

Great Wolf Resorts, Inc.
Form 424B3
April 18, 2006

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**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-122208**

PROSPECTUS

**14,032,896 Shares
Great Wolf Resorts, Inc.
Common Stock**

This prospectus relates to 14,032,896 shares of our common stock being sold by the selling stockholders named in this prospectus. We will not receive any proceeds from the issuance or sale of these shares.

The selling stockholders may offer their shares of common stock from time to time through public or private transactions, in the over-the-counter markets, on any exchanges on which our common stock is traded at the time of sale, at prevailing market prices or at privately negotiated prices. The shares may be sold directly or through agents or broker-dealers acting as principal or agent, or in block trades or through one or more underwriters on a firm commitment or best efforts basis. The selling stockholders may engage underwriters, brokers, dealers or agents, who may receive commissions or discounts from the selling stockholders. We will pay substantially all of the expenses incident to the registration of the shares, except for sales commissions and other seller's compensation applicable to sales of the shares.

The selling stockholders and any underwriters, agents or broker-dealers that participate with the selling stockholders in the distribution of the common stock may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended, and any commissions received by them and any profit on the resale of the common stock may be deemed to be underwriting commissions or discounts under the Securities Act.

Our common stock trades on the Nasdaq National Market under the symbol WOLF. On April 17, 2006, the last reported sales price of our common stock on the Nasdaq National Market was \$10.87.

Investing in our common stock involves risks. See Risk Factors beginning on page 11.

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 April 18, 2006

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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We own, or claim ownership rights to, a variety of trade names, service marks and trademarks for use in our business, including Biko the Bear, Blue Harbor Resort, Boathouse Suite, Breaker Bay, Crew Club, Cub Club, Great Wolf Lodge, Great Wolf Resorts, KidAquarium Suite, KidCabin and Wiley the Wolf in the United States and, where appropriate, in foreign countries. This prospectus also includes product names and other tradenames and service marks owned by us and other companies. The tradenames and service marks of other companies are the property of such other companies.

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SUMMARY

This summary highlights information contained elsewhere, or incorporated by reference, in this prospectus. You should read the entire prospectus, including Risk Factors, the audited financial statements of our predecessor companies and our consolidated financial statements and related notes, carefully before making an investment decision. References in this prospectus to we, our, us and our company refer to Great Wolf Resorts, Inc., a Delaware corporation, together with our consolidated subsidiaries.

Our Business

We are a family entertainment resort company that provides our guests with a high-quality vacation at an affordable price. We are the largest owner, operator and developer in the United States of drive-to family resorts featuring indoor waterparks and other family-oriented entertainment activities, based on the number of resorts in operation. We provide a full-service entertainment resort experience to our target customer base: families with children ranging in ages from 2 to 14 years old that live within a convenient driving distance from our resorts. Our resorts provide a consistent and comfortable environment throughout the year where our guests can enjoy our various amenities and activities. We are a fully integrated resort company with in-house expertise and resources in resort and indoor waterpark development, management, marketing and financing.

We own and operate six Great Wolf Lodge® resorts (our signature northwoods-themed resorts), four of which we own 100% and the other two of which we own 30%, and one Blue Harbor Resort (a nautical-themed property), of which we own 100%. In addition, a joint venture in which we have an 84% interest owns one Great Wolf Lodge resort that is under construction and scheduled to open for business during 2006. We are also the licensor and manager of an additional Great Wolf Lodge resort in Niagara Falls, Ontario that is owned and under development by an affiliate of Ripley Entertainment Inc., or Ripley's. We anticipate that most of our future resorts will be developed under our Great Wolf Lodge brand, but we may develop additional nautical-themed or other resorts in other appropriate markets.

We deliver value to our guests by providing an affordable and fun family vacation experience. Our resorts are located within a convenient driving distance of our target customer base, providing our guests with a less expensive, more convenient alternative to air travel. In addition, our resorts generally include the following features:

Suites: approximately 270 to 400 family suites that sleep from six to ten people and each include a wet bar, microwave oven, refrigerator and dining and sitting area.

Waterpark: an approximately 34,000 to 78,000 square-foot indoor waterpark highlighted by our signature 12-level treehouse waterfort. Our waterfort is an interactive water experience for the entire family and 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 waterparks also feature high-speed body slides and inner tube waterslides that wind in and out of the building into a splash-down pool, a lazy river, activity pools and large free-form hot tubs. Our room rates include use of the waterpark by four to six guests, depending on the type of room.

Food and Beverage: themed restaurants, such as our: 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 camp; Bear Claw Café ice cream shop and confectionery; and waterpark snack shop.

Amenities and Activities: our Youkon Jack's and Northern Lights game arcades, full-service Aveda® concept spa, Buckhorn Exchange gift shop, Iron Horse fitness center, two-story animated clocktower, Cub Club children's activity program, meeting rooms and seasonal, holiday and other special activities.

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We were formed in May 2004 to succeed to the family entertainment resort business of our predecessor companies, The Great Lakes Companies, Inc, which we sometimes refer to in this prospectus as the management company, and a number of its related entities. We refer to these entities collectively as Great Lakes. Great Lakes developed and operated hotels between 1995 and 2004. In 1999, Great Lakes began its resort operations by purchasing the Great Wolf Lodge in Wisconsin Dells, Wisconsin and developing the Great Wolf Lodge in Sandusky, Ohio, which opened in 2001. In 2003, Great Lakes opened two additional Great Wolf Lodge resorts, one in Traverse City, Michigan and the other in Kansas City, Kansas. In June 2004, Great Lakes opened the Blue Harbor Resort in Sheboygan, Wisconsin. Immediately prior to the closing of our initial public offering of common stock, which we refer to in this prospectus as the IPO or the initial public offering, Great Lakes had two additional Great Wolf Lodge resorts under construction, one in Williamsburg, Virginia and the other in the Pocono Mountains region of Pennsylvania. Our Williamsburg resort opened in March 2005 and our Pocono Mountains resort opened in October 2005.

On December 20, 2004, in connection with the closing of the initial public offering, we acquired each of these resorts and the resorts then under construction, as well as certain resort development and management operations, in exchange for an aggregate of 14,032,896 shares of our common stock and \$97.6 million in a series of transactions we refer to in this prospectus as the formation transactions. We also realized net proceeds of \$248.7 million from the sale of 16,100,000 shares of our common stock in the initial public offering.

Our management team possesses substantial expertise in all aspects of family entertainment resort and indoor waterpark development, management, marketing and financing. We have safely and successfully managed the operational complexity of our current resorts and intend to operate our future resorts similarly. We operate our business from our headquarters in Madison, Wisconsin. We believe that the experience of our senior management team, particularly their development and operational experience, as well as our centralized reservations center, provide an infrastructure that will allow us to continue to increase the number of resorts that we develop and operate without proportionately higher overhead costs. As of December 31, 2005, we had approximately 160 corporate employees, including our central reservations center employees, and approximately 2,400 resort-level employees, approximately 1,000 of whom were part-time employees.

Our principal executive offices are located at 122 West Washington Avenue, Madison, Wisconsin 53703, and our telephone number is (608) 661-4700. Our website can be found on the internet at www.greatwolfresorts.com. Information contained on our website is not part of this prospectus.

Our Competitive Strengths

Our competitive strengths include:

Unforgettable Family Resort Experience. Our indoor waterpark resorts provide activities that the entire family can enjoy, including themed restaurants, an Aveda concept spa, a game arcade, ice cream shop and confectionery, gift shop, animated clocktower and fireside bedtime stories.

Value, Comfort and Convenience. On average, a two-night stay for a family of four in one of our conveniently located resorts costs approximately \$600.

Favorable Market Trends. We believe recent vacation trends favor our Great Wolf Lodge concept as the number of families choosing to take shorter, more frequent vacations that they can drive to has increased in recent years.

Market Presence and Barriers to Entry. We believe that we benefit from the significant barriers to entry present in our industry segment, including operational complexity, substantial capital requirements, availability of suitable sites in desirable markets and a difficult, multi-year permitting process.

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Focus on Safety. We invest heavily in safety measures in the design and operation of our resorts, including our state-of-the-art air quality and water treatment systems.

Experienced Management Team. Our senior management team has significant experience in the hospitality, family resort and real estate development industries and has significant expertise in operating complex, themed, family entertainment resorts featuring indoor waterparks.

Business and Growth Strategies

Our primary internal growth strategies are to:

Increase Total Resort Revenue. We intend to increase total resort revenue by increasing our average room rate, average occupancy and other revenue.

Leverage Our Economies of Scale. We intend to take advantage of our economies of scale by capitalizing on our increasing purchasing power and centralizing certain of our services.

Build Upon Brand Awareness and Loyalty. Our Great Wolf Lodge brand is symbolized by our distinctive and easily identifiable theming and recognizable logos and merchandise, which have fostered strong customer and brand loyalty, as evidenced by our high levels of repeat and referral guests.

Our primary external growth strategies are to:

Capitalize on First-Mover Advantage. We intend to be the first to develop and operate family entertainment resorts featuring indoor waterparks in our selected target markets.

Focus on Development and Strategic Growth Opportunities. Family entertainment resorts featuring indoor waterparks are a relatively new concept and a growing segment of the resort and entertainment industries. We intend to focus on this growth opportunity by building in target markets, recycling our capital through joint venture and other dispositions of resort assets, licensing our resort concept internationally, forming strategic partnerships and expanding and enhancing existing resorts.

Continue 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.

Summary Risk Factors

Our ability to capitalize on our competitive strengths and implement the business and growth strategies described above may be affected by matters discussed under Risk Factors beginning on page 11, which you should carefully consider prior to deciding whether to invest in our common stock, including:

our ability to develop new resorts or further develop existing resorts on a timely or cost efficient basis;

our ability to compete with other family vacation travel destinations and resorts;

our ability to manage our expected growth;

our ability to remediate the material weaknesses in internal controls;

potential accidents or injuries in our resorts and competing resorts;

our ability to achieve or sustain profitability;

changes in family vacation patterns and consumer spending habits, downturns in our industry segment and extreme weather conditions;

our ability to attract a significant number of guests from our target markets;

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increases in operating costs and other expense items and costs;

resolution of recently filed securities class action litigation against us and other defendants;

uninsured losses or losses in excess of our insurance coverage; and

our ability to protect our intellectual property and the value of our brands.

Properties

The following table presents an overview of our portfolio of operating resorts and resorts announced or under construction. As of December 31, 2005, we own and operate six Great Wolf Lodge resorts (our signature northwoods-themed resorts), four of which we own 100% and the other two of which we own 30%, and one Blue Harbor Resort (a nautical-themed property), of which we own 100%.

	Ownership Percentage	Opening	Guest Suites	Condo Units	Indoor Entertainment Area(1)
(Approx. ft²)					
Existing Resorts:					
Wisconsin Dells, WI(2)	30%	1997	309	77	102,000(3)
Sandusky, OH(2)	30%	2001	271		41,000
Traverse City, MI	100%	2003	281		51,000
Kansas City, KS	100%	2003	281		49,000
Sheboygan, WI	100%	2004	183	64	54,000
Williamsburg, VA	100%	March 2005	301(4)		66,000
Pocono Mountains, PA		October			
	100%	2005	401		91,000
Resorts Announced or Under Construction:					
Niagara Falls, ONT(5)		Spring 2006	406		94,000
Mason, OH(6)	84%	Fall 2006	401		92,000
Chehalis, WA(7)	49%	2007	317		65,000
Grapevine, TX(8)	100%	2007	400		80,000

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

(2) On October 11, 2005 we formed a joint venture with CNL Income Properties, a real estate investment trust focused on leisure and lifestyle properties, and contributed this property to the joint venture. We own a 30% interest in this joint venture.

(3) Includes a 38,000 square foot waterpark expansion completed in March 2006.

(4) We plan to add an additional 103 guest suites as well as new waterpark attractions at our Williamsburg property. Construction for the expansion is expected to start in Spring 2006 with expected completion in 2007.

(5)

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An affiliate of Ripley Entertainment, Inc., our licensee, which we refer to as Ripley's, owns this resort. We are assisting Ripley's with construction consulting and other pre-opening matters related to the Great Wolf Lodge in Niagara Falls. We have granted Ripley's a license to use the Great Wolf Lodge name for this

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resort for ten years after opening. We will manage the resort on behalf of Ripley's and will also provide central reservation services.

- (6) We have entered into a joint venture with Paramount Parks, Inc., a unit of CBS Corporation, to build this resort. We will operate the resort under our Great Wolf Lodge brand and will maintain a majority equity position in the project. Paramount will have a minority equity interest in the development. Construction on the resort began in July 2005 with expected completion in Fall 2006.
- (7) We have entered into a joint venture with The Confederated Tribes of the Chehalis Reservation to build this resort. We will operate the resort under our Great Wolf Lodge brand. The Confederated Tribes of the Chehalis Reservation will contribute the land needed for the resort, and they will have a majority equity interest in the joint venture. Construction on the resort is expected to begin in Summer 2006 with expected completion in 2007.
- (8) We have announced plans to develop a Great Wolf Lodge resort in Grapevine, Texas. The northwoods themed, six-story, approximately 400-suite resort will provide a comprehensive package of first-class destination lodging amenities and activities. Construction on the approximately 400,000 square-foot building is scheduled to begin in Spring 2006 with expected completion in 2007.

Structure and Formation of Our Company

Formation Transactions

Each of the seven existing resorts were, prior to the consummation of the initial public offering and the formation transactions, owned by a separate limited liability company. We refer to these limited liability companies as resort-owning entities. One member in each of these resort-owning entities was a separate limited liability company of which the management company was the managing member or manager. We refer to these entities as sponsor entities. In addition, investors had an ownership interest in the resort-owning entity of our Sandusky resort through a limited liability company that we refer to as Sandusky Investor LLC.

Pursuant to the formation transactions, among other things:

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

We sold an aggregate of 16,100,000 shares of our common stock in the initial public offering, and we used the net proceeds from the initial public offering to accomplish the steps listed below and also to (1) pay an aggregate of \$97.6 million of the cash consideration in connection with the formation transactions; (2) repay certain indebtedness existing prior to the closing of the initial public offering and the formation transactions in the aggregate amount of approximately \$76.0 million; and (3) fund \$75.4 million of our future resort development costs.

We effected, through GWR Operating Partnership, L.L.L.P., our wholly owned operating partnership, the acquisition of each resort-owning entity, sponsor entity, Sandusky Investor LLC and the management company.

Pursuant to these acquisitions, members of the resort-owning entities, sponsor entities and Sandusky Investor LLC received cash, unregistered shares of our common stock or a combination of cash and unregistered shares of our common stock. Also, shareholders of the management company received unregistered shares of our common stock pursuant to the merger of the management company with and into Great Lakes Services, LLC, a wholly owned subsidiary of the operating partnership, which we refer to as Great Lakes Services.

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We issued an aggregate of 130,949 shares of unregistered common stock to holders of tenant in common interests in our Poconos and Williamsburg resorts that were, immediately prior to the consummation of the formation transactions, convertible into our common stock.

Concurrently with the consummation of the initial public offering and the formation transactions, we:
repaid an aggregate of approximately \$76.0 million of Great Lakes mortgage indebtedness on two of our resorts from the net proceeds of the initial public offering;

refinanced existing mortgage indebtedness on two of our resorts with a total outstanding principal balance at the date of the IPO of \$72.4 million;

entered into a \$75 million revolving credit facility, which we subsequently terminated in connection with the recent formation of our CNL joint venture; and

The former employees of the management company became employees of Great Lakes Services.

Benefits to Related Parties

In connection with the formation transactions, the shareholders of the management company received material benefits, including:

an aggregate of 8,087,151 shares of our common stock as consideration in the formation mergers; and

the release of personal guarantees to repay approximately \$167.1 million of indebtedness relating to the resort-owning entities. Approximately \$76.0 million of this indebtedness was repaid with the proceeds of the initial public offering, approximately \$72.4 million was refinanced and the remaining portion was assumed by us in connection with the formation transactions.

The Offering

All of the shares offered hereby are being offered by the selling stockholders. We will not receive any proceeds from the offering. See Use of Proceeds, Selling Stockholders and Plan of Distribution herein.

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Summary Financial Data

The following table sets forth summary consolidated financial and operating data on a historical basis for Great Wolf Resorts and on a combined historical basis for our predecessor entity, termed Great Lakes Predecessor or the Predecessor. The Predecessor was the predecessor accounting entity to Great Wolf Resorts. We have not presented historical information for Great Wolf Resorts prior to December 20, 2004, the date on which we closed the initial public offering, because we did not have any material corporate operating activity during the period from our formation until the closing of the initial public offering.

Great Lakes Predecessor Financial Information

The Predecessor's combined historical financial information included the following:

The Great Lakes Companies, Inc. and its consolidated subsidiaries, including development of, ownership interests in, and management contracts with respect to, resorts and certain non-resort hotels and multifamily housing development and management assets;

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

the entities that owned our Williamsburg and Pocono Mountains resorts that, as of December 31, 2004, were under construction.

The Traverse City, Kansas City and Sheboygan resorts opened in March 2003, May 2003 and June 2004, respectively. Therefore, the Predecessor's historical results of operations only reflected operating results for the Traverse City, Kansas City and Sheboygan resorts for those periods after the resort opening dates, and only through the closing of the initial public offering (that is, through December 20, 2004).

The Predecessor's financial statements did not include the entities that owned the Wisconsin Dells and Sandusky operating resorts as those entities were controlled by affiliates of AIG SunAmerica.

Great Wolf Resorts Financial Information

Great Wolf Resorts' consolidated historical financial information includes:

our corporate entity that provides resort development and management services;

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

our Williamsburg and Pocono Mountains resorts that, as of December 31, 2004, were under construction, and which opened in 2005.

The summary financial information for the Predecessor for the year ended December 31, 2003 and for the period from January 1, 2004 through December 20, 2004, and for Great Wolf Resorts as of December 31, 2004 and 2005 and for the period from December 21, 2004 through December 31, 2004 and the year ended December 31, 2005 are derived from, and are qualified in their entirety by, the Great Lakes Predecessor and Great Wolf Resorts financial statements audited by Deloitte & Touche LLP, an independent registered public accounting firm, whose report with respect thereto is incorporated by reference in this prospectus. Historical results are not necessarily indicative of the results to be expected in the future. You should read the following summary financial data together with Business, Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and the Great Lake Predecessor, Great Wolf Resorts and Dells/Sandusky financial statements and related notes appearing elsewhere, or incorporated by reference, in this prospectus.

Pro Forma Financial Information

The unaudited summary consolidated pro forma financial data for the year ended December 31, 2005 has been prepared to give effect to our CNL joint venture, including the disposition of our Wisconsin Dells and

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Sandusky resorts, as if such transactions had occurred on January 1, 2005. The unaudited summary consolidated pro forma financial data is for informational purposes only and should not be considered indicative of actual results that would have been achieved and do not purport to indicate results of operations as of any future date or for any future period. You should read the summary consolidated pro forma data in conjunction with Great Wolf Resorts, Inc. and Subsidiaries Pro Forma Financial Information Unaudited Pro Forma Condensed Consolidated Financial Statements, Management's Discussion and Analysis of Financial Condition and Results of Operations and the historical Great Wolf Resorts, Great Lakes Predecessor and Dells/Sandusky financial statements and related notes appearing elsewhere, or incorporated by reference, in this prospectus.

The following data should be read in conjunction with our financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere, or incorporated by reference, in this prospectus.

	Year Ended December 31, 2005		December 21, 2004- December 31, 2004		January 1, 2004- December 20, 2004		Year Ended December 31, 2003 2002 2001	
	Great Wolf Resorts	Consolidated Pro Forma	Great Wolf Resorts	Predecessor	Predecessor	Predecessor	Predecessor	Predecessor
(Dollars in thousands, except per share amounts)								
Statement of Operations:								
Revenues:								
Rooms	\$ 73,207	\$ 52,226	\$ 3,261	\$ 31,438	\$ 18,801	\$	\$	
Food, beverage and other	36,846	27,616	1,289	16,110	9,439			312
Sales of condominiums	25,862							
Management and other fees	494	494	79	3,157	3,109	3,329	3,022	
Management and other fees-related parties	482	2,714						
Other revenue from managed properties(1)	2,524	11,213		14,553	14,904	14,889	13,286	
Total revenues	139,415	94,263	4,629	65,258	46,253	18,218	16,620	
Operating expenses:								
Departmental expenses								
Rooms	10,944	7,475	298	4,917	3,265			
Food, beverage and other	31,407	23,707	958	13,678	8,580			
Other operating expenses:	26,894	19,761	7,372	18,613	11,376	4,159	3,853	

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Selling, general and administrative							
Property operating costs	24,798	19,715	295	8,810	5,283	631	
Depreciation and amortization	26,248	19,311	1,897	12,925	7,744	212	73
Cost of sale of condominiums	16,780						
Loss on sale of property	26,161						
Other expenses from managed properties(1)	2,524	11,213		14,553	14,904	14,808	13,286
Total operating expenses	165,756	101,182	10,820	73,496	51,152	19,810	17,212
Operating income (loss)	(26,341)	(6,919)	(6,191)	(8,238)	(4,899)	(1,592)	(592)
Interest income	(1,623)	(1,613)	(66)	(224)	(55)	(88)	(76)
Interest expense	6,728	6,431	280	6,748	4,413	217	366
(Gain) loss on sale of investments and securities				(1,653)		13	(96)
Interest on mandatorily redeemable shares				1,761	(3,136)	4,479	390
Loss before income taxes, minority interest, and equity in unconsolidated affiliates	(31,446)	(11,737)	(6,405)	(14,870)	(6,121)	(6,213)	(1,176)
Income tax (benefit) expense	(7,199)	(4,695)	(2,563)				
Minority interests, net of tax	(4)	(4)					
Equity in (earnings) loss of unconsolidated affiliates, net of tax	170	(1,657)					
Income (loss) from continuing operations	(24,413)	(5,381)	(3,842)	(14,870)	(6,121)	(6,213)	(1,176)
Income (loss) from discontinued operations				1,928	1,118	(542)	332
Income (loss) before cumulative effect of change in accounting	(24,413)	(5,381)	(3,842)	(12,942)	(5,003)	(6,755)	(844)

principle								
Cumulative effect of change in accounting principle					460		(333)	
Net income (loss)	\$	(24,413)	\$	(5,381)	\$	(3,842)	\$	(12,942)
								\$ (4,543) \$ (6,755) \$ (1,177)
Basic income (loss) per share	\$	(0.81)	\$	(0.18)	\$	(0.13)		
Diluted income (loss) per share	\$	(0.81)	\$	(0.18)	\$	(0.13)		
Weighted average common shares outstanding								
Basic(2)		30,134,146		30,134,146		30,132,896		
Diluted(2)		30,134,146		30,134,146		30,132,896		

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	Year Ended December 31, 2005		December 21, 2004- December 31, 2004	January 1, 2004- December 20, 2004	Year Ended December 31,		
	Great Wolf Resorts	Consolidated Pro Forma	Great Wolf Resorts	Predecessor	Predecessor	Predecessor	Predecessor
					2003	2002	2001
(Dollars in thousands, except per share amounts)							
Cash Flows:							
Cash flows from:							
Operating activities	\$ 17,788		\$ 762	3,637	\$ 8,126	\$ 376	
Investing activities	(65,496)		(97,583)	(64,472)	(64,280)	(46,276)	
Financing activities	23,081		172,151	61,424	54,854	49,797	
Balance Sheet Data (end of period):							
Total assets	\$ 605,526		\$ 622,025		\$ 173,494	\$ 106,751	\$ 54,191
Total long-term debt	168,328		\$ 142,665		\$ 93,733	\$ 37,710	\$ 9,466
Long-term debt secured by assets of spun-off entities					\$ 12,108	\$ 5,054	\$ 5,177
Long-term debt secured by assets held for sale					\$ 14,220	\$ 31,564	\$ 34,193
Non-GAAP financial measures:							
EBITDA(3)	\$ (369)	\$ 15,158	\$ (4,294)	\$ 6,507	\$ 7,559	\$ 334	\$ 6,287

- (1) Reflects reimbursement of payroll, benefits and costs related to the operations of properties managed by us in 2005 and the Predecessor in 2001-2004.
- (2) We currently have 30,277,308 shares of our common stock outstanding. Included in that total are 129,412 shares held in a trust that holds the assets to pay obligations under our deferred compensation plan. Under applicable accounting rules, the shares of common stock held in that trust are treated as treasury stock for purposes of our earnings per share computations and are therefore excluded from the basic and diluted earnings per share calculations.
- (3) We use EBITDA as a measure of our operating performance. EBITDA is a supplemental non-GAAP financial measure. EBITDA is defined as net income plus (a) interest expense, (b) income taxes and (c) depreciation and amortization.

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

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

a significant portion of our assets consists of property and equipment that are depreciated over their remaining useful lives in accordance with GAAP. Because depreciation and amortization are non-cash items, we believe that presentation of EBITDA is a useful measure of our operating performance;

it is widely used in the hospitality and entertainment industries to measure operating performance without regard to items such as depreciation and amortization; and

we believe it helps investors meaningfully evaluate and compare the results of our operations from period to period by removing the impact of items directly resulting from our asset base, primarily depreciation and amortization, from our operating results.

Our management uses EBITDA:

as a measurement of operating performance because it assists us in comparing our operating performance on a consistent basis as it removes the impact of items directly resulting from our asset base, primarily depreciation and amortization, from our operating results;

for planning purposes, including the preparation of our annual operating budget;

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as a valuation measure for evaluating our operating performance and our capacity to incur and service debt, fund capital expenditures and expand our business; and

as one measure in determining the value of other acquisitions and dispositions.

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

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

	Great Wolf Resorts		Predecessor				
	Year Ended December 31, 2005		Period December 21, 2004 through December 31, 2004	Period January 1, 2004 through December 20, 2004	Year Ended December 31,		
	Historical	Pro Forma	2004	2004	2003	2002	2001
Net loss	\$ (24,413)	\$ (5,381)	\$ (3,842)	\$ (12,942)	\$ (4,543)	\$ (6,755)	\$ (1,177)
Adjustments:							
Interest expense, net	5,105	4,818	214	6,524	4,358	2,920	3,468
Income tax expense (benefit)	(7,309)	(3,590)	(2,563)				
Depreciation and amortization	26,248	19,311	1,897	12,925	7,744	4,169	3,996
EBITDA	\$ (369)	\$ 15,158	\$ (4,294)	\$ 6,507	\$ 7,559	\$ 334	\$ 6,287

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RISK FACTORS

*Investment in our common stock involves risks. You should carefully consider the following risk factors in addition to other information contained, or incorporated by reference, in this prospectus before purchasing the common stock offered by this prospectus. The occurrence of any of the following risks might cause you to lose all or part of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled *Forward-Looking Statements*.*

Risks Related to Our Business

We may not be able 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 intend to develop additional resorts and to further expand our existing resorts. Development involves substantial risks, including the following risks:

development costs may exceed budgeted or contracted amounts;

delays in 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 of financing on favorable terms;

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

competition for suitable development sites from competitors that may have greater financial resources or risk tolerance than we do; and

the incurrence of substantial costs in the event a development project must be abandoned 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 our development to minimize these risks, and there can be no assurance that present or future developments will perform in accordance with our previous developments or our expectations.

We compete with other family vacation travel destinations and resorts.

Our resorts compete with other forms of family vacation travel, 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 of the lodging accommodations, the quality of the food and beverage service, convenience, service levels and reservation systems.

Many of our markets have become more competitive, including in particular our Sandusky and Traverse City markets. 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

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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, there can be no assurance that new or existing competitors will not significantly reduce their rates 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 may not be able to manage our expected growth, which could adversely affect our operating results.

Since 1999, we have experienced substantial growth as we have grown from operating one resort to our current portfolio of resorts. We intend to continue to develop additional resorts and manage additional licensed resorts owned by third parties. Our anticipated growth could place a strain on our management, employees, systems 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 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 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 have identified certain material weaknesses in our internal controls.

During the preparation of the provision for income taxes as part of the preparation of our consolidated financial statements for the fourth quarter ended December 31, 2005, we did not correctly account for certain income tax-related items arising out of the sale transaction of two of our operating properties to a joint venture during the fourth quarter. Accordingly, we did not correctly reflect these items in our press release issued on February 22, 2006 to report our financial results for the fourth quarter and year ended December 31, 2005. Our management has identified a material weakness related to the collection of sufficient and reliable data necessary to determine certain income tax-related items where we have entered into significant non-routine business transactions. A material weakness is a control deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of our annual or interim financial statements will not be prevented or detected.

During the fourth quarter of 2005, we determined that it was necessary to restate previously issued financial statements, primarily for changes in the application of purchase accounting for certain transactions entered into in December 2004. Due to errors in the application of purchase accounting for those transactions and other reclassifications of assets, we recorded adjustments to restate our previously issued financial statements for the period ended December 31, 2004 and the three-month periods ended March 31, 2005 and June 30, 2005. These restatements are reflected in the financial statements incorporated by reference in this prospectus. Our management believes that the errors giving rise to the restatements occurred because of a variety of factors, including the complexity of the interpretation of accounting standards related to the application of purchase accounting to our formation transactions. We concluded that we had a material weakness in our internal control over financial reporting related to the implementation of complex accounting standards, including the application of purchase accounting to our formation transactions. Any future restatement of our financial statements could have a material adverse effect on our company and the price of our common stock.

We maintain disclosure controls and procedures designed to provide reasonable assurance that information in our reports under the Securities Exchange Act of 1934, as amended is recorded, processed, summarized and

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reported within the time period specified pursuant to the SEC's rules and forms. We carried out an evaluation, under the supervision and with the participation of our management including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of our 2005 fourth quarter. In making that evaluation, we considered matters relating to the restatement, including the related weakness in our internal control over financial reporting. We concluded that our disclosure controls and procedures were not effective as of December 31, 2005.

Accidents or injuries in 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 attendance, 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 small 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, sickness from contaminated water, 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 and increase our 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 there can be no assurance that our liability insurance will be adequate or available at all times and in all circumstances to cover any liability for these costs. 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.

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

We incurred a net loss in the year ended December 31, 2005, and the period ended December 31, 2004, and our predecessor entities incurred net losses in the period ended December 20, 2004 and in 2003. We cannot guarantee that we will become profitable. Given the increasing competition in our industry and capital intensive nature of our business, we may not be able to increase profitability on a quarterly or annual basis, and our failure to do so could adversely affect our business and financial condition.

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

Since most families with small 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 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 enter into 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.

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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 in the future are similarly likely to be dependent primarily on the markets in the immediate vicinity of such resorts. Regional economic difficulties, for example the issues affecting domestic automotive manufacturers and the related impact in Michigan and surrounding areas, may have a disproportionate negative impact on our resorts in the affected markets. There can be no assurance that we will 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 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.

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 disposable consumer income such as employment, business conditions, interest rates and taxation. There can be no assurance that consumer spending will not be adversely affected by economic conditions, thereby impacting our growth, 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 and other revenue. 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 December 31, 2005, we employed nearly 2,400 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 federal 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 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 expansion schedule. 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 and lower our operating margins.

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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.

Each of our resorts is 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 costs, our financial condition and results of operations may be adversely affected.

We 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, additions to our current resorts and the cash flow generated by our resorts. 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:

general market conditions;

the market's perception of our growth potential;

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.

Any future debt financing or issuances of preferred stock that we may make will be senior to the rights of holders of our common stock, and any future issuances of common stock will result in the dilution of the then-existing stockholders' proportionate equity interest.

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. Should an uninsured loss occur, we could lose both our investment in, and anticipated profits and cash flow from, a resort. 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 will be required to make certain capital expenditures to maintain the quality of our resorts, which could adversely affect 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

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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. If we are unable to meet our capital expenditure needs, we may not be able to maintain the quality of our resorts.

We are defendants in certain litigation that may have a material adverse impact on our operating results and financial condition.

On November 21, 2005, a purchaser of our securities filed a lawsuit against us and certain of our officers and directors in the United States District Court for the Western District of Wisconsin. The complaint alleges that the defendants violated federal securities laws by making false or misleading statements regarding our internal controls and ability to provide financial guidance and forecasts in registration statements filed in connection with our December 2004 initial public offering and in press releases issued in 2005. The complaint was amended on December 8, 2005 to add underwriters and accountants as additional defendants. Additional complaints alleging substantially similar claims were filed by other purchasers of our securities in the Western District of Wisconsin on December 1, 2005, and on January 6, 2006. In addition, a complaint was filed in the Circuit Court for Dane County, Wisconsin on December 16, 2005, alleging that we made false and misleading statements in our IPO-related documents, and making other allegations. This last lawsuit was removed to Federal court and consolidated with the other lawsuits. All of these lawsuits purport to be filed on behalf of a class of shareholders who purchased our common stock between specified dates and seek unspecified compensatory damages, attorneys' fees, costs and other relief.

These lawsuits may require significant management time and attention and could result in significant legal expenses. We maintain D&O insurance that may provide coverage for certain fees, expenses, settlements and judgments arising out of these lawsuits. The amount of a settlement of, or judgment on, one or more of the claims in these suits or other potential claims relating to the same events could substantially exceed the limits of our D&O insurance. An unfavorable outcome could have a material adverse effect on our business, operating results, cash flow, and financial condition.

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 trademarks, copyrights, service marks, trade secrets 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 you 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,

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or intend to do, business and may never be registered in all of these countries. We cannot assure you that we will be able to adequately protect our trademarks or that our use of these trademarks will not 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.

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 an 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 or electricity to our resorts. For example, our resort in Kansas City recently sustained minor tornado-wind damage. 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.

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, 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 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

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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 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, our 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 conditions or results of operations. It is possible, however, that our efforts have not identified all environmental conditions at the property or that environmental conditions and liabilities associated with the property could change in the future.

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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, including a prior offer of condominiums at our Blue Harbor Resort, could adversely affect our business.

Our marketing and sales of condominium units are subject to extensive regulation by the federal government and the states in which our condominiums are marketed and sold. On a federal level, the Federal Trade Commission Act prohibits unfair or deceptive acts or competition in interstate commerce. Other federal legislation to which we are or may be subject includes the Interstate Land Sales Full Disclosure Act, the Real Estate Settlement Practices Act and the Fair Housing Act. In addition, many states have adopted specific laws and regulations regarding the sale of condominiums. For example, certain state laws grant the purchaser the right to cancel a contract of purchase within a specified period following the earlier of the date the contract was signed or the date the purchaser has received the last of the documents required to be provided by the seller. No assurance can be given that the cost of qualifying under condominium regulations in all jurisdictions in which we desire to conduct sales will not be significant. The failure to comply with such laws or regulations could adversely affect our business, financial condition and results of operations.

There can be no assurance 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. There can be no assurance 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 offers or sales of securities, such a determination may create liabilities or contingencies that could have an adverse effect on our operations, 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.

In particular, it is possible that the prior offer of condominiums at our Sheboygan resort by Blue Harbor Resort Condominium, LLC, a former subsidiary of Great Lakes that we refer to as Condo LLC, may not have been in compliance with federal and state securities laws. Prior to the initial public offering and the completion of the formation transactions, interests in Condo LLC held by Great Lakes were distributed to Great Lakes shareholders. We did not acquire Condo LLC as a part of the formation transactions. Although Condo LLC has taken steps to correct any potential securities laws issues in connection with these offers, we cannot assure you that we would not be held liable to some extent for the offers made by Condo LLC.

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 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.

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Risk Factors Related to Our Capital Structure

The covenants in our mortgage loan agreements impose significant restrictions on us.

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 from engaging in certain transactions, including:

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.

The failure to comply with any of these covenants could cause a default under our other debt agreements. Any of these defaults, if not waived, could result in the acceleration of all of our debt, in which case the debt would become immediately due and payable. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance it.

Risk Factors Related to the Ownership of Our Company

Certain of our insiders exercise considerable influence over the company.

As of the date of this prospectus, our executive officers and directors, as a group, beneficially own approximately 10.5% of the outstanding shares of our common stock. By reason of such holdings, these stockholders acting as a group will be able to exercise significant influence over our affairs and policies, including the election of our board of directors and matters submitted to a vote of our stockholders such as mergers and significant asset sales, and their interests might not be consistent with the interests of other stockholders.

We may have assumed unknown liabilities in connection with the formation transactions.

As part of the formation transactions, we acquired our predecessor companies subject to existing liabilities, some of which may have been unknown at the time of the closing thereof. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims of vendors or other persons dealing with the entities prior to the closing of the formation transactions (that had not been asserted or threatened prior thereto), tax liabilities and accrued but unpaid liabilities incurred in the ordinary course of business. The founding shareholders of our predecessor companies agreed to indemnify us with respect to claims for breaches of representations and warranties brought by us within one year following the completion of the IPO and the formation transactions, subject to certain limitations. Many liabilities may not have been identified by December 20, 2005, the expiration of the one-year period, and we may have no recourse against the founding shareholders or these entities for such liabilities.

We may issue partnership interests in the future that may be dilutive to, and may have preferential rights over, our common stockholders.

We have formed a wholly owned operating partnership to serve as the parent entity of each of the surviving resort-owning entities. We are the limited partner of the partnership and the sole general partner of the partnership is a new wholly owned subsidiary that we have formed for that purpose. We formed the operating partnership to provide flexibility for future transactions as we execute our growth strategy. We believe that the ability to issue partnership units will enable us to acquire assets from sellers seeking certain tax treatment. While we do not anticipate issuing any interests in the operating partnership in the foreseeable future,

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we may issue such interests in the future. These additional interests may include preferred limited partnership units. Any partnership interests that we issue may be entitled to distributions of available cash that might otherwise be allocated to the execution of our business plan or generally available for future dividends, if any. In addition, any partnership interests may be convertible into our common stock, thus having a dilutive impact to our common stockholders, and may have voting or other preferential rights relative to those of our common stockholders.

Risks Related to this Offering

Our stock price has been volatile in the past and may be volatile in the future, and you could lose all or part of your investment.

On December 20, 2004, we completed the initial public offering. Trading markets after an initial public offering have often been extremely volatile. Since our initial public offering through April 13, 2006, our common stock has traded at a high of \$25.88 and a low of \$8.00. The following factors could cause the price of our common stock in the public market to fluctuate significantly:

variations in our quarterly operating results;

changes in market valuations of companies in the resort industry, generally, and the family entertainment resort segment, specifically;

fluctuations in stock market prices and volumes;