



2007 Annual Report



Great Wolf Resorts®

North America's Largest Family of Indoor Waterpark Resorts™

Letter to Shareholders



About Great Wolf Resorts, Inc.

Great Wolf Resorts, Inc.[®] (NASDAQ: WOLF), Madison, WI, is North America's largest family of indoor waterpark resorts, and, through its subsidiaries and affiliates, 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, KS; Williamsburg, VA; the Pocono Mountains, PA; Niagara Falls, Ontario; Mason, OH; Grapevine, TX; and Grand Mound, WA; and Blue Harbor Resort & Conference Center in Sheboygan, WI. Great Wolf Lodge in Concord, NC is currently under construction.

The company's resorts are family-oriented destination facilities that generally feature 300 to 400 rooms 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 centers, 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.



The year 2007 marked the 10th anniversary of our Great Wolf Lodge[®] brand. We have the leading brand in the indoor waterpark family resort industry and have established ourselves as the premier developer/operator in the industry.

During the past three years, we have successfully accelerated our growth. We have increased in size to 11 open resorts (as of the date of this letter) from five at the end of 2004, with the total number of guest suites in our system increasing to almost 3,900 from about 1,400 in the same time period. And, with construction well underway of both an expansion at one of our current resorts and another new resort, we are set to add an additional 600 guest suites over the next 12 months. Also, we have several prominent locations, currently in the planning stage, under letters of intent, providing a platform on which to continue our resort count expansion. This commitment to growth has helped us define our role as the leader in our industry.

Our financial growth has been impressive as well. From 2004 to 2007, our consolidated revenues have grown 168 percent, from \$70 million to \$188 million. Additionally, in 2008 we expect the resorts we manage where we have a minority or no ownership position to have more than \$100 million of

total revenue. Our Adjusted earnings before interest, income taxes, depreciation and amortization (Adjusted EBITDA), which we believe is a key indicator of our growth, has risen at a compound annual rate of 29 percent from \$23.9 million in 2004 to \$51.1 million in 2007. For 2008, we have projected additional Adjusted EBITDA growth of up to 37 percent from 2007 levels. We are proud of these increases and the benefits that size and scale have brought to us.

We believe we have opportunities for significant future growth, both at our existing properties and through continued development of new resorts. We have a solid balance sheet and healthy operations, and have received strong indications of interest from potential investors and partners in expanding our brands internationally. We believe this combination can allow us to continue to build on our recent success and further distance us from competition.

Historically, we achieved our resort unit count growth while owning 100 percent of the equity interests in most of our resorts. We considered this strategy to be best earlier in our business life cycle so that we could control all aspects of each development as we refined our Great Wolf Lodge brand. Now, with our total resort unit count significantly increased over the past three years and the brand well defined, we can continue our growth with a combination of wholly-owned, joint venture and licensed resorts, significantly decreasing our equity capital requirements. Over the past three years, we have moved toward this strategy. Currently, other financial investors have majority or complete ownership of four of our resorts (Wisconsin Dells, Sandusky, Niagara Falls and Grand Mound). In each of these arrangements, however, we continue to license the Great Wolf Lodge brand and operate the resort, allowing us to ensure we maintain the high standards and quality our guests have come to expect from a stay at one of our resorts.

As we look ahead for the next three to five years, we plan to continue to expand our number of resorts, primarily through joint ventures and licensing arrangements.

Opening New Resorts

We opened the 402-suite Great Wolf Lodge resort in Grapevine, Texas in mid-December 2007. The property features a 110,000-square-foot indoor entertainment area, and 7,000 square feet of meeting space. In January 2008, its first full month of operation, the resort had the second highest total bookings of all our resorts.



Construction of New Resorts

During 2007, we continued construction on the 398-suite Great Wolf Lodge resort in Grand Mound, Wash. and we opened that property in mid-March 2008. It features a 30,000 square-foot conference center and a 74,000 square-foot indoor entertainment area, including the largest indoor waterpark in the Pacific Northwest. Initial bookings have been strong, both for families seeking a vacation and for groups looking for a unique, upscale setting for meetings.

In late 2007 we broke ground on a 402-suite Great Wolf Lodge resort on 37 acres of land in Concord, N.C., near Charlotte. Located near the Lowes Motor Speedway and Concord Mills Mall, the property has high visibility in a popular tourist destination area. The resort will feature a 98,000 square-foot indoor entertainment area, including the state's largest indoor waterpark, and a 20,000 square-foot conference center. This new resort will continue our geographic expansion in the U.S., extending the Great Wolf Lodge brand further south along the eastern seaboard.

Future Resort Development – Domestic and International

We have several resorts in the planning stage of development. Although projects at this stage are not certain to occur, we are particularly excited about three prominent locations that are currently under letters of intent:

- A joint venture with the Mashantucket Pequot Tribal Nation to develop a Great Wolf Lodge resort of up to 700 suites on tribal-owned land near its southeast Connecticut reservation and Foxwoods Resort Casino.
- A site for a Great Wolf Lodge resort on the shores of Lake Lanier, near Atlanta, Ga.
- A site to construct a Great Wolf Lodge resort as part of the Phase II expansion of Mall of America®, the nation's largest retail and entertainment complex, located in Bloomington, Minn.

In addition, at any given time we are actively reviewing more than a dozen other potential domestic and international sites. Our domestic development is concentrated primarily on the East and West Coasts in markets near large population centers. Our strategy is to continue to focus on high-quality development opportunities like these, although it is difficult to determine the precise timing or approval of these potential projects as they move through the development process and into the construction phase.

On the international front, we believe we have excellent opportunities for future growth. We are hoping to build on the success story of our first international property, which



opened in 2006 in Niagara Falls, Ontario, Canada. We license and operate that property under a long-term contract with an affiliate of Ripley Entertainment, Inc. The success of the property has attracted interest from other parties interested in international development.

We are still very much in the early phases of international development, but we already have received strong indications of interest. Our preferred model for international development is via third-party ownership of international projects, with us licensing our brand concept to third-party owners, as well as possibly management and other consulting assignments.

Expansions and Enhancements of Our Product Offerings

We look for ways to further enhance our existing properties or expand them to respond to untapped demand segments within a market. Our brand is built on the knowledge and experience of a seasoned operating team that can identify opportunities to enhance and expand our brand and the guest experience at our resorts. For example, in 2007 we completed some significant expansions:

- We opened an addition to our Great Wolf Lodge-Williamsburg, Va. that included 104 guest suites, 16,000 square feet of additional meeting space and a 12,000-square-foot indoor waterpark expansion.
- At our Traverse City, Mich., property, we debuted a 9,000 square-foot, full-service conference facility, capable of handling groups ranging in size from 10 – 270. This new meeting space is designed to help us attract significantly more mid-week meetings business at the resort to complement our traditional base of leisure travel business.

- We also opened a 40,000 square-foot conference center – our company's largest meeting space - as the second phase of the opening of our Mason, Ohio resort. With the premier meeting facility in the area and a location next to Kings Island, the Midwest's largest theme park, we believe we have a strong combination to appeal to both the group and leisure sectors of the southern Ohio regional market.

Additionally, we recognized the strong pre-opening interest at our Grapevine resort and in late 2007 began an expansion that will include an additional 203 suites and 20,000 square feet of meeting space. We expect the first phase of that expansion to open in late 2008 and the entire expansion to be completed in the first quarter 2009.

We will continue to look for opportunities to expand facilities as appropriate.

On the enhancement front, we constantly look for opportunities to refine and/or expand the amenities at our resort to appeal to a wide range of guests. For example:

- We have added MagiQuest™, an interactive, live-action fantasy adventure game, to six of our resorts. Based on the popularity of the game, we expect to include it in each of our future resorts as well.
- In early 2007, we introduced Scoops® Kid Spa as a unique amenity for “tweens” visiting our resorts. We now have Scoops at nine of our locations and have also made it a part of our standard amenity package for future resorts.
- To enhance the appeal of our resort to teenagers, we launched a new amenity at our Grapevine property. Called gr8_space™, it features a 1,200 square-foot interactive family tech center. The gr8_space area features multiple computer stations offering family-friendly Internet access, docking stations for digital music players, as well as multiple gaming stations. Based on the initial favorable response we've seen, we have added the gr8_space amenity to one other resort in 2008 and are considering adding it to some of our other existing resorts.



We have also concentrated on upgrading the functionality of our Web site, greatwolf.com, to deliver better information to our potential guests. Featuring a more user-friendly interface, the site now consistently accounts for more than 60 percent of our reservations.

In summary, we will continue to seek ways to develop experiences that will benefit all of our properties, while also seeking ways to customize the experience to each local market. All of these efforts are designed to provide a better guest experience and higher guest satisfaction, which we feel will ultimately provide increased financial rewards to our company.

Internal Growth at Existing Properties

Consumer response to the experience our resorts offer has been gratifying. Our targeted customers are generally within 180 miles of our resorts, which makes our family entertainment experience more convenient and affordable when compared to resorts that require airplane travel to reach.

To further support our growth of mid-week business, we now have meeting space greater than 15,000 square feet in size open or under construction at six of our resorts. We recognize the opportunities for group meetings to enhance our business model, both by building our

mid-week occupancy and by serving as a great marketing tool to showcase the fun, friendly, family atmosphere of our resorts to meeting attendees. Through mid-March, our system-wide group rooms sold or booked are running more than 16,500 rooms, or 38 percent, ahead of the same period in 2007.

Because of our ability to deliver a highly personalized experience to each guest and our unique product offering, we have seen consistent internal growth. Our Great Wolf Lodge brand properties have posted seven consecutive quarters of same-store revenue per available room (RevPAR) growth through December 31, 2007.

Strong Balance Sheet

We have adequate liquidity and flexibility to fund our planned growth. At year-end 2007, our balance sheet was prudently leveraged with a weighted average cost of debt of 7.1 percent and an average maturity of 9.0 years.

Given the number of development opportunities we have, we expect to use joint ventures or licensing arrangements for certain projects. We believe our Grand Mound and Niagara Falls properties have shown the benefits of incorporating the joint venture and licensing strategies into our business model. We are currently in discussions on possible joint venture arrangements for many of our planned or potential future resorts. We believe joint venture and licensing strategies provide a good opportunity for us to continue to meet our brand growth objectives, even in the current constrained capital environment.



Outlook

As we continue our rapid growth, we believe Adjusted EBITDA is a good gauge of our success in achieving our growth objectives. At this time, we remain optimistic about 2008, even in the face of a slowing economy. We believe the relative price-value of our resort experience will continue to appeal to families and meeting planners, so our product offering may have a greater recession resistance than other entertainment venues. Our earnings guidance for 2008 includes a range of a 21 to 37 percent growth of Adjusted EBITDA over 2007, reflecting our expectation and intention to continue our growth strategy.

We cannot deliver great guest experiences without the dedication and superior execution of our 4,000+ employees. Their enthusiasm and performance continue to help foster our success, and I thank them for their commitment to our brand promise: *"We make time for your family."*

We continue to be focused on growing our company; we have a great product and service delivery; we benefit from a growing, loyal customer base; and we maintain a solid balance sheet. We remain optimistic about our future prospects and thank you, our shareholders, for your continued support.

Sincerely,

John Emery
Chief Executive Officer



March 2008

Corporate Information

Stock Transfer Agent

Computershare Trust
Company, N.A.
P.O. Box 43078
Providence, RI 02940-3069

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

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Annual Meeting

The annual meeting will be held Thursday, June 19, 2008, at Great Wolf Lodge located at 100 Great Wolf Drive, Grapevine, TX 76051.

Investor Relations

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

John Emery
Chief Executive Officer

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General Counsel and
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Great Wolf Lodge - Grapevine, TX