***

In May 2003, we opened our Great Wolf Lodge in Kansas City, Kansas, as part of the Village West tourism district that includes a Cabela's superstore, Nebraska Furniture Mart and the Kansas NASCAR

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Speedway. According to the 2009 Travel & Tourism Market Research Handbook, Kansas City attracts approximately 8 million visitors each year. Kansas City is within a one-hour drive from Topeka, Kansas; a three-hour drive from Wichita, Kansas, Des Moines, Iowa and Omaha, Nebraska; and a four-hour drive from St. Louis, Missouri. According to Applied Geographic Solutions, Inc., there are approximately 6.8 million people who live within 180 miles of the resort.

Great Wolf Lodge of Kansas City is located on approximately 17 acres and has 281 guest suites and an approximately 40,000 square foot indoor waterpark that includes our signature treehouse waterfort. The resort offers a number of revenue-enhancing amenities, including our themed restaurants and snack bars, confectionery and ice cream shop, Cub Club, full-service spa, kids spa, game arcade, gift shops, MagiQuest, minigolf, an outdoor recreation area and meeting rooms. The resort also includes non revenue-generating amenities such as our animated two-story Clock Tower and fitness center.

***Blue Harbor Resort Sheboygan, Wisconsin***

In June 2004, we opened our Blue Harbor Resort on an approximately 12-acre property on the shores of Lake Michigan in Sheboygan, Wisconsin. Sheboygan is a family vacation destination featuring lake activities and golf. Due to the lakefront location, we designed this resort with a nautical theme rather than our typical Northwoods lodge theme. This resort is styled as a grand beach resort and decorated in a manner consistent with that theme, including a nautical themed lobby and specialty rooms such as the KidAquarium Suite with bunk beds surrounded by walls of deep blue sea and schools of fish and the Boathouse Suite with rowboat bunk beds. Sheboygan is within a one-hour drive from Milwaukee and Green Bay, Wisconsin; a two-hour drive from Madison, Wisconsin; a three-hour drive from Chicago, Illinois; and a four-hour drive from Dubuque, Iowa. According to Applied Geographic Solutions, Inc., there are approximately 18.6 million people who live within 180 miles of the resort.

Blue Harbor Resort has 182 guest suites, with an additional 64 individually-owned, two and four bedroom condominium units located adjacent to the resort, and an approximately 43,000 square foot Breaker Bay indoor waterpark with a 12-level Lighthouse Pier waterfort. The resort offers a number of revenue-enhancing amenities, including our nautical-themed restaurants and snack bar, confectionery and ice cream shop, Crew Club, full-service spa, kids spa, game arcade, gift shops and an outdoor recreation area. This resort also has an approximately 21,000 square foot attached conference facility that seats 1,000 people. The resort offers non revenue-generating amenities such as our 2,000 gallon hand-blown glass water fountain featuring a music and light show and fitness center.

We currently manage the rental of all of the condominium units at this resort. We receive a rental management fee of approximately 38% of gross revenue. In addition, we receive reimbursement of certain waterpark expenses through the condominium association.

***Great Wolf Lodge Williamsburg, Virginia***

In March 2005, we opened our Great Wolf Lodge in Williamsburg, Virginia, on an 83-acre site. Williamsburg is a popular family vacation destination with amusement parks, waterparks and other entertainment attractions. According to the 2009 Travel & Tourism Market Research Handbook, the Williamsburg area attracts 4 million visitors each year. Williamsburg is a one-hour drive from Richmond, Virginia; a two and one-half-hour drive from Washington, D.C.; a three-hour drive from Baltimore, Maryland; a three and one-half-hour drive from Raleigh, North Carolina; a four and one-half-hour drive from Wilmington, Delaware; and a five-hour drive from Philadelphia, Pennsylvania. According to Applied Geographic Solutions, Inc., there are approximately 17.4 million people who live within 180 miles of the resort.

The resort occupies approximately 46 acres of the site. We have leased a portion of the excess land to an entity who has opened a restaurant on this site. We may sell or lease a portion of the remaining excess land as out-lots and retain the remaining acreage to support future expansion of the resort.

Great Wolf Lodge of Williamsburg has 405 guest suites and an approximately 67,000 square foot indoor waterpark that includes our signature treehouse waterfort. It also includes a conference center that is

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approximately 10,000 square feet. The resort offers a number of revenue-enhancing amenities, including themed restaurants and snack bars, confectionery and ice cream shop, Cub Club, full-service spa, kids spa, game arcade, gift shops, MagiQuest, minigolf, gr8\_space, an outdoor recreation area and approximately 11,000 square feet of meeting rooms. The resort offers non revenue-generating amenities such as a two-story animated Clock Tower and fitness center.

***Great Wolf Lodge Pocono Mountains, Pennsylvania***

In October 2005, we opened our Great Wolf Lodge in the Pocono Mountains on a 95-acre site near Stroudsburg, Pennsylvania. The Pocono Mountains area is a popular family vacation destination featuring family-oriented attractions and recreational activities. According to the 2009 Travel & Tourism Market Research Handbook, the Pocono Mountains region attracts approximately 8 million visitors each year. The resort is less than a one-hour drive from Scranton, Pennsylvania; a two-hour drive from Manhattan, New York and Philadelphia, Pennsylvania; a two and one-half-hour drive from Bridgeport, Connecticut; a three hour drive from Baltimore, Maryland; and a five-hour drive from Pittsburgh, Pennsylvania. According to Applied Geographic Solutions, Inc., there are approximately 45.2 million people who live within 180 miles of the resort.

Our Great Wolf Lodge of the Pocono Mountains has 401 guest suites and an approximately 80,000 square foot indoor waterpark that includes our signature treehouse waterfort. The resort offers a number of revenue-enhancing amenities, including themed restaurants and snack shops, confectionery and ice cream shop, Cub Club, full-service spa, kids spa, game arcade, gift shops, MagiQuest, gr8\_space, an outdoor recreation area and approximately 5,800 square feet of meeting rooms. The resort also includes non revenue-generating amenities such as a two-story animated Clock Tower and fitness center.

***Great Wolf Lodge Niagara Falls, Ontario***

In January 2004, we entered into a license agreement with Ripley s that authorized Ripley s to develop and operate a Great Wolf Lodge resort in Niagara Falls, Ontario. In addition, the agreement allows Ripley s to use certain licensed trademarks, such as Cub Club, KidCabin, and Great Wolf Lodge. The term of the license agreement is ten years, with the possibility of up to four successive five-year renewals. Under the license agreement, Ripley s is required to pay a monthly license fee and a brand marketing fee that we are obligated to contribute to a marketing program. We may terminate the license agreement at any time, upon notice, if Ripley s fails to meet its material obligations under the agreement. These obligations require Ripley s to meet payment obligations in a timely manner, maintain and operate the resort in a manner consistent with our operating standards and obtain our approval prior to the use of any of our licensed trademarks. In addition, these material obligations restrict Ripley s to selling only products, goods and services that we approve and from developing or managing a hotel with an indoor waterpark within the United States until, at the earliest, January 2016.

In April 2006, the Great Wolf Lodge in Niagara Falls, Ontario, Canada opened. Niagara Falls is a popular family vacation destination. According to the 2009 Travel & Tourism Market Research Handbook, Niagara Falls attracts nearly 12 million visitors each year. Niagara Falls is less than a one hour drive from Buffalo, New York; a one and one-half-hour drive from Toronto, Ontario; a one and three-quarter-hour drive from Kitchener, Ontario; a two and one-half-hour drive from London, Ontario; and a four and one-quarter-hour drive from Windsor, Ontario. According to Applied Geographic Solutions, Inc., there are approximately 8 million people in the United States and 9.6 million people in Canada, who live within 180 miles of the resort.

Great Wolf Lodge of Niagara Falls has 406 guest suites with an approximately 82,000 square foot indoor waterpark. The resort offers a number of revenue-enhancing amenities, including themed restaurants and snack bars, confectionery and ice cream shop, Cub Club, full-service spa, game arcade, gift shops, minigolf, an outdoor recreation

area and meeting space. The resort also includes non revenue-generating amenities such as a two-story animated Clock Tower and fitness center.

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***Great Wolf Lodge Mason, Ohio***

In December 2006, we opened our Great Wolf Lodge in Mason, Ohio, on a 39-acre land parcel adjacent to Kings Island theme park. Mason is a popular family destination featuring family-oriented attractions and recreational activities. According to the 2009 Travel & Tourism Market Research Handbook, the Mason/Cincinnati metro areas attract 5 million visitors per year. The resort is located less than a one-hour drive from Cincinnati and Dayton, Ohio; a one and one-half hour drive from Columbus, Ohio; and a two-hour drive from Louisville, Kentucky, Indianapolis, Indiana and Lexington, Kentucky. According to Applied Geographic Solutions, Inc., there are approximately 16.6 million people who live within 180 miles of the resort.

Our Great Wolf Lodge of Mason, Ohio, has 401 guest suites and an approximately 84,000 square foot indoor waterpark. The resort offers a number of revenue-enhancing amenities, including themed restaurants and snack bars, confectionery and ice cream shop, Cub Club, full-service spa, kids spa, game arcade, gift shops, MagiQuest and an outdoor recreation area. The resort also includes non revenue-generating amenities such as a two-story animated Clock Tower and fitness center. The resort also includes a state-of-the-art 40,000 square foot conference center, including an expansive Grand Ballroom, flexible meeting spaces, an executive boardroom, audio and visual systems, and multiple pre-function concourses including an outdoor patio.

***Great Wolf Lodge Grapevine, Texas***

In December 2007, we opened our Great Wolf Lodge in Grapevine, Texas, on a 51-acre site. Grapevine is a popular family destination featuring family-oriented attractions and recreational activities. The resort is less than a one-hour drive from both Dallas and Fort Worth, Texas. The Dallas and Fort Worth region is the 6th largest market area in the United States according to Nielsen Media Research Inc., and the resort has a higher population within a 60-mile radius than any other Great Wolf Lodge resort. The resort is also a three-hour drive from Oklahoma City, Oklahoma; a three and one-half-hour drive from Shreveport, Louisiana and Austin, Texas; and a four and one-half-hour drive from Houston and San Antonio, Texas. According to Applied Geographic Solutions, Inc., there are approximately 10.7 million people who live within 180 miles of the resort. The resort occupies approximately 30 acres of this site. We may sell a portion of the excess land as one or more out-lots.

Our Great Wolf Lodge of Grapevine, Texas, has 605 guest suites and an approximately 78,000 square foot indoor waterpark. The resort offers a number of revenue-enhancing amenities, including themed restaurants and snack bars, confectionery and ice cream shop, Cub Club, full-service spa, kids spa, game arcade, gift shops, MagiQuest, gr8\_space and an outdoor recreation area. The resort also includes non revenue-generating amenities such as a two-story animated Clock Tower and fitness center. In December 2008, we opened the expansion of this resort which includes approximately 27,000 square feet of additional meeting space.

***Great Wolf Lodge Grand Mound, Washington***

In 2005, we entered into a joint venture with The Confederated Tribes of the Chehalis Reservation to develop a Great Wolf Lodge resort and conference center on a 39-acre land parcel in Grand Mound, Washington. We operate the resort under the Great Wolf Lodge brand. The Confederated Tribes of the Chehalis Reservation has leased the land needed for the resort to the joint venture on favorable terms. Both parties maintain equity positions in the joint venture. The resort opened in March 2008. The resort is the first family destination vacation resort with an indoor waterpark in the Pacific Northwest. The resort is a less than one-hour drive from Olympia, Washington; an hour and half drive from Seattle, Washington and Portland, Oregon; a three-hour drive from Yakima, Washington; a four-hour drive from Vancouver, British Columbia; and a five-hour drive from Spokane, Washington. According to Applied Geographic Solutions, Inc., there are approximately 7.8 million people who live within 180 miles of the resort.

Our Great Wolf Lodge of Grand Mound, Washington, has 398 guest suites and an approximately 60,000 square foot indoor waterpark. The resort offers a number of revenue-enhancing amenities, including themed restaurants and snack bars, confectionery and ice cream shop, a full-service spa, game arcade, gift

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shops, MagiQuest, minigolf, gr8\_space, an outdoor recreation area and an approximately 30,000 square foot conference center. The resort also includes non revenue-generating amenities such as a two-story animated Clock Tower and fitness center.

### ***Great Wolf Lodge Concord, North Carolina***

In March 2009, we opened our Great Wolf Lodge in Concord, North Carolina on a 37-acre site. Concord is a popular family destination featuring family-oriented attractions and recreational activities. The Concord site is located 15 miles from downtown Charlotte at Exit 49 on Interstate 85. This freeway interchange is well known throughout the Carolinas mostly due to its main attraction draws, Lowe's Motor Speedway and the Concord Mills shopping center. The resort is a less than one-hour drive from Charlotte, North Carolina; a one and one-half hour drive from Greensboro/Winston-Salem, North Carolina; a two-hour drive from Columbia, South Carolina; and a two and one-half-hour drive from Raleigh and Asheville, North Carolina. According to Applied Geographic Solutions, Inc., there are approximately 14.7 million people who live within 180 miles of the resort.

Great Wolf Lodge of Concord, North Carolina has 402 guest suites and approximately 97,000 square feet of indoor entertainment, including an approximately 84,000 square foot indoor waterpark. The resort offers a number of revenue-enhancing amenities, including themed restaurants and snack bars, confectionery and ice cream shop, full-service spa, game arcade, gift shops, MagiQuest, minigolf, gr8\_space, an outdoor recreation area and an approximately 20,000 square foot conference center. The resort also includes non revenue-generating amenities such as a two-story animated Clock Tower and fitness center.

### **Our History**

Our parent, Great Wolf Resorts was organized under the laws of the State of Delaware in May 2004 to succeed to the family entertainment resort business of the predecessor companies, Great Lakes. Great Wolf Resorts' IPO occurred shortly after its formation, and its common stock is listed on the NASDAQ Global Market under the ticker symbol WOLF. Great Lakes had developed and operated hotels since 1995. In 1999, Great Lakes began its resort operations by purchasing the Great Wolf Lodge in Wisconsin Dells, WI and developing the Great Wolf Lodge in Sandusky, OH, which opened in 2001.

GWR Operating Partnership, L.L.P. is a limited liability limited partnership organized under the laws of the State of Delaware in July 2004. Great Wolf Finance Corp. is a corporation organized under the laws of the State of Delaware in March 2010 to serve as co-issuer for the notes.

We refer to our original resort properties, which include our resorts in Wisconsin Dells, WI; Sandusky, OH; Traverse City, MI; and Kansas City, KS as Generation I resorts. The Generation I resorts are relatively smaller properties with approximately 300 rooms or less. Since 2004, we have successfully opened seven Great Wolf Lodge properties which we refer to as Generation II resorts, which include our properties in Williamsburg, VA; Pocono Mountains, PA; Niagara Falls, ONT; Mason, OH; Grapevine, TX; Grand Mound, WA; and Concord, NC. Generation II resorts have approximately 400 rooms or more.

### **Resort Operations**

Each of our resorts employs a general manager who is responsible for the operations of the particular resort and who typically has extensive experience in the hospitality or family entertainment industry. Our general managers on average oversee a staff of 400 or more resort employees and are assisted by a management team, including directors for each of aquatics, finance, food and beverage, front office, housekeeping, human resources, maintenance, retail and sales and marketing. A corporate-level liaison for most departments ensures consistency throughout our resorts while



allowing a particular resort to tailor its operations to best meet the needs of its guests.

Prior to assuming responsibility for a resort, general managers and assistant general managers undergo a proprietary management training program designed to familiarize each trainee with various facets of our management, operations and development programs. The program also emphasizes our guest service policies

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and provides hands-on operating experience at the resort level. Our management training program is intended to train assistant general managers to become future general managers.

We strive to provide our guests with a fun and convenient experience in a warm and family-friendly environment from the first day a new resort opens. To achieve this, a team of experienced management members from our existing resorts, along with corporate liaisons, begins training personnel at our new resorts approximately one month prior to a resort's opening and remains on site at the new resort for up to a month after opening. We believe that this process ensures that the opening of a new resort is efficient and that our culture of high quality and friendly customer service is carried over to our new resorts, including our guests' interactions with our front desk, housekeeping, waterpark, restaurant and other staff members. In addition, we train our maintenance personnel to minimize any operational problems that occur during the opening of a new resort, including the operation of our waterparks. We believe that these efforts help to minimize any problems associated with opening a new resort and give our first guests a favorable, memorable experience that will build brand loyalty.

### ***Training and Development***

We believe that our ability to provide a friendly family atmosphere where families can relax, play and reconnect begins with our people and their ability to deliver quality customer service. We seek to recruit, train and retain employees who will make sure that our guests enjoy their stay. We seek to promote from within our company. Each new resort employee undergoes an extensive orientation program and is paired with a more veteran employee for an initial period so that the new employee can learn more about our resorts, our culture and how we strive to provide the best possible customer service. Our employees are committed to our success and focused on ensuring a memorable experience for each of our guests. We believe that our high level of customer service sets us apart and promotes valuable referrals and repeat visits.

### ***Sales and Marketing***

We place a significant emphasis on the sales and marketing of our family-focused resorts. We work together with a third-party consulting firm to analyze the demographics of our markets and to identify potential guests for targeted marketing, both within our primary market areas and beyond those areas to attract occasional or seasonal travelers. We market to these potential customers through a combination of television, radio, newspaper, electronic mail and direct mail advertising, including advertising through local chambers of commerce and convention and visitors bureaus. We also rely upon repeat guests and guest referrals, as well as brand recognition and the visibility of the resorts themselves, which are typically located along major highways in high traffic areas. In addition, our Web site offers detailed information about our resorts, including virtual tours and room layouts.

For new resorts, our marketing efforts generally begin before construction commences. We establish sales offices to generate advance bookings. Reservations may be made at our resorts, through our Web site or through our central reservations call center. Our call center and highly trained staff allow us to offer consistent specials throughout our resorts, better track room occupancy levels and room rates and handle the high volume of calls that are usually associated with the opening of a resort.

We maintain an in-house sales force and graphic arts department. Our experienced staff develops products and promotions for use in merchandising and marketing promotions. We also engage in cross-marketing, promotions and co-marketing arrangements with major vendors. We have received numerous awards for our general advertising, Web site, print media, radio commercials and sales presentations.

### ***Maintenance and Inspections***

Each of our resorts has an experienced aquatics director who is extensively trained and experienced in water quality and safety. On-site maintenance personnel frequently inspect our waterparks. These inspections include safety checks of the equipment in the waterpark, as well as analyses of water and air quality. Our water quality levels are regularly monitored and tested by computers and by a full-time aquatics maintenance engineer, who works with an additional assistant during our busiest months. Our air quality system is designed to minimize

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humidity and moisture build-up, which materially reduces maintenance costs. Furthermore, we use Ellis & Associates as water safety consultants at our resorts in order to train lifeguards and audit safety procedures.

Our senior management and the individual resort personnel evaluate the risk aspects of each resort's operation, including potential risks to the public and employees and staff. Each resort has full-time maintenance employees on staff who ensure building quality and full-time aquatics maintenance employees who ensure the ride safety and air and water quality inside the resort's indoor waterpark. We use a state of the art filtration system and ozonators to balance the water and air quality within the waterpark in order to accommodate fluctuating quantities of visitors.

## **Development Criteria**

If and to the extent we are involved in the development process for new resorts, we choose or suggest sites for the development of new resorts by considering a number of factors, including:

*Large target customer base.* We select and approve development sites that generally have a minimum of five million target customers within a convenient driving distance. Because we offer an affordable vacation experience, we appeal to families in a variety of income ranges.

*Recognized tourist destination.* We generally focus on drive-to destinations that attract a large number of tourists, including both emerging and traditional family vacation markets. We believe we can charge premium rates in these markets due to the high quality of our resorts and our family-oriented amenities and activities. In addition, the indoor nature of many of our amenities and activities allows us to reduce the impact of seasonality that negatively affects other attractions in these areas. These areas also often have active an effective local visitors and convention bureaus that complement our marketing and advertising efforts at little or no cost to us.

*Highly visible and large sites.* We generally develop and license resorts in highly visible locations along major roadways. Visibility from highways enhances easy drive-to access, provides marketing benefits due to high volumes of traffic and often produces synergies from adjacent land uses or complementary developments. We generally choose and approve sites that have enough acreage to allow for potential expansions and future sales of out-lots.

Based upon these factors, we have identified over 50 domestic markets as potential locations for our resorts. However, if we choose to pursue a development in the future, we will likely work with a joint venture partner in order to limit our required equity contribution and enhance our fee revenues, including development, management and licensing fees.

Once we have identified a market that meets our development criteria, we search for potential sites to recommend to a potential licensor or joint venture partner. Acceptable sites may be difficult to find in some areas. We perform initial analyses of the permitting process and access to utilities before acquiring a sufficient amount of land from one or more landowners. Based upon the target customer base of the market, we develop initial specifications for the resort, such as the number of guest suites and size of the indoor waterpark and other amenities. We also formally begin the potentially lengthy and difficult process of obtaining the necessary approvals and permits from the appropriate local governmental bodies, including the necessary water rights and environmental permits. Once the permitting process is complete, we or the joint venture that owns the resort secures financing for the project and begin construction on the resort. This overall development process generally takes from two to four years or longer from identification of a market to completion of a resort.

## **Competition**

Our resorts compete with other forms of family vacation travel, including theme parks, waterparks, amusement parks and other recreational activities, including other resorts located near these types of attractions. Our business is also subject to factors that affect the recreation and leisure and resort industries generally, such as general economic conditions and changes in consumer spending habits. We believe that the principal competitive factors of a family entertainment resort include location, room rates, name recognition, reputation, the uniqueness and perceived quality of the attractions and amenities, the atmosphere and

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cleanliness of the attractions and amenities, the quality of the lodging accommodations, the quality of the food and beverage service, convenience, service levels and reservation systems.

A H&LA survey indicates that there are 144 open indoor waterpark resort properties in the United States and Canada as of June 2010. Of the total, 51 are considered indoor waterpark destination resorts offering more than 30,000 square feet of indoor waterpark space. Of these 51 properties, 11 are Great Wolf Resorts properties.

As a result of our market presence and our management team's substantial experience, we believe we have an opportunity to capitalize on our first-mover advantage in this industry segment and to achieve significant brand recognition. While we believe that our first-mover advantage is very beneficial to us, it does provide our competitors with an opportunity to monitor our success in our chosen markets. As a result, a competitor may choose not to enter one of our markets based on our performance, or may subsequently develop a resort in our markets that is newer, has additional amenities, is strategically located or offers more and/or larger waterpark attractions than our resorts.

In several of our markets, there are few, if any, other family entertainment resorts featuring indoor waterparks. However, in Wisconsin Dells, Wisconsin, where indoor waterpark resorts were first introduced, there are approximately 16 other resorts and hotels with some type of indoor water-related activity or amenity. As a result, we face significant competition from both lower priced, un-themed, waterparks and larger, more expensive waterparks with thrill rides and other attractions in the Wisconsin Dells market. While the Wisconsin Dells market has a significant number of resorts with indoor waterparks, we believe the competitive landscape in that small, regional market is not representative of the competition we may face as we further expand our portfolio of resorts. The vast majority of indoor waterpark resorts in Wisconsin Dells are family-owned or privately operated businesses that have yet to develop additional resorts outside of Wisconsin Dells. In addition, we believe our ability to compete effectively in this highly competitive market will enable us to more effectively compete in other markets where we may not be the only family entertainment resort. In addition to Wisconsin Dells, we face direct competition from other indoor waterpark destination resorts in the Sandusky, Traverse City, Kansas City, Williamsburg, Pocono Mountains and Mason areas.

We anticipate that competition within some of our markets will increase in the foreseeable future. We believe that a number of other resort operators are developing or considering the development of family entertainment resorts with indoor waterparks, which will compete with our resorts.

## **Governmental Regulation**

The ownership and management of our resorts, as well as the development and construction of new resorts, subjects us to federal, state and local laws regulating zoning, land development, land use, building design and construction, and other real estate-related laws and regulations. In addition, a number of states regulate the permitting and licensing of resorts, and some of the individual components of our resorts such as our spas, waterparks, and others, by requiring registration, disclosure statements and compliance with specific standards of conduct. Our failure to maintain or acquire the requisite licenses, permits and authorizations required by such laws and regulations, as well as any failure on our part to comply with registration, disclosure and standards of conduct required by such laws and regulations could impact the operation, profitability and success of our current resorts or the development, completion and success of any resorts we may develop in the future. We believe that each of our resorts has the necessary permits and approvals to operate its business and is in material compliance with all applicable registration, disclosure and conduct requirements. We intend to continue to obtain such permits and approvals for any resorts we may develop in the future or additions or renovations to current resorts and to ensure that such resorts and additions or renovations comply with applicable registration, disclosure and conduct requirements.

We are also subject to laws and regulations governing our relationship with employees, including minimum wage requirements, overtime, working conditions and work permit requirements. An increase in the minimum wage rate, employee benefit costs or other costs associated with employees could increase our overall labor costs.

The operation of our waterparks subjects us to state and local regulations governing the quality of the water we use in our waterparks, which may include bacteriological, chemical, physical and radiological

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standards. In addition to inspections we conduct on our own, state and local authorities may also conduct inspections of our waterparks to determine our compliance with applicable standards. If we are found to be in violation of such regulations we could be subject to various penalties, including, but not limited to, monetary fines and the temporary closure of our waterparks. Changes in state or local regulations could impose more stringent standards with which we would have to comply.

We are subject to both federal and state environmental laws and regulations, including laws and regulations governing the discharge of water from our waterparks. Specifically, under the requirements of the Federal Clean Water Act, we must obtain National Pollutant Discharge Elimination System permits from the Environmental Protection Agency or from the state environmental agency to which the permit program has been delegated for discharges into waterways and comply with the permit terms regarding wastewater quality and discharge limits. Such permits must be renewed from time-to-time, as required by regulation, and additional capital expenditures for wastewater treatment systems associated with the renewal of our water discharge permits may be required. Importantly, changes in federal or state legislation or regulations could impose more stringent release standards with which we would have to comply. Currently, our resort in the Pocono Mountains is our only property subject to such laws and regulations governing the discharge of water and we intend to comply with these laws and regulations as we operate that property.

As a place of public accommodation, our resorts are subject to the requirements of the Americans with Disabilities Act of 1990, which we refer to as the ADA. As such, our resorts are required to meet certain federal requirements related to access and use by disabled persons. While we believe that our resorts are substantially in compliance with these requirements, we have not conducted an audit or investigation of all of our resorts to determine our compliance. Further, federal legislation or regulations may amend the ADA to impose more stringent requirements with which we would have to comply.

## **Environmental Matters**

Our operations and properties are subject to federal, state and local laws and regulations relating to the protection of the environment, natural resources and worker health and safety, including laws and regulations governing and creating liability relating to the management, storage and disposal of hazardous substances and other regulated materials. Our properties are also subject to various environmental laws and regulations that govern certain aspects of our on-going operations. These laws and regulations control such things as the nature and volume of our wastewater discharges, quality of our water supply and our waste management practices. The costs of complying with these requirements, as they now exist or may be altered in the future, could adversely affect our financial condition and results of operations.

Because we own and operate real property, various federal, state and local laws may impose liability on us for the costs of removing or remediating various hazardous substances, including substances that may be currently unknown to us, that may have been released on or in our property or disposed by us at third-party locations. The principal federal laws relating to environmental contamination and associated liabilities that could affect us are the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation and Liability Act; state and local governments have also adopted separate but similar environmental laws and regulations that vary from state to state and locality to locality. These laws may impose liability jointly and severally, without regard to fault and whether or not we knew of or caused the release. The presence of hazardous substances on a property or the failure to meet environmental regulatory requirements may materially adversely affect our ability to use or sell the property, or to use the property as collateral for borrowing, and may cause us to incur substantial remediation or compliance costs. In addition, if hazardous substances are located on or released from one of our properties, we could incur substantial liabilities through a private party personal injury claim, a claim by an adjacent property owner for property damage or a claim by a governmental entity for other damages, such as natural resource damages. This liability may be imposed on us under environmental laws or common-law principles.



We obtain environmental assessment reports on the properties we own or operate as we deem appropriate. These reports have not revealed any environmental liability or compliance concerns that we believe would materially adversely affect our financial condition or results of operations. However, the environmental assessments that we have undertaken might not have revealed all potential environmental liabilities or claims

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for such liabilities. It is also possible that future laws, ordinances or regulations or changed interpretations of existing laws and regulations will impose material environmental liability or compliance costs on us, that the current environmental conditions of properties we own or operate will be affected by other properties in the vicinity or by the actions of third parties unrelated to us or that our guests could introduce hazardous or toxic substances into the resorts we own or manage without our knowledge and expose us to liability under federal or state environmental laws. The costs of defending these claims, complying with as yet unidentified requirements, conducting this environmental remediation or responding to such changed conditions could adversely affect our financial condition and results of operations.

Some of our resort properties may have contained, or are adjacent to or near other properties that have contained or currently contain underground storage tanks for the storage of petroleum products or other hazardous or toxic substances. If hazardous or toxic substances were released from these tanks, we could incur significant costs or, with respect to tanks on our property, be liable to third parties with respect to the releases.

On occasion, we may elect to develop properties that have had a history of industrial activities and/or historical environmental contamination. Where such opportunities arise, we engage third-party experts to evaluate the extent of contamination, the scope of any needed environmental clean-up work, and available measures (such as creation of barriers over residual contamination and deed restrictions prohibiting groundwater use or disturbance of the soil) for ensuring that planned development and future property uses will not present unacceptable human health or environmental risks or exposure to liabilities. If those environmental assessments indicate that the development opportunities are acceptable, we also work with appropriate governmental agencies and obtain their approvals of planned site clean-up, development activities, and the proposed future property uses. We have followed that process in connection with the development of our Blue Harbor Resort in Sheboygan, Wisconsin, where the City of Sheboygan has arranged for environmental clean-up work and ongoing groundwater monitoring and we have agreed to the use of a barrier preventing contact with residual contamination and implementation of a deed restriction limiting site activities. To our knowledge, all work at our Sheboygan resort has been conducted in accordance with requirements imposed by the Wisconsin Department of Natural Resources. Based on these efforts, we are not aware of any environmental liability or compliance concerns at our Sheboygan resort that we believe would materially adversely affect our financial condition or results of operations. It is possible; however, that our efforts have not identified all environmental conditions at the property or that environmental condition and liabilities associated with the property could change in the future.

Future acquisitions of properties subject to environmental requirements or affected by environmental contamination could require us to incur substantial costs relating to such matters. In addition, environmental laws, regulations, wetlands, endangered species and other land use and natural resource issues affecting either currently owned properties or sites identified as possible future acquisitions may increase costs associated with future site development and construction activities or business or expansion opportunities, prevent, delay, alter or interfere with such plans or otherwise adversely affect such plans.

## **Insurance**

We believe that our properties are covered by adequate fire, flood and property insurance, as well as commercial liability insurance with what we believe are commercially reasonable deductibles and limits for our industry. Changes in the insurance market over the past few years have increased the risk that affordable insurance may not be available to us in the future.

While our management believes that our insurance coverage is adequate, if we were held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our business, results of operations and financial condition could be materially and adversely affected.

**Intellectual Property**

Great Lakes Services has a licensing agreement with the original developer of the Wisconsin Dells resort under which Great Lakes Services has an irrevocable, exclusive, perpetual, world-wide license to use all the intellectual property embodied in the Wisconsin Dells resort as of the date of execution of the agreement.

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Great Lakes Services pays or causes to be paid a royalty to the licensor based upon certain revenues generated at most of the resorts that it owns or licenses.

We have registered, applied for the registration of or claim ownership of a variety of service marks, copyrights and trademarks for use in our business, including Blue Harbor Resort, Great Wolf Lodge, Great Wolf Resorts, gr8\_space, KidCabin and Scoops Kid Spa in the United States and, where appropriate, in foreign countries. We may not be able to obtain the registration for the marks where registration has been sought. We are not aware of any facts that would negatively impact our continuing use of any of the above trade names, service marks or trademarks. We consider our intellectual property rights to be important to our business and actively defend and enforce them.

## **Employees**

As of June 30, 2010, we had approximately 200 corporate employees, including our central reservations center employees, and approximately 4,500 resort-level employees, approximately 2,000 of whom were part-time employees. Unlike more seasonal resorts and attractions, we are open year-round and are able to attract and retain high quality employees throughout the year. However, we do have fewer part-time employees during the winter months. None of our employees are covered by a collective bargaining agreement. We believe that our relationship with our employees is generally good.

## **Offices**

Great Wolf Resorts leases approximately 13,800 square feet of office space for its corporate headquarters office in Madison, Wisconsin, which expires in September 2010. Great Wolf Resorts has entered into a lease for approximately 18,000 square feet of office space, commencing in August 2010. As well, Great Wolf Resorts leases approximately 9,800 square feet of additional office space for the central reservations call center operations in Madison, Wisconsin. Great Wolf Resorts also leases approximately 1,400 square feet of office space in Woodbridge, Virginia and we lease approximately 2,700 square feet of office space in Lorain, Ohio. We believe these facilities are adequate for our current needs.

## **Domestic and Foreign Operations**

We have derived a portion of our revenues from licensing fees, management fees, construction management fees and central reservations fees paid by the Great Wolf Lodge resort located in Niagara Falls, Ontario, Canada. For the six months ended June 30, 2010 and 2009, the total revenue we received from U.S. operations was \$138.5 million, and \$130.1 million, respectively, and the total revenue from Canadian operations was \$0.6 million and \$0.9, respectively. During 2009, 2008 and 2007, the total revenue we received from U.S. operations was \$262.5 million, \$243.0 million and \$185.0 million, respectively, and the total revenue from Canadian operations was \$1.5 million, \$2.5 million and \$2.6 million, respectively. We receive no revenue from any foreign country other than Canada. We have no long-lived assets located outside of the United States.

## **Code of Business Conduct and Ethics**

Great Wolf Resorts has adopted a Code of Business Conduct and Ethics that applies to all our employees, including Great Wolf Resorts principal executive officer and senior financial officers. It is available in the investor relations section of the Company's website, which is located at [www.greatwolf.com](http://www.greatwolf.com). In the event that Great Wolf Resorts makes changes to or provide waivers from the provisions of its Code of Business Conduct and Ethics that the SEC or any other regulatory agency or NASDAQ requires Great Wolf Resorts to disclose, the Company intends to disclose these events in the investor relations section of our website.

**Legal Proceedings**

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

**Table of Contents****MANAGEMENT**

The terms Great Wolf Resorts, us, we and our are used in this Management section to refer to Great Wolf Resorts,

**Our Management Team**

Our executive officers and directors, and their ages and positions with our company as of June 30, 2010, are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Joseph V. Vittoria	75	Chairman of the Board
Elan Blutinger	55	Director and Chairman of the Nominating and Corporate Governance Committee
Randy L. Churchey	49	Director
Edward H. Rensi	66	Director and Chairman of the Compensation Committee
Howard A. Silver	55	Director and Chairman of the Audit Committee
Kimberly K. Schaefer	44	Chief Executive Officer and Director
Timothy D. Black	45	Executive Vice President of Operations
James A. Calder	48	Chief Financial Officer
Alexander P. Lombardo	41	Treasurer
J. Michael Schroeder	43	General Counsel and Corporate Secretary

**Executive Officers****Kimberly K. Schaefer**

*Ms. Schaefer* has served as our Chief Executive Officer since January 2009, and was elected to our Board of Directors in February 2009. She previously served as our Chief Operating Officer since 2005, and also our Chief Brand Officer since we commenced operations in 2004. From 1997 until completion of the our initial public offering (IPO) in December 2004, Ms. Schaefer served as Senior Vice President of Operations of The Great Lakes Companies, Inc. and its predecessor companies. At Great Lakes, Ms. Schaefer was involved in site selection and brand development and oversaw all resort operations. Ms. Schaefer has over 20 years of hospitality experience and holds a Bachelor of Science degree in Accounting from Edgewood College in Madison, Wisconsin. Ms. Schaefer sits on the advisory board for Edgewood College Business School. Ms. Schaefer is a certified public accountant.

The Nominating and Corporate Governance Committee concluded that Ms. Schaefer should continue to serve as a director, in part, because of her previous experience in operations and as chief executive of the company and the knowledge she has acquired from years of involvement with the company since its inception.

**Timothy D. Black**

*Mr. Black* has served as Executive Vice President of Operations since January 2009. Mr. Black previously served as our Senior Vice President of Operations since June 2008, and as our Regional Vice President of Operations from December 2005 through June 2008. From October 2004 through December 2005, Mr. Black served as the General Manager of our Great Wolf Lodge resort located in Lake Delton, Wisconsin. Prior to that, Mr. Black spent eighteen years at Six Flags Theme Park in various Senior Management

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positions, serving most recently as Vice President and General Manager of Six Flags Great America from August 2003 through October 2004.

**James A. Calder**

*Mr. Calder* has served as our Chief Financial Officer since we commenced operations in May 2004. From 1997 to 2004, Mr. Calder served in a number of management positions with Interstate Hotels & Resorts, Inc., a public company, and its predecessor company, serving most recently as chief financial officer. Additionally, from 2001 to 2002, Mr. Calder served as chief accounting officer of MeriStar Hospitality Corporation, a public company. Mr. Calder holds a B.S. degree in Accounting from The Pennsylvania State University. Mr. Calder is a certified public accountant and is president and treasurer of the Thomas W. Hetrick Memorial Scholarship Fund, a private, non-profit organization, and is treasurer of Harvest Resources Associates, LLC, a private organization.

**Alexander P. Lombardo**

*Mr. Lombardo* has served as our Treasurer since 2004. From 1998 to 2004, Mr. Lombardo served in a number of positions with Interstate Hotels & Resorts, Inc., a public company, and its predecessor company, serving most recently as vice president of finance. Additionally, from 1998 to 2002, Mr. Lombardo served in a number of positions with MeriStar Hospitality Corporation, a public company, serving most recently as assistant treasurer. From 1996 to 1998, Mr. Lombardo served as cash manager of ICF Kaiser International, Inc., a public company. Mr. Lombardo holds a B.B.A. degree from James Madison University.

**J. Michael Schroeder**

*Mr. Schroeder* has served as our General Counsel and Corporate Secretary since we commenced operations in May 2004. From 1999 until 2004, Mr. Schroeder served in several senior management positions for The Great Lakes Companies, Inc., most recently as Senior Vice President and General Counsel. From 1993 to 1999, Mr. Schroeder was associated with several law firms in New York, New York and Greenwich, Connecticut, where he specialized in real estate, real estate finance and corporate law, with a focus on the hospitality industry. Mr. Schroeder holds a J.D. degree from Duke University School of Law and a B.S. degree in Finance from the University of Colorado.

**Directors**

**Joseph V. Vittoria**

*Mr. Vittoria* has served as Chairman of the Board and a director of our company since 2006. Mr. Vittoria is the retired chairman and chief executive officer of Travel Services International, a company he founded and took public in July 1997 and later sold to a large British tour operator. In 1982, he joined Avis, Inc., as chief operating officer, and later was named chairman and chief executive officer. His success at Avis led to his selection as the salaried and management representative to the board of United Airlines in 1994 when it created its ESOP. He now is Chairman and CEO of Puradyn Filter Technologies, Inc. and a member of the boards of Vectrix, Inc. Active in community-enhancement programs, Vittoria



served as a director of the National Crime Prevention Counsel in Washington, D.C. He later served on President Reagan's Child

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Safety Partnership in recognition of his efforts on behalf of missing children. He also is a former member of the Board of Directors of the National Center for Disability Services. A 40-year travel industry veteran, Mr. Vittoria was elected to the Travel Industry Association Hall of Leaders in 2000. He holds a B.S. in civil engineering from Yale University and an M.B.A. from Columbia University. Mr. Vittoria currently serves as one of our independent directors and as a member of our Audit, Compensation and Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee concluded that Mr. Vittoria should continue to serve as a director, in part, because of his extensive experience in the travel industry.

**Elan Blutinger**

*Mr. Blutinger* has been a managing director of Alpine Consolidated, LLC, a merchant bank specializing in consolidating fragmented industries, since 1996. Mr. Blutinger serves as a director of AudioNow and Vacanza Technology. Mr. Blutinger served as a director of Hotels.com, from 2001 to 2003. Mr. Blutinger was a founder and director of Resortquest International, a public company, from 1997 to 2003, a founder and director of Travel Services International, a public company, from 1996 to 2001, and a director of Online Travel Services (UK), a public company from 2000 to 2004. Mr. Blutinger is chairman of the board of trustees of the Washington International School in Washington, D.C. He holds B.A. and J.D. degrees from American University and an M.A. degree from the University of California at Berkeley. Mr. Blutinger currently serves as one of our independent directors and as chair of our Nominating and Corporate Governance Committee. Mr. Blutinger has been a director of our company since 2004.

The Nominating and Corporate Governance Committee concluded that Mr. Blutinger should continue to serve as a director, in part, because of his extensive experience in the travel industry and his knowledge of corporate governance.

**Randy L. Churchey**

*Mr. Churchey* was Interim Chief Executive Office of our company from May 2008 until December 2008. He has continued his responsibilities as one of our directors, and has served in this capacity since we commenced operations in 2004. In January 2010, Mr. Churchey became President, CEO and Director of Education Realty Trust. Mr. Churchey is also co-chairman of the board of MCR Development, LLC, a private hotel construction and management company. He was President and Chief Executive Officer of Golden Gate National Senior Care (the successor to Beverly Enterprises), from March 2006 to September 2007. Mr. Churchey served as President and Chief Operating Office of RFS Hotel Investors, Inc., a NYSE-listed hotel real estate investment trust, from 1999 to 2003. Mr. Churchey served as a director of RFS from 2000 through 2003. From 1997 to 1999, he was Senior Vice President and Chief Financial Officer of FelCor Lodging Trust, Inc., a NYSE-listed hotel real estate investment

trust. For nearly 15 years prior to joining FelCor, Mr. Churchey held various positions in the audit practice of Coopers & Lybrand, LLP. Mr. Churchey holds a B.S. degree in accounting from the

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University of Alabama and is a Certified Public Accountant. Mr. Churchey currently serves as one of our independent directors and is a member of our Audit and Nominating and Corporate Governance committees. Mr. Churchey has been a director of our company since 2004.

The Nominating and Corporate Governance Committee concluded that Mr. Churchey should continue to serve as a director, in part, because of his extensive experience in the real estate and hospitality industries, his understanding of corporate finance, and his prior experience as the company's Interim Chief Executive Officer.

**Edward H. Rensi**

*Mr. Rensi* spent 33 years at McDonald's, where he rose from grill man up through the management ranks to positions of increasing scope and responsibility, as regional vice president, senior vice president operations and training, senior executive vice president, chief operating officer of McDonald's World Wide, and, from 1984 to 1998, president and CEO of McDonald's USA. Following his retirement from McDonald's in 1998, Mr. Rensi began a second career as chairman and CEO of Team Rensi Motorsports. Mr. Rensi has been actively involved in numerous charity initiatives throughout his career. In 1998, President Ronald Reagan honored Rensi with the President's Volunteer Award, which recognized his body of charitable work, including co-founding the world-famous Ronald McDonald House and serving as chairman of the Ronald McDonald Children's Charities. Mr. Rensi's volunteer work for numerous educational charities was cited in 1997 when he was chosen Italian-American Man of the Year. Mr. Rensi graduated from The Ohio State University with a degree in business education. He serves on the boards of directors of Snap On Tools and International Speedway Corporation (ISC). He also serves on the Compensation Committees for the ISC and Snap On boards. Mr. Rensi currently serves as one of our independent directors and as the chairman of our Compensation Committee. Mr. Rensi has been a director of our company since 2006.

The Nominating and Corporate Governance Committee concluded that Mr. Rensi should continue to serve as a director, in part, because of his extensive experience in operations with consumer-oriented companies and brands.

**Howard A. Silver**

*Mr. Silver* was the president and chief executive officer of Equity Inns, Inc., a public, self-advised hotel real estate investment trust, until its sale to Whitehall Global Real Estate Funds in October 2007. Mr. Silver joined Equity Inns in 1994 and served in various capacities including: executive vice president of finance, secretary, treasurer, chief financial officer and chief operating officer. Mr. Silver is a certified public accountant. Mr. Silver is a director of Capital Lease Funding, Inc., a public triple net lease real estate investment trust, and serves on its audit committee as chairman, as well as serving on the nomination and investment committees and is also lead independent director. Mr. Silver is also a director of Education Realty Trust, a student housing real estate

investment trust, and serves on its compensation and nominating and corporate governance committees. Mr. Silver currently serves as one of our

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independent directors and as chair of our Audit Committee and as a member of our Compensation Committee. Mr. Silver has been a director of our company since 2004.

The Nominating and Corporate Governance Committee concluded that Mr. Silver should continue to serve as a director, in part, because of his extensive experience in the real estate and hospitality industries and his understanding of corporate finance.

### **Board of Directors Leadership Structure**

The company's Chief Executive Officer is a member of the Board of Directors; however, the Board's governance structure currently separates the roles of Chief Executive Officer and Chairman of the Board. The Board of Directors serves a vital role in the oversight of the company's management team, and believes that the Board of Directors is more effective in that role when led by an independent Chairman. The Board of Directors also believes this structure allows the Chief Executive Officer to focus more on managing the company's business operations while the Chairman leads the Board of Directors in fulfilling its corporate governance and oversight responsibilities while remaining independent of daily operations.

### **Board of Directors Role in Risk Oversight**

The company's management is responsible for the day-to-day management of risks that the company faces, and the Board of Directors is responsible for the oversight of management's risk management processes. As part of fulfilling its oversight responsibilities in relation to the risk management process of the company, the Board of Directors is responsible for overseeing management's identification of and planning for the material risks, including credit, liquidity, and operational risks, that are derived from the company's business activities.

The Board's committees assist the Board of Directors in fulfilling its oversight responsibilities for certain risks. The Audit Committee assists the Board of Directors by providing oversight of the management of risks in the specific areas of financial reporting, internal control, and compliance with legal and regulatory requirements. The Compensation Committee assists the Board of Directors in fulfilling its oversight responsibilities for the management of risks arising from the company's compensation policies. The Nominating and Corporate Governance Committee assists the Board of Directors in fulfilling its oversight responsibilities for the management of risks related to Board of Directors membership, structure, and succession.

The Board of Directors also believes that full and open communication with management is essential for effective risk management oversight. Senior management members attend Board of Directors and Committee meetings and provide presentations on business operations, financial results, and strategic matters.

### **Corporate Governance**

#### ***Independence of Our Board of Directors***

Rules promulgated by the SEC and the listing standards of NASDAQ require that a majority of our directors be independent directors. Our Board of Directors has adopted as categorical standards NASDAQ independence standards to provide a baseline for determining independence. Under these criteria, our Board of Directors has determined that the following members of our Board of Directors are independent: Messrs. Vittoria, Blutinger, Churchey, Rensi and Silver.

***Committees and Meetings of Our Board of Directors***

*Board Meetings.* We operate under the general management of our Board of Directors as required by our bylaws and the laws of Delaware, our state of incorporation. Our Board of Directors held eight meetings during 2009. Each director nominated for election here in 2010 attended at least 91% of the total number of those meetings of the Board of Directors and of any committee of which he or she was a member. While our Board of Directors has not adopted a mandatory attendance policy for our annual meetings, directors are encouraged to attend. In 2009, all of our current directors attended our annual meeting.

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*Executive Sessions of Our Non-Management Directors.* The non-management directors of our Board of Directors met in regularly scheduled executive sessions that excluded members of the management team at every Board of Directors meeting held in 2009. At each meeting, the non-management directors determined who presided over the meeting's agenda and related discussion topics. Stockholders and other interested persons may contact our non-management directors in writing by mail c/o Great Wolf Resorts, Inc., 122 West Washington Avenue, Madison, Wisconsin 53703, Attn: Non-Management Directors. All such letters will be forwarded to our non-management directors.

*Audit Committee.* Our Board of Directors has established an Audit Committee, currently consisting of Messrs. Churchey, Silver and Vittoria, with Mr. Silver serving as its chairman. Our Board of Directors has determined that each of the Audit Committee members is independent, as that term is defined under the enhanced independence standards for audit committee members in the Securities Exchange Act of 1934 and rules thereunder, as amended, and under the listing standards of NASDAQ. Our Board of Directors has also determined that Mr. Silver is an audit committee financial expert within the meaning of SEC rules. Our Audit Committee operates under a written charter adopted by our Board of Directors. A copy of this charter is available on our Web site under Investor Relations at greatwolf.com. Among other duties, this committee:

reviews and discusses with management and our independent registered public accounting firm our financial reports, financial statements and other financial information;

makes decisions concerning the appointment, retention, compensation, evaluation and dismissal of our independent registered public accounting firm;

reviews with our independent registered public accounting firm the scope and results of the audit engagement;

approves all professional services provided by our independent registered public accounting firm;

reviews the experience, performance and independence of our independent registered public accounting firm;

considers appropriateness of the audit and non-audit fees;

reviews the adequacy of our internal accounting and financial controls; and

reviews any significant disagreements among the company's management and our independent registered public accounting firm in connection with preparation of our company's financial statements.

Our Audit Committee met five times in 2009.

*Compensation Committee.* Our Board of Directors has also established a Compensation Committee, currently consisting of Messrs. Renzi, Silver and Vittoria, with Mr. Renzi serving as its chairman. Our Board of Directors has determined that each of the Compensation Committee members is independent, as that term is defined by NASDAQ. The Compensation Committee operates under a written charter adopted by our Board of Directors. A copy of this charter is available on our Web site under Investor Relations at greatwolf.com. Among other duties, this committee:

determines our executive officers' and Board members' compensation;

establishes salaries of and awards of performance-based bonuses to our executive officers; and

determines awards of equity instruments to our officers and employees.



The Compensation Committee met five times in 2009.

*Nominating and Corporate Governance Committee.* Our Board of Directors has also established a Nominating and Corporate Governance Committee, currently consisting of Messrs. Blutinger, Churchey and Vittoria, with Mr. Blutinger serving as its chairman. Our Board of Directors has determined that each of the Nominating and Corporate Governance Committee members is independent, as that term is defined by NASDAQ. The Nominating and Corporate Governance Committee operates under a written charter adopted by

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our Board of Directors. A copy of this charter is available on our Web site under [Investor Relations](#) at [greatwolf.com](#). Among other duties, this committee:

identifies, selects, evaluates and recommends to our candidates for service on our Board of Directors;

oversees the composition of our Board of Directors and its committees and makes recommendations to our Board of Directors for appropriate changes;

advises and makes recommendations to our Board of Directors on matters concerning corporate governance; and

oversees an annual self-evaluation of our Board of Directors.

The Nominating and Corporate Governance Committee met three times in 2009.

The Nominating and Corporate Governance Committee has established a mandatory director education program, adopted a policy that our governance practices will meet or exceed those required by NASDAQ, developed a process for CEO evaluation, and assisted in self-evaluations of the Board of Directors and each of its committees. The Nominating and Corporate Governance Committee also has instituted an annual review of the charters of each of the committees of the Board of Directors to ensure that each reflects best practices.

*Other Committees.* From time to time, our Board of Directors may form other committees as circumstances warrant. Those committees will have such authority and responsibility as delegated to them by our Board of Directors and consistent with Delaware law.

*Availability of Corporate Governance Materials.* Stockholders may view our corporate governance materials, including the charters of our Audit Committee, our Compensation Committee and our Nominating and Corporate Governance Committee, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics, on our Web site under [Investor Relations](#) at [greatwolf.com](#).

### ***Director Nominations***

*Nominating and Corporate Governance Committee.* Our Nominating and Corporate Governance Committee performs the functions of a nominating committee. The Nominating and Corporate Governance Committee Charter describes the committee's responsibilities, including identifying, screening and recommending director candidates for nomination by our Board of Directors.

*Director Candidate Recommendations and Nominations by Stockholders.* The committee will consider director candidate recommendations by stockholders. Stockholders should submit any such recommendations for the consideration of our Nominating and Corporate Governance Committee through the method described under [Communications With Our Board](#) below. In addition, any stockholder of record entitled to vote for the election of directors at the applicable meeting of stockholders may nominate persons for election to the Board of Directors if such stockholder complies with the notice procedures summarized in [Stockholder Proposals for Our 2011 Proxy Materials or Annual Meeting](#) below.

*Process For Identifying and Evaluating Director Candidates.* The Nominating and Corporate Governance Committee evaluates all director candidates in accordance with the director qualification standards described in our Corporate Governance Guidelines. The committee evaluates any candidate's qualifications to serve as a member of the Board of Directors based on the skills and characteristics of individual Board of Directors members, the projected long-term

oversight, strategic, financial and industry needs of the company, as well as the composition of the Board of Directors as a whole. Directors are also considered in light of their past history and actual experience creating shareholder value in previous companies. In addition, the Nominating and Corporate Governance Committee will evaluate a candidate's independence and diversity, age, skills and experience in the context of the Board's needs.

***Communications with Our Board***

Our Board of Directors has approved unanimously a process for stockholders to send communications to our Board of Directors. Stockholders can send communications to our Board of Directors and, if applicable, to

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the Nominating and Corporate Governance Committee or to specified individual directors in writing c/o Great Wolf Resorts, Inc., 122 West Washington Avenue, Madison, Wisconsin 53703, Attn: Corporate Secretary. All such letters will be forwarded to our Board of Directors, the Nominating and Corporate Governance Committee or any such specified individual directors.

**EXECUTIVE COMPENSATION**

The terms Great Wolf Resorts, us, we and our are used in this Management section to refer to Great Wolf Resorts,

The Compensation Committee oversees our compensation program for our senior executives, including our named executive officers ( NEOs ), including:

- establishing and administering compensation policies,
- setting base salaries and awarding performance-based cash bonuses,
- determining grants of equity awards under our equity award plan, and
- reviewing the performance and development of senior executives.

From time to time, the Compensation Committee may retain compensation consultants to assist with, among other things:

- structuring our various compensation programs;
- determining appropriate levels of salary, bonus and other awards payable to our NEOs consistent with our competitive strategy, corporate governance principles and stockholder interests; and
- guiding us in the development of near-term individual performance objectives necessary to achieve long-term performance goals.

We expect to use these compensation consultants only in circumstances where the consultants have no other business dealings with us.

Each member of the Compensation Committee is independent as defined in the Compensation Committee s charter, as determined by the Board.

**General Compensation Policy/Philosophy**

Our general compensation policy is to devise and implement compensation for our NEOs commensurate with their positions and determined with reference to compensation paid to similarly situated employees and officers of companies that the Compensation Committee, in consultation with our Chief Executive Officer (CEO) and external compensation consultants, deems to be comparable to us.

Our general compensation philosophy is to:

- design and implement a compensation program to attract, retain and motivate talented executives;

provide incentives for the attainment of short-term operating objectives and strategic long-term performance goals; and

place emphasis on, and reward achievement of, long-term objectives that are consistent with the nature of our company as an enterprise focused on revenue growth, resort operations and brand expansion/development over the next several years.

Our overall executive compensation philosophy is based on a pay-for-performance model. In general, our executive compensation is structured to reward performance through a combination of competitive base salaries coupled with cash-based and equity-based incentives. The at risk components of our executive compensation (cash annual incentives and stock-based long-term incentives) are designed to provide incentives that are predicated on our company and/or the NEO meeting or exceeding predefined goals.

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The Compensation Committee occasionally requests that our CEO be present at Compensation Committee meetings where executive compensation and company, business unit, departmental and individual performance are discussed and evaluated. Our CEO is free to provide insight, suggestions or recommendations regarding executive compensation if present during these meetings or at other times. Only Compensation Committee members, however, vote on decisions made regarding executive compensation.

### **Named Executive Officers**

At December 31, 2009, our NEOs were:

Kimberly K. Schaefer, Chief Executive Officer (Principal Executive Officer)

Timothy D. Black, Executive Vice President of Operations

James A. Calder, Chief Financial Officer (Principal Financial Officer)

Alexander P. Lombardo, Treasurer

J. Michael Schroeder, General Counsel and Corporate Secretary

In addition, Alissa N. Nolan served as our Executive Vice President and Managing Director of International until her resignation from the company in September 2009. Ms. Nolan was considered a NEO until her resignation.

### **2009 Executive Officer Compensation**

For 2009, the Compensation Committee used as a reference tool the overall compensation structure recommendations for certain positions, including Chief Executive Officer and Chief Financial Officer, that had been developed for 2007-2009 by FPL Associates Compensation ( FPL ), an independent compensation consultant. In 2006, the Compensation Committee engaged FPL to assist the Compensation Committee in determining appropriate fiscal year 2007 compensation for certain of our NEOs and an appropriate structure for long-term incentive compensation for the period 2007-2009. Based upon a study of a competitive peer group of 11 public companies that competed with us for talent, investment dollars and/or business, FPL made recommendations in a report to the Compensation Committee, for certain of our NEOs, of appropriate levels of:

base salary,

annual incentives, and

long-term incentives.

The structure and amounts of the executive officer base salary, annual incentives and long-term incentives compensation components for Ms. Schaefer and Mr. Calder for 2009 as detailed in the Compensation Discussion and Analysis are based on the final recommendations of FPL in its report.

### ***Competitive Peer Group***

The competitive peer group FPL used in its report included primarily companies that are focused on operating within the public consumer/leisure sector as the foundation for our compensation practices. Those peer group companies are ones considered to appeal to family-based, consumer leisure activities, including



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resorts/timeshares, gaming/entertainment and amusement parks. The peer group consisted of the following companies:

Bluegreen Corporation	Red Lion Hotels Corporation
Cedar Fair	Silverleaf Resorts, Inc.
Gaylord Entertainment Company	Six Flags, Inc.
ILX Resorts Incorporated	Steiner Leisure Limited
Isle of Capri Casinos, Inc.	Vail Resorts, Inc.
Nevada Gold & Casinos, Inc.	

***Executive Compensation Structure***

Utilizing the information in FPL's report and other benchmarking data, the Compensation Committee approved total remuneration for executive compensation for Ms. Schaefer and Mr. Calder for 2009 structured as follows:

base salaries at a level commensurate with each executive's role/responsibilities, tenure and other factors, based on median market practices.

short-term incentive compensation consisting of annual cash incentive bonuses based on specified threshold, target and high earnings levels, defined as follows:

*threshold performance* solid achievement but falls short of expectations. Would be considered less than meeting a budget plan. This represents the minimum level of performance that must be achieved before any bonus will be earned.

*target performance* achievement that normally signifies meeting business objectives. In many situations, represents budget level performance.

*high performance* significant achievement that would be considered upper-tier or exceptional performance by industry standards.

long-term incentive compensation in the form of restricted stock grants based on specified threshold, target and high earnings levels, consisting of:

annual equity grants with performance metrics and

multi-year program equity grants with performance metrics and/or time-based vesting.

For NEOs other than Ms. Schaefer and Mr. Calder, for 2009 the Compensation Committee established both an annual cash incentive plan and long-term incentive compensation plan that was structured differently than that for Ms. Schaefer and Mr. Calder, as follows:

the Compensation Committee designed annual cash incentives and long-term incentives for Ms. Schaefer and Mr. Calder that created an overall compensation program that can provide for superior compensation when primary company-wide financial goals are met or exceeded, and, conversely, total compensation below competitive levels when such goals are not met. The Compensation Committee believed this was an appropriate structure for these two NEOs due to their broad responsibilities for overseeing our overall performance in financial, development and operating areas.



for NEOs other than Ms. Schaefer and Mr. Calder, the Compensation Committee felt a total compensation structure that was less likely to provide total compensation significantly above or below competitive levels was appropriate, due to other executive officers having less broad responsibilities for overseeing our overall performance.

For a further discussion on the details of these annual cash incentives and long-term incentives, see Elements of Compensation below.

**Table of Contents****Elements of Compensation**

The compensation for each of our NEOs consists of three components:

- base salary,
- Annual cash incentive and
- long-term incentive compensation.

These components provide elements of fixed income and variable compensation that are linked to the achievement of individual and corporate goals and the enhancement of value to our stockholders.

***Base Salary***

Base salary represents the fixed annual component of our executive compensation. Executives receive salaries that are within a range established by the compensation committee for their respective positions, in some instances based on the comparative analysis described above. Where each executive's salary falls within the salary range is based on a determination of the level of experience that the executive brings to the position and how successful the executive has been in achieving set goals. Salary adjustments are based on a similar evaluation and may include a comparison of adjustments made by competitors and any necessary inflationary adjustments.

When reviewing the competitive market data described above, the Compensation Committee considers that the competitive market is comprised of professionals with varying backgrounds, experience and education who may be more junior or senior within the role. As such, the compensation, particularly as it relates to base salaries, provided to these incumbents may, appropriately, vary. In establishing base salary amounts for our NEOs, the Compensation Committee considers the level of responsibility, experience, performance and tenure of our company's incumbents relative to those commonly found in the market and/or summarized by FPL in its report.

We generally review the base salaries of our NEOs each fiscal year. In the event of an NEO's promotion and/or increased scope of responsibility, we consider base salary adjustments at other points during the year as well.

The compensation committee reviewed the salaries for Ms. Schaefer and Messrs. Black, Calder, Lombardo and Schroeder in December 2008. As a result of these reviews, base salaries established for 2009 and the percentage increase from prior base salaries are shown below:

<b>Name</b>	<b>2009 Base Salary (\$)</b>	<b>Increase From Prior Base Salary (%)</b>
Ms. Schaefer	500,000	33.3
Mr. Black	288,711	11.0
Mr. Calder	375,000	25.0
Mr. Lombardo	185,000	
Mr. Schroeder	268,000	

The increases for Ms. Schaefer and Mr. Black reflected their promotions, effective January 1, 2009, to the positions of CEO and Executive Vice President of Operations, respectively. The increase for Mr. Calder reflected his additional responsibilities within our company, level of current performance and an adjustment to reflect estimated median base compensation of our competitive peer group.

***Annual Cash Incentive***

*For Ms. Schaefer and Mr. Calder*

For Ms. Schaefer and Mr. Calder, annual cash incentives exist in the form of bonuses as a means of linking compensation to objective performance criteria that are within the control of the NEO. Consistent with

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the guidelines in FPL's report, at the beginning of each year, the Compensation Committee establishes a potential bonus amount range for each executive and identifies performance targets for each NEO to meet in order to receive the full bonus. The range incorporates the threshold, target and high (maximum) performance concepts as described above in 2009 Executive Officer Compensation.

Our annual incentive program utilizes multiple aspects or dimensions of performance to establish a line-of-sight between the individual and the reward. The emphasis on one dimension versus another depends on the level and type of position. Three dimensions we consider in the annual incentive program for our NEOs are:

*Corporate* overall corporate performance is the primary dimension for executive and senior management.

*Team/Unit* refers to key functional areas. This dimension is utilized to link individuals to the performance of their collective work group and is intended to foster cooperation.

*Individual* refers to specific goals and objectives developed for each individual participant.

The Compensation Committee reviews each executive's position to determine the proportion or percentage of incentive opportunity that will be attributed to each of the three dimensions, based on the position's ability to impact performance at each dimension. The benefit to using this three-tier construct is in balancing the required level of objectivity with the desired level of subjectivity. While corporate and team/unit goals include specific, quantifiable targets, the individual component can often be based on a more subjective assessment of performance or on management discretion.

For the plan designed for Ms. Schaefer and Mr. Calder, the Compensation Committee establishes financial targets at the beginning of each year that are tied to our annual business plan. Those NEOs generally begin to earn a threshold annual cash incentive award amount once a financial target is at least 95% attained. The threshold award amount is generally 1/3 of the maximum potential award amount for a particular financial target. The maximum annual cash incentive award is earned when a financial target is at least 105% attained. Any potential amount of the annual cash incentive award in excess of the threshold amount, up to the maximum potential award amount, is earned ratably from 95% up to 105% of the financial target attained.

The Compensation Committee employs clearly defined, objective measures of performance to support the annual cash incentive awards for Ms. Schaefer and Mr. Calder. Within the annual incentive award component of the compensation program, performance measures are often based on operational/financial initiatives as well as, to a lesser extent, individual/subjective performance, providing a balance with long-term incentive award components, which are generally primarily tied to value creation.

The Compensation Committee, in consultation with our CEO, establishes and approves specific, written performance objectives for annual cash incentives. For each such objective, actual performance is reviewed by the Compensation Committee (generally in February following the performance year) in order to determine the actual payment to occur following release of the performance year fiscal year financial results. The Compensation Committee has the ability to apply discretion to increase or decrease the actual payout resulting from the relative achievement of performance objectives. Discretion may be applied in the case of significant business disruption, unusual business events or conditions, or other factors the Compensation Committee deems relevant.

For 2009, the Compensation Committee established overall threshold, target and maximum annual incentive opportunities for Ms. Schaefer and Mr. Calder, expressed as a percentage of each executive's 2009 base salary, as follows:

Name	2009 Annual Incentive Opportunity					
	Threshold		Target		Maximum	
	(%)	(\$)	(%)	(\$)	(%)	(\$)
Ms. Schaefer	50.0	250,000	100.0	500,000	150.0	750,000
Mr. Calder	37.5	140,625	87.5	328,125	112.5	421,875

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For 2009, the annual cash incentive amounts awarded to Ms. Schaefer and Mr. Calder were subject to a number of performance objectives, including:

our company achieving certain levels of Adjusted EBITDA for 2009;

our company achieving certain levels of Adjusted EPS for 2009; and

the individual achieving certain individual, business unit and/or departmental performance goals in 2009, as determined by the Compensation Committee.

The threshold, target and maximum amounts for the two financial measure performance objectives (Adjusted EBITDA and Adjusted EPS) for 2009 were as follows:

<b>Financial Measure Performance Objective</b>	<b>Threshold (\$)</b>	<b>Target (\$)</b>	<b>Maximum (\$)</b>
Adjusted EBITDA	63.3 million	66.6 million	69.9 million
Adjusted EPS	(0.53)	(0.50)	(0.48)

The relative weightings for the performance objectives were primarily based on the recommendations of FPL in its report. For 2009, the Compensation Committee, in consultation with our CEO, reviewed and approved the performance criteria and weighting of those criteria for each eligible executive. The weightings of the performance criteria may vary among the eligible executives by position due to functional accountability, responsibility and other factors the Compensation Committee deems relevant. For 2009, weightings for Ms. Schaefer and Mr. Calder and corresponding maximum bonus amounts available for each bonus measure were as follows:

**Cash Bonus Performance Objectives**

<b>Name</b>	<b>Adjusted EBITDA</b>		<b>Adjusted EPS</b>		<b>Individual, Business Unit and/or Departmental Performance Goals</b>	
	<b>Weighting (%)</b>	<b>Maximum Bonus Amount (\$)</b>	<b>Weighting (%)</b>	<b>Maximum Bonus Amount (\$)</b>	<b>Weighting (%)</b>	<b>Maximum Bonus Amount (\$)</b>
Ms. Schaefer	60.0	450,000	20.0	150,000	20.0	150,000
Mr. Calder	60.0	253,125	20.0	84,375	20.0	84,375

For Ms. Schaefer and Mr. Calder, the Compensation Committee reviewed in February 2010 the levels of Adjusted EBITDA and Adjusted EPS we had achieved for 2009 and the success of each of those NEOs in achieving individual, business unit and/or departmental performance goals in 2009. Based that review:

we achieved Adjusted EBITDA of \$66.0 million, an amount between the threshold and target amounts for that financial measure, resulting in 60.7% and 69.9% of the maximum potential payout for that financial factor being earned for Ms. Schaefer and Mr. Calder, respectively.

we achieved Adjusted EPS of \$(0.43), an amount in excess of the Adjusted EPS maximum amount as established by the Compensation Committee, resulting in 100% of the maximum potential payout for that financial factor being earned.

the Compensation Committee determined the individual/departmental goal achievements as follows:  
Mr. Calder 90% and Ms. Schaefer 90%.

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Based on the level of achievement of the various financial and other factors for 2009 as described above, Ms. Schaefer and Mr. Calder earned the following amounts for the various performance objectives:

<b>Cash Bonus Performance Objective</b>	<b>Ms. Schaefer</b>	<b>Mr. Calder</b>
Adjusted EBITDA:		
Maximum Bonus Amount	\$ 450,000	\$ 253,125
% earned	60.7%	69.9%
Bonus Amount Earned	\$ 273,300	\$ 176,850
Adjusted EPS:		
Maximum Bonus Amount	\$ 150,000	\$ 84,375
% earned	100.0%	100.0%
Bonus Amount Earned	\$ 150,000	\$ 84,375
Individual, Business Unit and/or Departmental Goals:		
Maximum Bonus Amount	\$ 150,000	\$ 84,375
% earned	90.0%	90.0%
Bonus Amount Earned	\$ 135,000	\$ 75,938
Total Bonus Amount Earned	\$ 558,300	\$ 337,163

*Other NEOs*

For 2009, the maximum annual incentive opportunities established for Messrs. Black, Lombardo and Schroeder were 75.0%, 50.0% and 50.0%, respectively, of base salary. For these NEOs, annual cash incentives for 2009 existed in the form of a bonus available based on achieving individual and/or departmental performance goals in 2009, as determined by the Compensation Committee. Based on that determination, Messrs. Black, Lombardo and Schroeder earned bonus amounts of \$213,750, \$92,500 and \$80,000, respectively, for 2009.

*Shares-in-Lieu-of-Cash Option for Bonus Payments*

For 2009 annual cash incentives bonus amounts to be paid in 2010, as an incentive to increase our NEOs' ownership of our common stock, we offered our NEOs the opportunity to take some or all of their bonus in shares of our common stock in lieu of cash. Shares issued under this shares-in-lieu-of-cash bonus option are 100% vested when issued. If an executive elected to receive shares of our common stock in lieu of cash, he or she received shares having a market value equal to 125% of the cash they would have otherwise received. For example:

if an executive's cash bonus payment would have been \$10,000 and they elected this shares-in-lieu-of-cash option for the entire amount of their bonus, he or she would receive \$12,500 of shares.

the dollar value of shares to be received is divided by a conversion price as determined by the Compensation Committee in order to determine the number of shares the NEO receives.

We believe this 25% conversion premium is an appropriate incentive to reward executives who choose to receive shares in lieu of cash.

The Compensation Committee has established a policy of using the average closing price for the company's common stock for the first and second full calendar weeks of January of the following calendar year (that is, 10 trading days) as



the stock price to use for the conversion of the cash value of each NEO's bonus to a number of shares to be received.

None of our NEOs elected to take a portion of their earned 2009 cash bonus in shares of our common stock, in accordance with the shares-in-lieu-of-cash provisions explained above.

**Table of Contents*****Long-Term Incentives***

For Ms. Schaefer and Mr. Calder, the long-term incentive component of executive compensation is targeted toward providing rewards for long-term performance. The Compensation Committee believes that long-term incentives are important to motivate and reward these executives for maximizing stockholder value. Long-term incentives are provided primarily by grants of stock options and/or stock under our 2004 Incentive Stock Plan, which is administered by the Compensation Committee. The purpose of our 2004 Incentive Stock Plan is to assist us in recruiting and retaining key employees, by enabling such persons to participate in the future success of our company, and to align their interests with those of our stockholders.

The Compensation Committee, in consultation with our CEO, establishes annually and approves specific, written performance objectives for long-term incentives. For these objectives, the Compensation Committee reviews actual performance (generally in February following the performance year) in order to determine the actual amount of the long-term incentive grant that has been earned. The Compensation Committee has the ability to apply discretion to increase or decrease the actual amount calculated as earned resulting from the relative achievement of performance objectives. Discretion may be applied in the case of significant business disruption, unusual business events or conditions, or other factors the Compensation Committee deems relevant.

For 2009, the Compensation Committee approved maximum long-term, stock-based incentive compensation amounts for Ms. Schaefer and Mr. Calder. The stock-based compensation amounts consisted of performance-based shares of our common stock.

***Establishing 2009 Award Amounts***

Stock-based compensation for 2009 for Ms. Schaefer and Mr. Calder consisted of annual equity grant (AEG) amounts and multi-year program equity grant (MYPEG) amounts. The process in establishing the number of shares awarded as stock-based compensation to Ms. Schaefer and Mr. Calder as AEGs and MYPEGs for 2009 involved four steps, as follows:

first, based on benchmarking data and recommendations contained in FPL's report, we computed a maximum annual amount of stock-based compensation award (that is, combined AEG and one year of MYPEG) amount as a percentage of each officer's January 1, 2009 base salary. Applicable percentages and the resulting maximum annual amounts were as follows:

<b>Name</b>	<b>January 1, 2009</b>		<b>Maximum Annual</b>
	<b>Base Salary</b> ( <b>\$</b> )	<b>Percentage of Base Salary Used to Compute Maximum Annual Dollar Value</b> ( <b>%</b> )	<b>Amount of Stock-Based Incentive Compensation</b> ( <b>\$</b> )
Ms. Schaefer	500,000	225.0	1,125,000
Mr. Calder	375,000	112.5	421,875

second, for each officer, the total maximum annual dollar value was split between (a) AEG amounts and (b) MYPEG amounts. Based on recommendations from FPL, the applicable splits and resulting dollar amounts

for each officer were as follows:

Name	Annual Equity Grant		Multi-Year Program Equity Grant	
	(%)	(\$)	(%)	(\$)
Ms. Schaefer	60.0	675,000	40.0	450,000
Mr. Calder	60.0	253,125	40.0	168,750

Note that the MYPEG amount was for part of the three-year period 2007-2009, and was accounted for as part of each NEO s grants for 2007 (that is, the MYPEG grants in 2007 covered the three-year period 2007-2009). Therefore, the MYPEG amounts were not considered further in setting compensation for 2009.

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third, for each NEO, the dollar amount for AEGs for 2009 listed above was then converted to a maximum total number of shares to be awarded by dividing (a) that dollar value amount by (b) \$1.54, the closing price of our common stock on NASDAQ on December 31, 2008 (the last trading day in the year ended December 31, 2008). Based on this conversion, the maximum number of shares to be awarded to each officer was as follows: Ms. Schaefer 438,312 shares and Mr. Calder 164,367 shares.

fourth, the Committee approved additions to the AEG amounts to account for the effect of each NEO's base salary increase on January 1, 2009. As outlined in the FPL report and discussed above, the MYPEGs awarded in 2007 covered a three-year performance period (2007-2009) and all shares related to the three-year period were granted in March 2007. The MYPEG shares granted at that time, however, were based on a percentage of each NEO's January 1, 2007 base salary. Because the three-year (2007-2009) calculation was based on percentages of base salary as of January 1, 2007 and base compensation amounts increased at January 1, 2009, however, the number of shares originally issued for the MYPEGs in March 2007 no longer reflected the correct total long-term incentive potential (based on each executive's now-higher base salary). As a result, the Committee approved the issuance of the additional shares under the AEGs for 2009 to each officer as follows: Ms. Schaefer 93,506 shares and Mr. Calder 26,299 shares.

As a result, the total maximum number of shares to be awarded to each officer under the AEGs for 2009 was as follows: Ms. Schaefer 531,818 shares and Mr. Calder 190,666 shares.

*Determining Amounts of 2009 AEG Awards Earned*

The actual long-term incentive compensation AEG award earned by Ms. Schaefer and Mr. Calder was subject to a number of performance factors:

a portion of the AEG award amount was earned based on our common stock performance in calendar year 2009 relative to the Russell 2000 stock index total return in calendar year 2009. Under this performance criterion, an individual earned:

a portion of his or her total potential award amount if our stock performance for 2009 was 80% or greater than the performance of the Russell 2000 stock index;

less than the full portion amount of his or her award amount if our stock performance was less than 120% of the Russell 2000 stock index's performance; and

no award under this performance criterion if our stock performance was less than 80% of the Russell 2000 stock index's performance.

a portion of the award amount was earned based on the individual achieving certain individual, business unit and/or departmental performance goals in 2009, as determined by the Compensation Committee.

The relative weightings for the performance factors were primarily based on the recommendations of FPL in its report. Weightings for the performance factors for Ms. Schaefer and Mr. Calder for the 2009 AEG awards were as follows:

**AEG Award Factor**  
**Individual,**  
**Business Unit and/or**

<b>Name</b>	<b>Relative Common Stock Performance</b>		<b>Departmental Performance Goals</b>	
	<b>Weighting (%)</b>	<b>Maximum Share Award (#)</b>	<b>Weighting (%)</b>	<b>Maximum Share Award (#)</b>
Ms. Schaefer	75.0	398,864	25.0	132,955
Mr. Calder	75.0	142,999	25.0	47,666

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For the 2009 AEG award factors, based on our common stock's actual performance and the Compensation Committee's assessment of each individual's achievement of individual/departmental performance goals:

our common stock increased 53.9% in 2009 and the Russell 2000 stock index increased 25.2%. Therefore, our common stock's performance was greater than 120% of the Russell 2000's performance. As a result, 100% of the maximum potential payout for that award factor was earned.

the Compensation Committee determined the individual/business unit/department goal achievements as follows: Ms. Schaefer 90% and Mr. Calder 90%.

Based on the level of achievement of the various award factors for 2009 as described above, Ms. Schaefer and Mr. Calder earned the following number of shares under the AEGs for 2009:

<b>AEG Award Factor</b>	<b>Ms. Schaefer</b>	<b>Mr. Calder</b>
Relative Common Stock Performance:		
Maximum # of Shares	398,864	142,999
% earned	100%	100%
Number of Shares Earned	398,864	142,999
Individual, Business Unit and/or Departmental Goals:		
Maximum # of Shares	132,955	47,666
% earned	90.0%	90.0%
Number of Shares Earned	119,659	42,900
Total Number of Shares Earned	518,523	185,899

In March 2010, we issued the shares of our common stock as long-term incentives earned for 2009 under the AEGs as described above.

Additionally, we awarded 25,000, 20,000 and 10,000 shares of our common stock to Messrs. Black, Lombardo and Schroeder in April 2009, respectively.

*Vesting of Awards*

The shares earned under the 2009 AEG awards vest as follows: shares earned vest 1/3 on issuance; 1/3 on December 31, 2010; and 1/3 on December 31, 2011. The shares issued to Messrs. Black, Lombardo and Schroeder in April 2009 vest ratably on April 1 of 2010, 2011, 2012, 2013 and 2014, based on continued employment with us.

The following table summarizes the future vesting of shares issued related to 2009, as described above:

<b>Vesting Date</b>	<b>Amounts Vesting (#)</b>				
	<b>Mr. Black</b>	<b>Mr. Calder</b>	<b>Mr. Lombardo</b>	<b>Ms. Schaefer</b>	<b>Mr. Schroeder</b>
3/2/10		61,966		172,841	
4/1/10	5,000		4,000		2,000
12/31/10		61,967		172,841	
4/1/11	5,000		4,000		2,000

12/31/11		61,966		172,841	
4/1/12	5,000		4,000		2,000
4/1/13	5,000		4,000		2,000
4/1/14	5,000		4,000		2,000

For shares granted under the 2009 AEG program, vesting of the shares will accelerate upon a termination of the officer by the company without cause; a termination by the officer for good reason, death or disability; or a change in control of the company. Officers will forfeit all unvested AEG awards upon termination by the company with cause or a voluntary termination by the officer without good reason. For other shares granted, vesting of the shares will accelerate upon a change in control of the company.

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*Grant Valuation Parameters*

As described above, when awarding stock to Ms. Schaefer and Mr. Calder, we first establish a dollar value of the maximum equity-based compensation potential that we want to provide to the employee in the form of stock over the vesting period. On the date of the grant, in order to calculate the number of shares to grant, we divide the total maximum equity-based compensation potential by the per share fair value of our common stock as of the close of the prior fiscal year. Although we use what we consider to be a reasonable approach in determining the number of shares of common stock to award to these NEOs, the ultimate value to these NEOs of the shares awarded only becomes clear when (a) performance conditions related to earning the award are met or not met and (b) the future fair value of the shares earned is known.