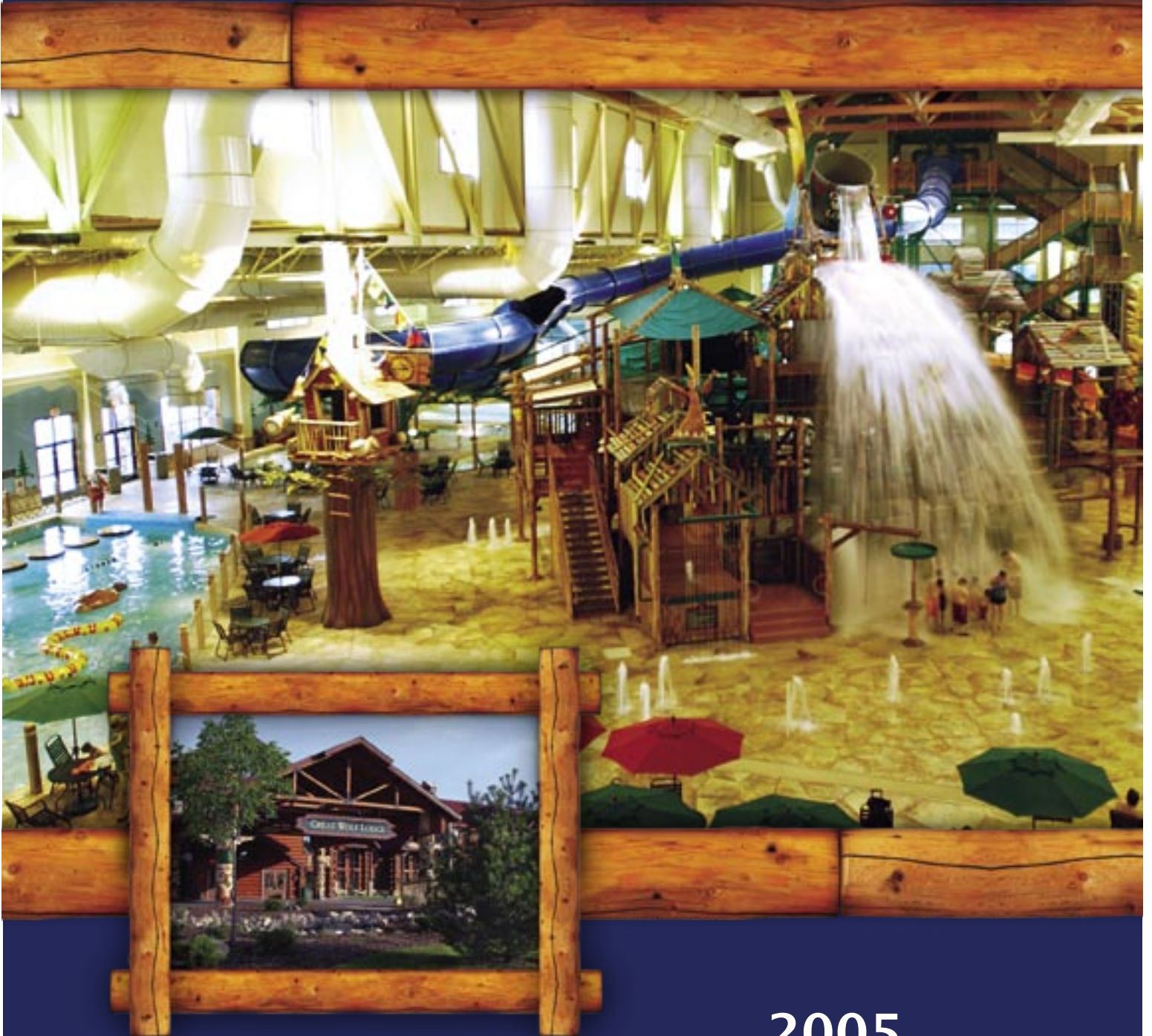




Great Wolf Resorts®

America's Largest Family of Indoor Waterpark Resorts™



2005
Annual Report



About Great Wolf Resorts, Inc.

Madison, WI-based Great Wolf Resorts, Inc. is the leader in indoor waterpark destination resorts and owns and operates its family resorts under the Great Wolf Lodge® and Blue Harbor Resort™ brands. Great Wolf Resorts is a fully integrated resort company and owns and/or manages Great Wolf Lodge locations in: Wisconsin Dells, WI; Sandusky, OH; Traverse City, MI; Kansas City, KA; Williamsburg, VA; The Pocono Mountains, PA; Niagara Falls, Ontario and Blue Harbor Resort & Conference Center in Sheboygan, WI. Great Wolf Resorts also has projects currently under construction or in pre-development in: Mason, OH; Chehalis, WA; and Grapevine, TX.

The company's resorts are family oriented destination facilities that generally feature 300 to 400 suites and a large indoor entertainment area measuring 40,000 to 100,000 square feet. The all-suite properties offer a variety of room styles, arcade/game rooms, fitness rooms, themed restaurants, spas, supervised children's activities and other amenities. Additional information may be found on the company's Web site at www.greatwolf.com.



Letter to Shareholders

Our first full year as a public company was marked by significant growth of our portfolio of waterpark resorts, as we moved ahead on a number of strategies that will effectively double our pre-IPO size by the end of 2007. To support that growth, we also took important steps to strengthen our management team and improve our balance sheet.

In 2005, we announced plans for, began/continued construction on or opened a total of seven new resorts or expansions to existing resorts. When completed, these projects will add over 2,300 suites and approximately 525,000 square feet of indoor entertainment area to our portfolio. These projects will more than double the size of our branded property portfolio from the five operating properties we owned when we completed our initial public offering in late 2004.

We have a clear plan to continue expanding our portfolio into the top North American markets through wholly owned projects and strategic joint ventures. Our strategy is to build at least two new resorts every year in or near the top 50 MSAs in the U.S. In addition to the opening of Niagara Falls, Great Wolf Lodge in Ontario, Canada in April of 2006, we continue to evaluate opportunities in Canada and overseas.

Our resorts typically are located within 180 miles of our customer base, making Great Wolf Lodge a convenient drive-to destination. On a value basis, we believe Great Wolf Lodge offers a substantial cost advantage to a family who would have to fly to a destination resort, while delivering what we think

is a better experience. As we expand our portfolio, we believe the cumulative effects of adding properties in the top U.S. markets will not only have a dramatic impact on our bottom line; it will also have a dramatic impact on building our brand, which will give us an even greater competitive advantage.



In 2005, Great Wolf Resorts opened two resorts.

Williamsburg, Virginia—Opened in March, this 301-suite resort was our first resort on the East Coast. Located in one of the nation's most popular tourist destinations, the resort features approximately 66,000 square feet of indoor entertainment area and 7,000 square feet of meeting space. Immediately upon opening, the property enjoyed highly favorable guest response, including being voted the #1 Swimming Pool in the United States by TripAdvisor.com's Travelers Choice. The property's strong results have prompted us to begin an expansion that will add 103 suites, 5,000 square feet of meeting space and additional rides and amenities to the waterpark. This expansion, which recently got underway and is expected to open later in 2006, will give us greater capacity to serve a rapidly growing market and create higher barriers to new competition.



The Pocono Mountains, Pennsylvania—Located within a short driving distance from New York City and Philadelphia, this 401-suite resort features a 91,000-square-foot indoor entertainment area and 6,000 square feet of meeting space. Response to the property has exceeded our initial expectations. We anticipate this property will expand our national customer base and our brand awareness due to the resort's close proximity to several of the largest markets in North America.



In 2005, we entered agreements to build three new resorts.

Mason, Ohio—We broke ground on a 401-suite resort with a 92,000-square-foot indoor entertainment area on 39 acres adjacent to Paramount's Kings Island, one of the nation's most popular amusement parks. This resort, which is expected to open this fall, is a joint venture with Paramount Parks Inc., a business arrangement that we believe will give us great synergies. We believe joint ventures with other entertainment partners like Paramount can be an important growth vehicle. We will work closely with Kings Island on joint promotions and advertising to maximize revenues that benefit both properties.

Grapevine, Texas—Well located near Dallas and Fort Worth, the nation's seventh largest market, the 75,000-square-foot indoor waterpark will be supported by a 400-suite resort, spa, restaurant, 6,000-square-foot arcade and ample meeting space. We expect to break ground on the project this spring, with opening anticipated in late 2007.

Chehalis, Washington—Our first West Coast resort will be situated immediately off Interstate 5, approximately halfway between Seattle and Portland. The 317-suite hotel will reside on 39 acres and feature a 65,000-square-foot, indoor entertainment area and a 30,000-square-foot conference center. The project is a joint venture between The Confederated Tribes of the Chehalis Reservation and Great Wolf Resorts. We anticipate a late 2007 opening.

We soon will open our first licensed property.

Niagara Falls, Ontario, Canada—Recently opened this spring, this 406-suite resort offers a 94,000-square-foot indoor entertainment area and approximately 10,000 square feet of meeting space. Situated on 25 acres, the resort is part of the Ripley's Believe It Or Not tourist attraction, the most popular Niagara family attraction after the Falls. Great Wolf Resorts will both license and manage the resort under a long-term agreement with Ripley's Entertainment. We will continue to seek opportunities to license the brand on a highly selective basis.

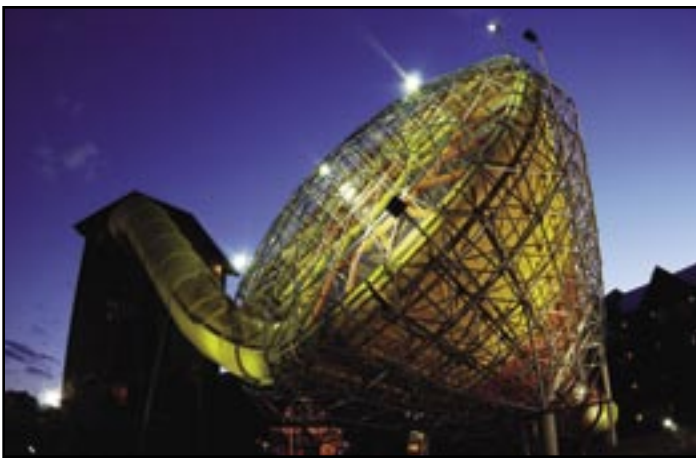


We sold a majority equity interest in two of our properties to a joint venture in which we participate.

In 2005, we sold our two most mature properties, in Wisconsin Dells and Sandusky, to a joint venture with CNL Income Properties, Inc. We retained a 30 percent ownership interest and will license the Great Wolf Lodge name and operate the resorts under 25-year contracts. We believe that selective sales of ownership interests, like this joint venture transaction, allow us to efficiently realize value we have created through our development expertise and provide capital we can recycle for investment in future growth opportunities. We intend to use the proceeds to fund our future growth plans.

We strengthened our balance sheet in 2005.

In 2005, we retired existing mortgage debt on our new Williamsburg and Poconos resorts. Combined, these repayments reduced our annual cash outlay for interest by more than \$4 million and removed first mortgage debt from our two newest properties.



In March 2005, we issued \$50 million of trust preferred securities (TPS) with a 30-year maturity and bearing a 7.8 percent fixed rate for the first 10 years. The TPS are callable in five years with no penalty. We used the proceeds to replace the construction loan for the Poconos Great Wolf Lodge.

At December 31, 2005 we had more than \$50 million available in cash to invest in development. We expect to continue to finance a portion of future construction with conservative 60 to 65 percent debt-to-construction cost loans. We believe our strong balance sheet and significant positive cash flow will give us substantial flexibility to fund our future growth plans.

We strengthened our management team during the year.

To effectively manage our growth, we have made a number of important operational and corporate management enhancements. Kim Schaefer was promoted from chief brand officer

to chief operating officer last spring. With over 15 years of hospitality experience, she has been with Great Wolf since 1995. During her tenure here, she not only has played a key role in our growth, she also has helped create the indoor waterpark resort segment. Bill Croke, a 30-year hospitality veteran, joined us from the nation's largest independent hotel and resort management company in the fall as executive vice president of operations. We also added more regional management depth as we expanded to the East Coast, and we enhanced management at several of our resorts. At the corporate level, we also focused on strengthening several departments that directly support our resort operations and growth plans. These additions in areas such as information technology and development help provide us with the expertise and experience we will need as we continue to expand our resort portfolio.

Our 2005 operating results were buffeted somewhat by unforeseen events, but revenues increased nearly 100 percent.

Several of our Midwest properties reported lower-than-expected results in large part due to the economic impact of announced plant closings and layoffs in the auto industry. We felt the impact of these announcements primarily in the second and third quarters. We believe we have put into place appropriate marketing programs to respond to these events on both a short- and long-term basis. Nonetheless, our total revenues grew from \$70 million in 2004 to more than \$139 million in 2005.



As we look to the future, we are buoyed by the growing strength of customer loyalty to our brand.

In 2006, we anticipate opening one joint-venture resort and our first licensed resort, and will begin construction on three other announced projects, including expansion at one resort. We also expect to announce another two or three new developments during 2006. We have an active pipeline and currently are examining approximately 15 projects that we believe offer attractive potential returns. Our resorts are complex and require significant time and planning to get underway. Typical development time is several years.

One of our greatest advantages is being the only national indoor waterpark resort brand. Great Wolf Lodge is still a very young brand, but already has built substantial recognition and guest loyalty. Our brand strength is reflected in the loyalty of our customer base. System-wide, almost 50 percent of our guests have either visited a Great Wolf Lodge or have been referred by someone who has. That loyalty helped launch our 2005 resort openings with more than 40 percent of bookings coming from repeat or referred guests.

We believe it is our service and product that truly set us apart and will be the sustainable long-term differentiator between Great Wolf Resorts and our competition.

Our most important responsibility as managers of Great Wolf Resorts is to maintain our customer focused culture and the quality of our guest service so that we can consistently deliver a memorable experience to every person who visits our resorts. I thank the more than 2,000 Great Wolf Resorts associates for creating an environment that brings our guests back again and again.



Our core market is families with children. However, we are finding growing success in targeting meetings and social functions, which adds to our mid-week business. Our unique setting is conducive to team building, planning and social events. We will continue to build our guest base as we expand our brand.

We are very positive about the outlook for our company in 2006 and beyond. We have a strong development pipeline with new openings and new groundbreakings planned for the year, and we believe that significant growth opportunities remain. We have a solid balance sheet and the financial strength to fund our planned growth, as well as high consumer approval and growing awareness of our brand.

We believe we are well positioned for 2006 and beyond. We thank you, our shareholders, for your support, and we will continue to work to produce long-term sustainable growth for the company.

Sincerely,

John Emery
Chief Executive Officer

March 2006



Corporate Information

Independent Auditors

Deloitte & Touche LLP
Milwaukee, WI

Stock Transfer Agent

Computershare Investor Services
P.O. Box A3504
Chicago, IL 60690-350

Copy of Form 10-K

Additional copies of the company's Form 10-K, as filed with the Securities and Exchange Commission, without exhibits, may be obtained without charge by written request to the company's Investor Relations Department at:
2941 Fairview Park Drive
Suite 550
Falls Church, VA 22042

Common Stock

Common Stock is traded on the NASDAQ stock market under the symbol WOLF.

Corporate Headquarters

Great Wolf Resorts, Inc.
122 West Washington Avenue
6th Floor
Madison, WI 53703
608.661.4700
www.greatwolf.com

Annual Meeting

The annual meeting will be held Tuesday, May 23, 2006, at Great Wolf Lodge, 1 Great Wolf Drive, Scotrun, PA 18355.

Investor Relations

For help with questions about the company, or for additional corporate information, please contact:

Alex Lombardo
Great Wolf Resorts, Inc.
2941 Fairview Park Drive
Suite 550
Falls Church, VA 22042
Telephone: 703.573.9317
Facsimile: 703.573.7910

Officers

John Emery
Chief Executive Officer

James A. Calder
Chief Financial Officer

Kimberly K. Schaefer
Chief Operating Officer

Hernan R. Martinez
President of Development

J. Michael Schroeder
General Counsel and
Corporate Secretary

Alexander P. Lombardo
Treasurer

Bill Croke
Executive Vice President
of Operations

Directors

Bruce D. Neviaser
Chairman of the Board

John Emery
Chief Executive Officer

Elan Blutinger
Managing Director
Alpine Consolidated, LLC

Randy Churchey
President and CEO
Golden Gate National Senior Care

Michael M. Knetter
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University of Wisconsin-Madison

Alissa N. Nolan
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Howard Silver
President and Chief
Executive Officer
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