

In the opinion of Bond Counsel, interest on the Series 2013 Bonds (as hereinafter defined) is **not** excludable from gross income for federal income tax purposes. Interest on the Series 2013 Bonds is exempt from Kentucky income tax, and the Series 2013 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. See "TAX MATTERS" and APPENDIX C hereto.



**CITY OF WILLIAMSTOWN, KENTUCKY**  
**\$62,000,000**  
**Taxable Industrial Building Revenue Bonds, Series 2013**  
**(Crosswater Canyon, Inc. Project)**

**Dated: Date of Initial Issuance**

**Due: As shown on inside preliminary pages**

The City of Williamstown, Kentucky (the "Issuer") is issuing its Taxable Industrial Building Revenue Bonds, Series 2013 (Crosswater Canyon, Inc. Project) (the "Series 2013 Bonds"). The Series 2013 Bonds are being issued pursuant to §§ 103.200 to 103.285 of the Kentucky Revised Statutes, as amended (the "Act") and a Trust Indenture dated as of December 1, 2013 (the "Indenture") between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"), to provide funds which will be loaned to Crosswater Canyon, Inc., a Kentucky nonprofit corporation ("Crosswater Canyon") and Ark Encounter, LLC, a Missouri limited liability company ("Ark Encounter, LLC") and together with Crosswater Canyon, the "Borrower") for the purposes of: (i) financing a portion of the costs of constructing, installing and equipping the initial phase of a biblically-themed educational and entertainment complex to include a replica of the Ark of Noah and related facilities (the "Project"), as more particularly described herein; (ii) capitalizing a portion of the interest due on the Series 2013 Bonds through and including April 1, 2016; (iii) funding an initial deposit to a debt service reserve fund with respect to the Series 2013 Bonds; and (iv) paying certain costs associated with the issuance of the Series 2013 Bonds, all as more fully described in this Official Statement. See "THE BORROWER AND THE PROJECT."

The Series 2013 Bonds are dated their date of initial issuance and will bear interest from their date payable on each April 1 and October 1, beginning April 1, 2014. The Series 2013 Bonds are issuable in denominations of \$5,000 or any integral multiple thereof and are subject to minimum initial purchase amounts as set forth on the inside preliminary pages hereof. The Series 2013 Bonds are issuable only as fully registered bonds and, when issued, will be registered either (i) in the name of the individual purchasers thereof, or (ii) in the case of Book-Entry Series 2013 Bonds (as herein defined), in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC").

**Book-Entry Bonds.** Purchases of beneficial interests in the Book-Entry Series 2013 Bonds will be made through the book-entry only system of DTC. Purchasers of beneficial interests in the Book-Entry Series 2013 Bonds ("Book-Entry Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Book-Entry Series 2013 Bonds. Interest on the Book-Entry Series 2013 Bonds, together with the principal thereof and premium, if any, thereon, will be paid directly to DTC by the Trustee, so long as DTC or its nominee is the registered owner of the Book-Entry Series 2013 Bonds. The disbursement of such payments to the Book-Entry Beneficial Owners of the Book-Entry Series 2013 Bonds will be the responsibility of the DTC Participants and the Indirect Participants (as herein defined). See "DESCRIPTION OF THE BONDS – Form and Denomination," "– Payment of the Series 2013 Bonds" and "– Book-Entry Only System" herein.

In the event that there is no securities depository for the Book-Entry Series 2013 Bonds, the principal of, premium, if any, and interest on the Book-Entry Series 2013 Bonds will be payable by the Trustee directly to the beneficial owners thereof in the same manner as described below under the subheading "Physical Certificate Bonds." See "DESCRIPTION OF THE BONDS – Payment of the Series 2013 Bonds."

**Physical Certificate Bonds.** Purchasers of Series 2013 Bonds *not* being held in book-entry form will receive physical delivery of certificates representing their ownership of such Series 2013 Bonds. Interest will be paid by check or draft mailed by the Trustee to the registered owners or by wire transfer to registered owners of at least \$1,000,000 in principal amount of Series 2013 Bonds who request the same in writing. The principal of and premium, if any, on the Series 2013 Bonds will be payable to registered owners at the principal corporate office of the Trustee. See "DESCRIPTION OF THE BONDS – Form and Denomination" and "– Payment of the Series 2013 Bonds."

The Series 2013 Bonds shall mature on October 1 of the years in the principal amounts as set forth on the inside preliminary pages of this Official Statement.

THE SERIES 2013 BONDS ARE SUBJECT TO REDEMPTION PRIOR TO MATURITY AS MORE FULLY DESCRIBED HEREIN. IN ADDITION, INVESTMENT IN THE SERIES 2013 BONDS IS SPECULATIVE IN NATURE AND SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR SHOULD CONSIDER ITS FINANCIAL CONDITION AND THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF INVESTING IN THE SERIES 2013 BONDS. SEE "DESCRIPTION OF THE BONDS" AND "BONDHOLDERS' RISKS" HEREIN.

**THE SERIES 2013 BONDS SHALL NOT BE GENERAL OBLIGATIONS OF THE ISSUER BUT SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE AMOUNTS PAYABLE UNDER THE LOAN AGREEMENT AND FROM FUNDS AND PROPERTY PLEDGED PURSUANT TO THE INDENTURE. THE SERIES 2013 BONDS AND THE INTEREST PAYABLE THEREON DO NOT NOW AND SHALL NEVER CONSTITUTE INDEBTEDNESS OF THE ISSUER OR THE COMMONWEALTH OF KENTUCKY WITHIN THE MEANING OF THE CONSTITUTION OR THE STATUTES OF THE COMMONWEALTH, AND NEITHER THE ISSUER, THE COMMONWEALTH OF KENTUCKY NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2013 BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, MORTGAGE, OBLIGATION OR AGREEMENT CREATED BY OR ARISING UNDER THE INDENTURE OR THE SERIES 2013 BONDS FROM ANY PROPERTY OTHER THAN THE TRUST ESTATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2013 BONDS.**

*The Series 2013 Bonds are offered when, as and if issued by the Issuer and received by Ross, Sinclair & Associates, LLC (the "Underwriter"), subject to withdrawal or modification of the offering without notice, and subject to the approving opinion of Peck Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel. Certain legal matters will be passed on for the Issuer by its counsel, Jeffrey C. Shipp, Esq., Attorney for the City of Williamstown, with offices in Fort Mitchell, Kentucky, for the Borrower by its general counsel, John E. Pence, Esq., Petersburg, Kentucky, and for the Underwriter by its counsel, Hall, Render, Killian, Heath & Lyman, P.C., Indianapolis, Indiana. It is expected that a portion of the Series 2013 Bonds will be delivered against payment therefor in immediately available funds on or about December 23, 2013, to the purchasers thereof either (i) in book-entry-form through the facilities of DTC or (ii) in the form of physical certificates delivered upon the direction of the individual purchasers thereof, in the case of purchasers who have submitted the necessary funds and paperwork to U.S. Bank National Association, as escrow agent. Portions of the Series 2013 Bonds may be delivered at a later date, determined by the Borrower, to the purchasers thereof against payment therefor in immediately available funds, including interest accrued from December 23, 2013, either in book-entry-form or in the form of physical certificates, as the case may be.*

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. POTENTIAL INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SECTION ENTITLED "BONDHOLDERS' RISKS" AND THE APPENDICES HERETO PRIOR TO MAKING AN INVESTMENT DECISION.**





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**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS/PRICES  
AND MINIMUM INITIAL PURCHASE AMOUNTS**

***Book-Entry Bonds:***

<u>Maturity Date</u>	<u>CUSIP*</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Minimum Initial Purchase Amount</u>
10/1/2020	970350AW4	\$5,750,000	5.250%	5.250%	100.000	\$250,000
10/1/2022	970350AX2	1,350,000	5.500%	5.500%	100.000	\$100,000
10/1/2024	970350AY0	1,255,000	5.625%	5.625%	100.000	\$50,000
10/1/2028	970350AZ7	2,135,000	6.000%	6.000%	100.000	\$5,000

***Physical Certificate Bonds:***

<u>Maturity Date</u>	<u>CUSIP*</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Minimum Initial Purchase Amount</u>
10/1/2020	970350BA1	\$8,250,000	5.250%	5.250%	100.000	\$250,000
10/1/2022	970350BB9	9,055,000	5.500%	5.500%	100.000	\$100,000
10/1/2024	970350BC7	12,545,000	5.625%	5.625%	100.000	\$50,000
10/1/2028	970350BD5	21,660,000	6.000%	6.000%	100.000	\$5,000

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## OFFICIAL STATEMENT

The information set forth herein has been obtained from the Issuer, the Borrower, DTC and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and it is not to be construed as a representation by Ross, Sinclair & Associates, LLC (the “Underwriter”). The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances or at any time, create any implication that information herein is correct as of any time subsequent to the date of this Official Statement.

No dealer, broker, salesman or any other person has been authorized by the Issuer, the Borrower or the Underwriter to give information or to make any representations, other than those contained herein, in connection with the offering of the Series 2013 Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Borrower, the Underwriter or any other entity.

The Series 2013 Bonds are not being registered with the Securities and Exchange Commission, in reliance on an exemption from the Securities Act, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance on an exemption contained in such act. The registration or qualification of the Series 2013 Bonds in accordance with applicable provisions of securities laws of the states in which the Series 2013 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2013 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The statements contained in this Official Statement, including, but not limited to, the information contained in the Appendices hereto, and any other information provided by the Borrower that are not purely historical, are forward-looking statements, including statements of the Borrower’s expectations, hopes and intentions, or strategies regarding the future.

The forward-looking statements herein are necessarily based on various assumptions and estimates, and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately, and, therefore, there can be no assurance that the forward-looking statements contained in this Official Statement will prove to be accurate.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER, THE BORROWER, THE PROJECT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY ISSUER. FURTHERMORE, NO SUCH COMMISSION OR ISSUER HAS CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The Underwriter has provided the following sentence for inclusion in this Official Statement:  
The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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## **OFFICIAL STATEMENT**

**relating to the original issuance of**

**City of Williamstown, Kentucky  
\$62,000,000**

**Taxable Industrial Building Revenue Bonds, Series 2013  
(Crosswater Canyon, Inc. Project)**

### **INTRODUCTION**

This Official Statement, which includes the cover page and the Appendices, is furnished by the City of Williamstown, Kentucky (the “Issuer”) in connection with the offering by the Issuer of its \$62,000,000 Taxable Industrial Building Revenue Bonds, Series 2013 (Crosswater Canyon, Inc. Project) (the “Series 2013 Bonds”). The Series 2013 Bonds are authorized by Ordinance No. 2013-20 duly adopted by the City Council of the Issuer on July 16, 2013, and are being issued pursuant to §§ 103.200 to 103.285 of the Kentucky Revised Statutes, as amended (the “Act”), and a Trust Indenture dated as of December 1, 2013 (the “Indenture”) between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”).

### **PURPOSES OF ISSUE**

Proceeds from the sale of the Series 2013 Bonds will be loaned by the Issuer to Crosswater Canyon, Inc., a Kentucky nonprofit corporation (“Crosswater Canyon”) and Ark Encounter, LLC, a Missouri limited liability company (“Ark Encounter, LLC” and together with Crosswater Canyon, the “Borrower”). The funds will be used for the purposes of (i) financing a portion of the costs of the acquisition, construction, installation and equipping of the initial phase of a biblically-themed educational and entertainment complex to include a replica of the Ark of Noah and related facilities, located on approximately 203.5 acres in the City of Williamstown, Kentucky, as more fully described in APPENDIX A hereto (the “Project”); (ii) capitalizing a portion of the interest due on the Series 2013 Bonds through and including April 1, 2016; (iii) funding a deposit into the Reserve Fund with respect to the Series 2013 Bonds; and (iv) paying certain costs associated with the issuance of the Series 2013 Bonds. Additional information regarding the Project is contained under the heading “THE BORROWER AND THE PROJECT” herein and in APPENDIX A hereto.

The Series 2013 Bonds, together with any additional bonds that may be issued under the Indenture on a parity with the Series 2013 Bonds (the “Additional Bonds,” and together with the Series 2013 Bonds, the “Bonds”), are special, limited obligations of the Issuer. The Series 2013 Bonds are payable solely from (i) certain payments to be made by the Borrower to the Trustee for the account of the Issuer pursuant to a Loan Agreement, dated as of December 1, 2013, between the Borrower and the Issuer (the “Loan Agreement”), (ii) proceeds of the Series 2013 Bonds, (iii) the amounts in the funds and accounts established by the Indenture, (iv) certain proceeds of condemnation or insurance received by the Borrower and applied to the extraordinary redemption of the Series 2013 Bonds, as hereinafter described, and (v) payments made with proceeds of such additional security as may be granted in favor of the Holders of the Series 2013 Bonds subsequent to the issuance of the Series 2013 Bonds. Payments made by the Borrower pursuant to the Loan Agreement are a general obligation of the Borrower, evidenced by a promissory note (the “Series 2013 Note”) issued thereunder by the Borrower to the Issuer. Pursuant to the Indenture, the Issuer will assign its rights to receive such payments under the Loan Agreement to the

Trustee as security for the payment of the Series 2013 Bonds. The Borrower's obligations under the Loan Agreement are secured by (i) a pledge of, and a first security interest in, the Borrower's Gross Receipts, which includes Project Revenues; (ii) an Open-End Mortgage and Security Agreement, dated as of December 1, 2013, as amended and supplemented from time to time (as so amended and supplemented, the "Mortgage"), from the Borrower, as mortgagor, to the Trustee, as mortgagee, pursuant to which the Borrower has granted (subject to certain exceptions) a first mortgage security interest in the Project (as defined herein) and other property and assets of the Borrower owned now or in the future comprising the Mortgaged Property (as defined herein) to the Trustee, (iii) an Assignment of Rents and Leases, dated as of December 1, 2013 (the "Assignment of Rents") from the Borrower to the Trustee and (iv) a Collateral Assignment of Agreements, dated as of December 1, 2013 (the "Collateral Assignment") from the Borrower to the Trustee, pursuant to which the Borrower has assigned to the Trustee all the plans, specifications and contracts related to the Project, together with all permits, licenses and other authorizations (to the extent such are assignable) necessary to operate the Project. See "SECURITY FOR THE SERIES 2013 BONDS" herein. For summaries of certain provisions of the Indenture, the Loan Agreement, the Mortgage and the Assignment of Rents, see APPENDIX B hereto.

The summaries of and references to all documents, statutes and other instruments in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each document, statute or instrument. Certain terms used in this Official Statement are defined in APPENDIX B. Terms not defined in this Official Statement shall have the meanings as set forth in the Indenture and the Loan Agreement, copies of which are available for inspection at the office of the Issuer located at 400 North Main Street, Williamstown, Kentucky 41097.

#### **THE ISSUER**

The Issuer is a duly constituted and validly existing municipal corporation and political subdivision of the Commonwealth of Kentucky (the "Commonwealth" or the "State"). The Series 2013 Bonds are authorized and issued by the Issuer pursuant to the provisions of the Act and pursuant to Ordinance No. 2013-20 adopted by the City Council of the Issuer on July 16, 2013.

The Series 2013 Bonds shall be special and limited obligations of the Issuer payable solely from the sources provided for under the Indenture. See "SECURITY FOR THE SERIES 2013 BONDS" herein.

THE SERIES 2013 BONDS SHALL NOT BE GENERAL OBLIGATIONS OF THE ISSUER BUT SPECIAL AND LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE AMOUNTS PAYABLE UNDER THE LOAN AGREEMENT AND FROM FUNDS AND PROPERTY PLEDGED PURSUANT TO THE INDENTURE. THE SERIES 2013 BONDS AND THE INTEREST PAYABLE THEREON DO NOT NOW AND SHALL NEVER CONSTITUTE INDEBTEDNESS OF THE ISSUER OR THE COMMONWEALTH OF KENTUCKY WITHIN THE MEANING OF THE CONSTITUTION OR THE STATUTES OF THE COMMONWEALTH, AND NEITHER THE ISSUER, THE COMMONWEALTH OF KENTUCKY NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2013 BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, MORTGAGE, OBLIGATION OR AGREEMENT CREATED BY OR ARISING UNDER THE INDENTURE OR THE SERIES 2013 BONDS FROM ANY PROPERTY OTHER THAN THE TRUST ESTATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2013 BONDS.

No covenant or agreement contained in the Indenture, the Loan Agreement or the Series 2013 Bonds shall be deemed to be a covenant or agreement of any present or future official, officer, employee or agent of the Issuer or the State or any political subdivision thereof in his individual capacity, nor shall any member, officer, director, agent, attorney or employee, nor any other designated representative of the Issuer executing the Series 2013 Bonds, be liable personally on the Series 2013 Bonds or any other of the aforementioned documents. Moreover, the Issuer has relied on representations of the Borrower regarding the Project and will not independently monitor the Project.

Except for information concerning the Issuer in the sections of this Official Statement captioned “THE ISSUER” and “LITIGATION – The Issuer,” none of the information in this Official Statement has been supplied or verified by the Issuer and the Issuer makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

## **DESCRIPTION OF THE BONDS**

### **General**

The Series 2013 Bonds will be issued in the aggregate principal amount of \$62,000,000 and will be dated and bear interest from their date of initial issuance. The Series 2013 Bonds will bear interest payable April 1 and October 1 of each year (each, an “Interest Payment Date”), with the first interest payment being April 1, 2014, at the rates and will mature on October 1 of the years and in the principal amounts set forth on the inside preliminary pages of this Official Statement. Interest on the Series 2013 Bonds will be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

### **Form and Denomination**

The Series 2013 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2013 Bonds are issuable only as fully registered bonds and, when issued, will be registered either (i) in the name of the individual purchasers thereof, or (ii) in the case of Series 2013 Bonds being purchased and held in book-entry form (the “Book-Entry Series 2013 Bonds”), in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests and transfers of ownership interests in the Book-Entry Series 2013 Bonds will be made through the book-entry only system of DTC as long as DTC is the securities depository for the Series 2013 Bonds. Purchasers of beneficial interests in the Book-Entry Series 2013 Bonds (the “Book-Entry Beneficial Owners”) will not receive physical delivery of certificates representing their interests in the Book-Entry Series 2013 Bonds. Purchasers of Series 2013 Bonds *not* being held in book-entry form will receive physical delivery of certificates representing their ownership of such Series 2013 Bonds. The Issuer and the Registrar and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment of the principal thereof and the interest thereon. Subject to the provisions of the Indenture, a Bond may be exchanged at the office of the Registrar for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity.

For every exchange or transfer of the Series 2013 Bonds, the Issuer and the Trustee, as Registrar, may charge the registered owner an amount sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to or in connection with any such transfer or exchange, except in the case of the issuance of a definitive Bond for a temporary Bond and except in the case of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption, and may require that such amount be paid before any such new Bonds are delivered. For Book-Entry Series 2013 Bonds, see “DESCRIPTION OF THE BONDS – Book-Entry Only System” herein.

### **Minimum Initial Purchase Amounts**

While the Series 2013 Bonds are issuable in denominations of \$5,000 as described above, each of the Term Bonds is subject to the minimum initial purchase amounts set forth on the inside preliminary pages hereof. Any purchaser of the Series 2013 Bonds who purchases \$100,000 or more of the Series 2013 Bonds in aggregate will receive a lifetime family boarding pass to the Ark Encounter Project. The lifetime boarding pass is for immediate family members only and is non-transferrable. The lifetime boarding pass includes free lifetime admission to the Ark Encounter and to the Creation Museum in Petersburg, Kentucky, as well as additional Ark Encounter benefits including, but not limited to, free parking, discounts on food and merchandise, guest passes and invitations to special events. Additional information relating to the lifetime boarding pass can be found at <http://arkencounter.com>.

### **Payment of the Series 2013 Bonds**

While the Book-Entry Series 2013 Bonds are in the book-entry only form, the method and procedures for payment of the Series 2013 Bonds and matters pertaining to transfers and exchanges of the Book-Entry Series 2013 Bonds will be governed by the rules and procedures of the book-entry only system. If the book-entry only system is discontinued, the Indenture contains alternate provisions for the method of payment and for transfers and exchanges. See “DESCRIPTION OF THE BONDS – Book-Entry Only System” herein.

For Series 2013 Bonds *not* held in book-entry form and in the event there is no securities depository for the Book-Entry Series 2013 Bonds, the following provisions for payment of the Series 2013 Bonds will apply. Interest shall be paid by check or draft mailed by the Trustee to the registered owners thereof as their addresses appear on the registration books maintained by the Trustee, as Registrar, at the close of business on the 15th day (whether or not a business day) of the month next preceding the interest payment date (the “Record Date”) or at such other address furnished in writing by such registered owner to the Trustee, irrespective of any transfer or exchange of such Series 2013 Bonds after such Record Date and before such interest payment date unless the Issuer shall be in default of interest due on such interest payment date. Upon written request of a Holder of at least \$1,000,000 in principal amount of Series 2013 Bonds, payment of interest may be made by wire transfer in immediately available funds to a domestic account designated in writing by such Holder and received by the Trustee at least 30 days prior to any Interest Payment Date, after deducting any wire transfer expenses imposed by the Trustee. The principal of and premium, if any, on the Series 2013 Bonds will be payable at the principal office of the Trustee, subject to redemption as more fully described herein. The principal of, premium, if any, and interest on, the Series 2013 Bonds are payable at the place and in the manner specified in this Official Statement.

For so long as the Book-Entry Series 2013 Bonds are in book-entry-only form, the Issuer, the Trustee and the Borrower shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Book-Entry Series 2013 Bonds. Without limiting the immediately preceding sentence, the Issuer, the Trustee and the Borrower shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Book-Entry Series 2013 Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a Bondholder, as shown in the Bond Register, of any notice with respect to the Book-Entry Series 2013 Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Bondholder, as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Book-Entry Series 2013 Bonds. See “DESCRIPTION OF THE BONDS – Book-Entry Only System” herein.

## Optional Redemption

The Series 2013 Bonds are callable for redemption in whole or in part on any date at the option of the Issuer, upon the direction of the Borrower, upon a prepayment of the Series 2013 Note by the Borrower, at a redemption price equal to the principal amount of Series 2013 Bonds to be redeemed, plus accrued interest to the date of redemption and without premium.

## Casualty and Condemnation Redemption

The Series 2013 Bonds are subject to redemption on any date, on the earliest practicable date, as a whole or in part at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption to the extent the Net Proceeds of any condemnation award or insurance recovery are applied to the prepayment of the Series 2013 Note and any Additional Notes (collectively, the “Notes”) as provided in the Indenture following the occurrence of damage or destruction to, or condemnation of, the Project or any portion thereof and the Borrower has determined not to use the net insurance proceeds or award to repair, restore or reconstruct the Project or portion thereof.

## Mandatory Sinking Fund Redemption of Term Bonds

The Series 2013 Bonds maturing on October 1, 2020 shall be subject to mandatory redemption prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, all from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem or pay on October 1 of each year specified below the respective principal amount of such Series 2013 Bonds, specified for each date, set forth below (or, if less than all Series 2013 Bonds of such maturity are issued, the same pro-rata principal amount of such Series 2013 Bonds of such maturity as were issued):

<u>October 1 of the Year</u>	<u>Principal Amount</u>
2016	\$1,170,000
2017	2,335,000
2018	3,090,000
2019	3,265,000
2020	4,140,000 <sup>†</sup>

<sup>†</sup>Final Maturity

The Series 2013 Bonds maturing on October 1, 2022 shall be subject to mandatory redemption prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, all from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem or pay on October 1 of each year specified below the respective principal amount of such Series 2013 Bonds, specified for each date, set forth below (or, if less than all Series 2013 Bonds of such maturity are issued, the same pro-rata principal amount of such Series 2013 Bonds of such maturity as were issued):

October 1 of the Year	Principal Amount
2021	\$4,670,000
2022	5,735,000 <sup>†</sup>

<sup>†</sup>Final Maturity

The Series 2013 Bonds maturing on October 1, 2024 shall be subject to mandatory redemption prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, all from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem or pay on October 1 of each year specified below the respective principal amount of such Series 2013 Bonds, specified for each date, set forth below (or, if less than all Series 2013 Bonds of such maturity are issued, the same pro-rata principal amount of such Series 2013 Bonds of such maturity as were issued):

October 1 of the Year	Principal Amount
2023	\$6,300,000
2024	7,500,000 <sup>†</sup>

<sup>†</sup>Final Maturity

The Series 2013 Bonds maturing on October 1, 2028 shall be subject to mandatory redemption prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, all from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem or pay on October 1 of each year specified below the respective principal amount of such Series 2013 Bonds, specified for each date, set forth below (or, if less than all Series 2013 Bonds of such maturity are issued, the same pro-rata principal amount of such Series 2013 Bonds of such maturity as were issued):

October 1 of the Year	Principal Amount
2025	\$4,845,000
2026	5,765,000
2027	6,110,000
2028	7,075,000 <sup>†</sup>

<sup>†</sup>Final Maturity

### **Extraordinary Mandatory Redemption for Project Fund Insufficiency**

Unless the balance in the Project Fund on March 1, 2014 shall be at least \$45,520,000, the then Outstanding Series 2013 Bonds shall be called for redemption on the earliest possible redemption date thereafter at par and without accrued interest.

### **Notice of Redemption**

Except in the case of an extraordinary mandatory redemption of Series 2013 Bonds as described above under “DESCRIPTION OF THE BONDS – Extraordinary Mandatory Redemption for Project

Fund Insufficiency,” the Holder of any Bond shall be mailed notice of redemption by the Trustee at its address appearing in the registration books for the Bonds by first class mail not less than thirty (30) nor more than forty five (45) days prior to the date set for redemption. In the case of an extraordinary mandatory redemption of Series 2013 Bonds as described above under “DESCRIPTION OF THE BONDS – Extraordinary Mandatory Redemption for Project Fund Insufficiency,” notice of redemption by the Trustee shall be mailed by first class mail on March 1, 2014 to the address of the Holder of any Series 2013 Bond appearing in the registration books for the Series 2013 Bonds specifying the earliest redemption date permitted under the then established procedures of the Clearing Agency. Each notice of redemption given under the Indenture shall be given by the Trustee in the name of the Issuer stating: (i) the Bonds to be redeemed; (ii) the redemption date; (iii) that such Bonds will be redeemed at the principal corporate office of the Trustee or at the designated office of any paying agent; (iv) that on the date of redemption there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date (except in the case of an extraordinary mandatory redemption of Series 2013 Bonds as described above under “DESCRIPTION OF THE BONDS – Extraordinary Mandatory Redemption for Project Fund Insufficiency,” in which case no accrued interest shall be paid); and (v) that from and after the redemption date interest thereon shall cease to accrue.

### **Selection of Bonds in Case of Partial Redemption**

If less than all of the Series 2013 Bonds, are to be redeemed, the Trustee shall select the applicable Bonds to be redeemed by lot; provided that, after such redemption, a Holder of Bonds shall hold not less than \$5,000 principal amount of Bonds. If less than all the Series 2013 Bonds then Outstanding of a maturity specified by the Borrower in its notice to redeem Outstanding Bonds shall be called for redemption, the Series 2013 Bonds shall be redeemed by lot in such manner as to effect a pro rata reduction in the mandatory sinking fund redemption amounts due in each year thereafter; provided that, after such redemption, a Holder of Bonds shall hold not less than \$5,000 principal amount of Bonds.

### **Book-Entry Only System**

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC’S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE ISSUER BELIEVES TO BE RELIABLE, BUT THE ISSUER TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

DTC will act as securities depository for the Book-Entry Series 2013 Bonds. The Book-Entry Series 2013 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Book-Entry Series 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers,

banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Book-Entry Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Book-Entry Series 2013 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2013 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Book-Entry Series 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Book-Entry Series 2013 Bonds, except in the event that use of the book-entry system for the Book-Entry Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Book-Entry Series 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Book-Entry Series 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Book-Entry Series 2013 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Book-Entry Series 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Book-Entry Series 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Book-Entry Series 2013 Bonds, such as redemptions, tenders, defaults and proposed amendments to the documents securing the Book-Entry Series 2013 Bonds. For example, Beneficial Owners of the Book-Entry Series 2013 Bonds may wish to ascertain that the nominee holding the Book-Entry Series 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices are provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a maturity of Book-Entry Series 2013 Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant of such maturity of Book-Entry Series 2013 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Book-Entry Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Book-Entry Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Book-Entry Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borrower or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Book-Entry Series 2013 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Trustee or the Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Book-Entry Series 2013 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2013 Bond certificates will be printed and delivered to DTC.

NEITHER THE ISSUER, THE BORROWER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE BOOK-ENTRY SERIES 2013 BONDS, (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THE INDENTURE, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS THE NOMINEE OF DTC, AS REGISTERED OWNER. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BOOK-ENTRY SERIES 2013 BONDS, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BOOK-ENTRY SERIES 2013 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BOOK-ENTRY SERIES 2013 BONDS.

### **Successor Securities Depository; Transfers Outside of Book-Entry Only System**

If either (i) the Issuer receives notice from DTC to the effect that it is unable or unwilling to discharge its responsibility as a Clearing Agency for the Book-Entry Series 2013 Bonds or, (ii) the Issuer elects with the prior written consent of the Borrower to discontinue its use of DTC as a Clearing Agency for the Book-Entry Series 2013 Bonds and the Issuer fails to establish a securities depository/book-entry system relationship with another Clearing Agency, then the Issuer, the Trustee and any Paying Agent each shall do or perform or cause to be done or performed all acts or things, not adverse to the rights of

the Holders of the Book-Entry Series 2013 Bonds, as are necessary or appropriate to discontinue use of DTC as a Clearing Agency for the Series 2103 Bonds and to transfer the ownership of each of the Book-Entry Series 2013 Bonds to such person or persons, including any other Clearing Agency, as the Holders of the Book-Entry Series 2013 Bonds may direct in accordance with the Indenture. Any expenses of such discontinuance and transfer, including expenses of printing new certificates to evidence the Book-Entry Series 2013 Bonds, shall be paid by the Borrower.

## **SECURITY FOR THE SERIES 2013 BONDS**

### **General**

The Series 2013 Bonds (and all Additional Bonds issued on a parity with the Series 2013 Bonds) are special, limited obligations of the Issuer, payable solely from (i) certain payments to be made by the Borrower to the Trustee for the account of the Issuer pursuant to the Loan Agreement, the Notes and all Gross Receipts, (ii) proceeds of the Series 2013 Bonds, (iii) the amounts in the funds and accounts established and pledged under the Indenture, (iv) certain proceeds of condemnation and insurance received by the Borrower and applied to the extraordinary optional redemption of the Series 2013 Bonds, and (v) payments made with proceeds of such additional security as may be granted in favor of the Series 2013 Bonds subsequent to the issuance of the Series 2013 Bonds. Pursuant to the Indenture, the Issuer will assign its rights to receive such payments under the Loan Agreement to the Trustee as security for the payment of the Series 2013 Bonds.

The Series 2013 Bonds shall not be general obligations of the Issuer but special and limited obligations payable solely from the amounts payable under the Loan Agreement and from funds and property pledged pursuant to the Indenture. The Series 2013 Bonds and the interest payable thereon do not now and shall never constitute indebtedness of the Issuer or the Commonwealth of Kentucky within the meaning of the constitution or the statutes of the Commonwealth, and neither the Issuer, the Commonwealth of Kentucky nor any political subdivision thereof shall be liable for the payment of the principal of, premium, if any, or interest on the Series 2013 Bonds or for the performance of any pledge, mortgage, obligation or agreement created by or arising under the Indenture or the Series 2013 Bonds from any property other than the trust estate. Neither the faith and credit nor the taxing power of the Issuer, the Commonwealth of Kentucky or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Series 2013 Bonds.

Under the Loan Agreement, the Issuer agrees to make a loan in an amount equal to the aggregate principal amount of the Series 2013 Bonds to the Borrower to enable the Borrower to (i) finance a portion of the costs of the Project, (ii) capitalize interest on the Series 2013 Bonds through and including April 1, 2016, (iii) fund an initial deposit into the Reserve Fund established under the Indenture in an amount equal to 50% of the Reserve Fund Requirement, and (iv) pay the costs associated with the issuance of the Series 2013 Bonds. Under the Loan Agreement, the Borrower agrees to borrow an amount equal to the principal amount of the Series 2013 Bonds from the Issuer and to repay such Loan in accordance with the provisions of the Loan Agreement.

The obligation of the Borrower to make payments under the Loan Agreement and to perform and observe the other agreements on its part contained therein are absolute and unconditional and are not subject to diminution by any defense (other than payment) by any right of set-off, counterclaim or abatement, by the happening or non-happening of any event or for any other reason whatsoever. The Loan Agreement will remain in full force and effect until all the Series 2013 Bonds have been fully paid and discharged (or provisions made for payment in accordance with the Indenture). See APPENDIX B – “The Loan Agreement.”

The rights of the Trustee, the Issuer and the Borrower and the enforceability of the Series 2013 Bonds, the Loan Agreement, the Mortgage, the Assignment of Rents, the Collateral Assignment and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally, and to the exercise of judicial discretion in accordance with general principles of equity. The rights of the Trustee, the Issuer and the Borrower and the enforceability of the Series 2013 Bonds, the Loan Agreement, the Mortgage, the Assignment of Rents, the Collateral Assignment and the Indenture may be subject to the valid exercise of the constitutional powers of the State and the United States of America.

## **Revenue Fund**

The Indenture establishes the "Revenue Fund – Crosswater Canyon Project" (the "Revenue Fund") to be held by the Trustee. Prior to Completion of Construction, all payments received by the Trustee on the Series 2013 Note (the "Loan Payments") shall be deposited to the Principal and Interest Fund to pay debt service on the Series 2013 Bonds and to pay the Trustee's Fees and Expenses. All other revenues received by the Trustee prior to Completion of Construction, other than those described in the preceding sentence, will be deposited to the Revenue Fund and as directed by the Borrower, will be distributed in the same manner as described below. During the period after Completion of Construction, commencing on the business day next following the Completion of Construction of the Project and thereafter during each operating month, within 3 Business Days of receipt of confirmed good funds in the Borrower's depository account, the Borrower shall cause all Project Revenues and Loan Payments to be delivered directly to the Trustee for deposit in the Revenue Fund. Amounts in the Revenue Fund and any investment income transferred to the Revenue Fund shall be distributed monthly, on or before the 25<sup>th</sup> day of each month, by the Trustee as follows:

(a) FIRST, to the Principal and Interest Fund, to the extent the amounts on deposit therein are insufficient to pay debt service on the Bonds on the following Interest Payment Date, an amount equal to 1/6 of the interest due on the Bonds on the following Interest Payment Date and 1/12 of the principal due on the following principal payment date; provided that the transfer by the Trustee to the Principal and Interest Fund in respect of the first Interest Payment Date following Completion of Construction on which debt service on the Bonds is payable shall be adjusted based on the actual number of months during such period;

(b) SECOND, to or upon the direction of the Borrower, an amount equal to the amount specified in the Budget for the ensuing month's Operating Expenses, together with such additional Operating Expenses requested in writing by an Authorized Borrower Representative pursuant to and after satisfaction of the conditions specified in the Loan Agreement;

(c) THIRD, to the Operating Reserve Fund, (i) commencing on the 25<sup>th</sup> day of the month next succeeding the date of the Completion of Construction and continuing through and including the 25<sup>th</sup> day of the month in which the Operating Reserve Requirement is initially fully funded; and (ii) thereafter, commencing on the 25<sup>th</sup> day of the month following the date on which the balance in the Operating Reserve Fund is less than the Operating Reserve Requirement, the amount necessary to restore the balance therein to an amount equal to the Operating Reserve Requirement; and

(d) FOURTH, to the Capital Replacement Fund, until the date on which the Capital Replacement Fund Requirement has been fully funded and is being maintained (i) commencing on the 25<sup>th</sup> day of the month next succeeding the date of the Completion of Construction and continuing through and including the 25<sup>th</sup> day of the month in which the Capital Replacement Fund Requirement is initially fully funded; and (ii) thereafter, commencing on the 25<sup>th</sup> day of the

month following the date on which the balance in the Capital Replacement Fund is again less than the Capital Replacement Fund Requirement, the amount necessary to restore the balance therein to the Capital Replacement Fund Requirement; and

(e) FIFTH, to the Series 2013 Reserve Account of the Reserve Fund, the sum necessary to cause the amounts therein to equal the Reserve Fund Requirement for the Series 2013 Bonds; and

(f) SIXTH, to the Surplus Fund, all moneys not required to be paid currently into any of the above Funds and Accounts. Monies in this Surplus Fund shall be disbursed at any time by the Trustee to remedy any deficiency in the payments stated above in paragraphs “FIRST” through “FIFTH.” If on any deposit date moneys in the Surplus Fund shall be insufficient to remedy the deficiency in any of said Funds and Accounts, the deficiency shall be made up on the following deposit date or dates after deposits into all other Funds and Accounts enjoying a prior claim shall have been made in full, and if not currently required for those purposes shall be retained therein for such purposes.

### **Principal and Interest Fund**

The Indenture establishes the Principal and Interest Fund to be held by the Trustee. Except as otherwise provided in the Indenture, moneys in the Principal and Interest Fund shall be used solely to pay principal of, premium if any, and interest on the Bonds when due at maturity or upon redemption prior to maturity.

An initial deposit shall be made to the credit of the Principal and Interest Fund from Series 2013 Bond proceeds in an amount equal to the accrued interest, if any, on the Series 2013 Bonds and the pro-rata portion of Series 2013 Capitalized Interest allocable to the principal amount Series 2013 Bonds authenticated, delivered to, and paid for by, purchasers.

### **Reserve Fund**

The Indenture establishes the Reserve Fund, including the Series 2013 Reserve Account created within, to be held by the Trustee, and which shall initially be partially funded by a deposit from proceeds of the Series 2013 Bonds in an amount equal to 50% of the Reserve Fund Requirement allocated pro-rata to the principal amount of Series 2013 Bonds authenticated, delivered to, and paid for by, purchasers. Additional amounts in the Revenue Fund shall, subject to the terms of the Indenture, be deposited into the Reserve Fund until the amount therein equals the Reserve Fund Requirement (as defined in APPENDIX B hereto). Except for amounts in excess of the Reserve Fund Requirement, moneys on deposit in the Reserve Fund shall be used only to make up any deficiencies in the Principal and Interest Fund, or to pay principal of and interest on the Series 2013 Bonds on the final Interest Payment Date for the Series 2013 Bonds. Notwithstanding the foregoing, upon notice having been given of an Extraordinary Mandatory Redemption for Project Fund Insufficiency, all amounts on deposit in the Reserve Fund shall be immediately transferred to the Bond Redemption Fund and applied to the payment of the redemption price of the Series 2013 Bonds. See APPENDIX B – “The Indenture – Reserve Fund.”

### **Project Fund**

The Indenture establishes the Project Fund to be held by the Trustee, into which a portion of the proceeds from the sale of the Series 2013 Bonds will be deposited. Monies in the Project Fund will be disbursed by the Trustee to pay the acquisition, construction, equipping, installation and related costs of the Project in accordance with the Indenture. Except for the disbursement of funds to pay costs of issuance of the Series 2013 Bonds as set forth in the Letter of Instructions, which amount shall not exceed

the amount set forth under (i) in the definition of Required Borrower Cash Deposit, no funds shall be disbursed from the Project Fund unless the balance on deposit therein on or before March 1, 2014 shall have been at least \$45,520,000. From and after initial disbursements as set forth in the Indenture, the Trustee shall make disbursements from the Project Fund less retainage for Costs of the Project upon written requisition of the Borrower, which requisitions shall be approved by any officer of the Inspecting Architect. Notwithstanding the foregoing, in the event the Series 2013 Bonds shall have been called for Extraordinary Mandatory Redemption for Project Fund Insufficiency, the entire balance then on deposit in the Project Fund shall be transferred to the Bond Redemption Fund on March 1, 2014 and applied to the redemption of the Series 2013 Bonds. See APPENDIX B – “The Indenture – Project Fund Disbursements.”

### **Operating Reserve Fund**

Amounts on deposit in the Operating Reserve Fund will be disbursed to or upon the direction of the Borrower for the payment of Operating Expenses to the extent amounts provided to the Borrower from the Revenue Fund (as described in clause (b) under the subheading “Revenue Fund” above) are insufficient for such purpose. The Trustee shall disburse monies therein to pay Operating Expenses upon receipt of a written direction from the Borrower stating the purpose for such disbursement and the persons to which such amounts are to be paid. The Operating Reserve Fund will be funded from monthly distributions from the Revenue Fund, commencing the month after Completion of Construction and continuing through the date on which the Operating Reserve Requirement has been fully funded and thereafter in amounts necessary to restore the balance therein to an amount equal to the Operating Reserve Requirement. All interest income derived from the investment of amounts on deposit in the Operating Reserve Fund shall be deposited into the Revenue Fund. See APPENDIX B – “The Indenture – Operating Reserve Fund.”

### **Capital Replacement Fund**

The Indenture establishes the Capital Replacement Fund which will be funded over time from monthly transfers from the Revenue Fund, commencing the month after Completion of Construction until the date on which the Capital Replacement Fund Requirement has been fully funded. Upon written request of the Borrower, setting forth in reasonable detail the proposed use of moneys contained in the Capital Replacement Fund, amounts in the Capital Replacement Fund may be used to pay costs of repair, maintenance and improvement which maintain the structural integrity of the Project and the operations thereof. See APPENDIX B – “The Indenture – Capital Replacement Fund.”

### **Surplus Fund**

The Indenture establishes the Surplus Fund to be held by the Trustee and funded to the extent of any surplus of monthly distributions from the Revenue Fund. Monies in the Surplus Fund shall be disbursed at any time by the Trustee to remedy any deficiency in the payments described in clauses (a) through (e) under the subheading “Revenue Fund” above. If on any deposit date moneys in the Surplus Fund shall be insufficient to remedy the deficiency in any of the Funds and Accounts described in said clauses (a) through (e), the deficiency shall be made up on the following deposit date or dates after deposits into all other Funds and Accounts enjoying a prior claim shall have been made in full, and if not currently required for those purposes shall be retained therein for such purposes. After the end of each Fiscal Year of the Borrower, the Trustee, upon receipt by the Trustee of the annual audit evidencing that all Funds and Accounts are fully funded, and the making of any adjustments shown necessary by such audit, and upon receipt of certain reports and certificates establishing compliance with debt service coverage requirements and certifying that no event of default exists under the Indenture, shall distribute

the remaining balance in the Surplus Fund to, or to the order of, the Borrower. See APPENDIX B – “The Indenture – Surplus Fund.”

### **Pledge of Gross Receipts**

Pursuant to the Loan Agreement and in order to secure the prompt payment of the Loan Payments and the performance by the Borrower of its other obligations under the Loan Agreement, the Borrower has pledged to the Issuer and granted to the Issuer a first security interest in the Borrower’s Gross Receipts which security interest will, pursuant to the Indenture, be assigned by the Issuer to the Trustee. The security interest in the Gross Receipts will be evidenced by a UCC financing statement which will, on the date of initial issuance of the Series 2013 Bonds, be filed with the office of the Secretary of State of Kentucky identifying the Borrower as Debtor and the Trustee as Secured Party. See APPENDIX B – “The Loan Agreement – Pledge of Gross Receipts.”

### **Open-End Mortgage and Security Agreement**

As additional security for the Borrower’s obligations under the Loan Agreement and the Series 2013 Bonds, the Borrower has executed the Mortgage in favor of the Trustee for the benefit of the Bondholders, granting (subject to certain exceptions) the Trustee a mortgage on all of the Borrower’s right, title and interest in the Project and the real property comprising the Project Site (the “Real Property”) and a security interest in all improvements, fixtures and personal property used in connection with the Real Property and all licenses and permits used or required in connection with the use of the Real Property and all leases or subleases of the Real Property (collectively, the “Mortgaged Property”). See APPENDIX B – “The Mortgage.”

The lien of the Mortgage will be insured by the Title Policy to be issued as described herein. See “THE BORROWER AND THE PROJECT – Title Insurance” herein. The Mortgage shall be recorded with the Clerk’s Office of Grant County, Kentucky and the security interest created by the Mortgage shall be evidenced by a UCC financing statement which will, on the date of issuance of the Series 2013 Bonds, be filed with the office of the Secretary of State of Kentucky identifying the Borrower as Debtor and the Trustee as Secured Party. The Title Policy will be issued upon the issuance and delivery of the entire issue of Series 2013 Bonds in the aggregate principal amount of \$62,000,000 and payment therefor by the Holders thereof.

Pursuant to the Mortgage, the Borrower has covenanted, among other things, to maintain the Mortgaged Property, pay all lawful taxes, assessments and charges thereon, keep or cause to be kept the Mortgaged Property safe, in good repair and in good operating condition, keep the Mortgaged Property continuously insured against risks and in such amounts as are customarily insured against in connection with the operation of facilities similar to the Project and keep the Mortgaged Property free from all liens superior to the Mortgage. If the Borrower fails to take certain actions required under the Mortgage, the Trustee, as Mortgagee, may, at its option, take such actions on behalf of the Borrower and the Borrower shall reimburse the Trustee for such actions.

The Borrower further represents and warrants in the Mortgage that there exists no lien, charge or encumbrance on the Mortgaged Property other than Permitted Encumbrances and that it will not create or suffer to be created any lien, encumbrance or charge upon the Mortgaged Property except as otherwise permitted by the Indenture or Loan Agreement.

Events of default under the Mortgage include: (a) the occurrence of an event of default under the Loan Agreement and (b) any breach of or default under any other covenant, warranty, condition or agreement of the Borrower under the Mortgage which is not cured within 30 days of written notice thereof given to the Borrower by the Trustee.

Upon the occurrence of an event of default under the Mortgage, the Trustee, as Mortgagee, may, at its option, do any or all of the following: (a) declare the principal, interest and all other sums secured by the Mortgage to be due and payable immediately, with said amounts becoming immediately due and payable; (b) enter and take possession of the Mortgaged Property and lease or license the use of the same and receive all rents, license fees, revenues and other income therefrom, and to apply the same in accordance with the Mortgage, including, but not limited, to reduction of the indebtedness secured by the Mortgage, and said rents and license fees due under any leases or licenses to use of the Mortgaged Property shall be assigned to the Trustee, as Mortgagee, pursuant to the Assignment of Rents as further security for the obligations evidenced by the Mortgage; (c) foreclose the lien on and sell the Mortgaged Property; (d) upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee under the Mortgage, the Trustee is entitled to the appointment of a receiver of the Mortgaged Property and the receipts therefrom; and (e) exercise all other rights and remedies provided for in the Mortgage, the Loan Agreement or otherwise, or as provided by law.

Under the Mortgage, the Trustee, as Mortgagee, has the ability to cure certain breaches by the Borrower, by, when the Borrower has not, paying any claim, lien or encumbrance superior to the Mortgage, paying any tax or assessment or insurance premium prior to any delinquency, taking steps to keep the Mortgaged Property in repair, preventing or curing waste, and taking any action which the Trustee deems advisable to protect the security of the Mortgage or the Mortgaged Property.

### **Assignment of Rents and Leases**

As further security for the payment of the Series 2013 Bonds and the obligations evidenced by the Mortgage, the Loan Agreement and the Indenture, the Borrower has assigned to the Trustee, as Mortgagee, pursuant to the Assignment of Rents, all right, title and interest of the Borrower in, to and under any existing leases and any future leases affecting the Real Property comprising the Project Site, and all guarantees, amendments, extensions, modifications and renewals of such leases (the "Borrower Leases"), and all rents, receipts, revenues, awards, income and profits which may be or become due or owing under the Borrower Leases on account of the use of the Real Property. No Borrower Leases or guaranties thereof may be entered into or materially altered, modified, amended, terminated, canceled or surrendered nor any material terms or conditions thereof be waived, without the prior consent of Trustee. In the event of any event of default under the Indenture, the Loan Agreement or the Mortgage, the Trustee may, without notice to Borrower, receive and collect all such rents, income and profits as they become due from the Real Property and the leasehold interest therein and under any and all Borrower Leases of all or any part of the Real Property. The Trustee shall continue to receive and collect all such rents, income and profits, as long as such default exists, and during the pendency of any foreclosure proceedings, and if there is a deficiency, during any redemption period. From and after any default that has not been cured, the Trustee has full power to enforce the Assignment of Rents, including the right to enter upon and take possession of the Real Property, with full power to use and apply all of the rents and other income herein assigned to the payment of the costs of managing and operating the Property and the leasehold interest therein and of any indebtedness or liability of the Borrower to the Trustee.

### **Collateral Assignment of Agreements**

The Borrower has also executed the Collateral Assignment, assigning to and granting a security interest in favor of the Trustee, for the benefit of the Bondholders, of all of the Borrower's right, title and interest in all plans, specifications, surveys, architectural renderings and drawings, soil test reports, other reports or examinations of the Project, architectural contracts, engineering contracts, construction contracts, subcontracts and contracts with material suppliers; all service contracts, maintenance contracts, management agreements, warranties, guaranties and the right to use all names now or hereafter used by the Borrower in connection with the Project; all permits, certificates, licenses, approvals, contracts,

entitlements and authorizations, however characterized, issued or in any way furnished for the construction, development, operation, use and occupancy of the Project, including without limitation, certificates of occupancy; and all claims, demands, judgments, insurance proceeds, rights of action, awards or damages, compensation and settlements resulting from the taking of all or any part of the Project under the power of eminent domain or for any damage (whether caused by such taking or casualty or otherwise) to all or any part of the Project which the Borrower has, may have, or may subsequently directly or indirectly enter into, obtain or acquire in connection with the improvement, ownership, operation or maintenance of the Project, together with the proceeds of all of the foregoing.

### **Additional Indebtedness**

The Borrower may incur indebtedness, including indebtedness to the Issuer and obligations ranking on a parity with the Series 2013 Bonds, subject to limitations contained in the Loan Agreement regarding additional indebtedness. See APPENDIX B – “The Loan Agreement – Permitted Indebtedness.”

### **Financial Covenants**

Pursuant to the Loan Agreement, the Borrower has covenanted to maintain a debt service coverage ratio of at least 1.50:1.00 and to annually demonstrate compliance therewith. See APPENDIX B – “The Loan Agreement – Covenant to Maintain Ratios; Annual Certificate.”

## **PLAN OF FINANCING**

### **General**

The Borrower will use the proceeds of the Series 2013 Bonds, together with other available funds of the Borrower, for the following purposes:

1. To pay a portion of the costs of acquiring, constructing, installing and equipping the Project;
2. To pay construction period interest on the Series 2013 Bonds through and including April 1, 2016;
3. To fund an initial deposit into the Reserve Fund in an amount equal to 50% of the Reserve Fund Requirement; and
4. To pay the costs of issuing the Series 2013 Bonds.

The estimated amounts required to implement the Borrower’s financing plans are described in “ESTIMATED SOURCES AND USES OF FUNDS” herein.

## **THE BORROWER AND THE PROJECT**

### **Generally**

The Project consists of the acquisition, construction, improvement and equipping of the initial phase of a biblically-themed educational and entertainment complex to include a replica of the Ark of Noah and related facilities, to be operated by the Borrower, and to be known as the “Ark Encounter” (sometimes referred to herein as the “Project” and as further described in APPENDIX A hereto). The

Project will be located on a parcel of approximately 203.5 acres in the City of Williamstown, Grant County, Kentucky.

### **Feasibility Report**

A feasibility report in connection with the Project, dated November 1, 2013, was compiled by H<sup>2</sup>R Market Research from information provided by America's Research Group, The Nehemiah Group and the Borrower (the "Feasibility Report"). H<sup>2</sup>R Market Research, founded in 2001, is a research consulting firm that primarily focuses on the travel and tourism industry. H<sup>2</sup>R Market Research employs nearly 30 professionals with experience in consumer insight analysis, focus group moderation, statistics and surveying. H<sup>2</sup>R Market Research's President and CEO, Jerry Henry, annually authors the Outlook Forum's *Outlook on the Attractions Industry* white paper.

The Feasibility Report compiled by H<sup>2</sup>R Market Research is based in part on information provided by America's Research Group, The Nehemiah Group and the Borrower. America's Research Group is a marketing firm founded by Britt Beemer. Mr. Beemer is nationally recognized as a marketing strategist and has gained acclaim for his work regarding consumer preferences and decision making. His clients include various museums and educational institutions. The Nehemiah Group provides various financial, investment and consulting services to firms in the tourism and thematic attraction industry. The Nehemiah Group was founded in 1998 by Cary Summers following his retirement from Herschend Family Entertainment, Inc. (owner and operator of multiple theme parks across the United States) where he served as President and CEO.

The Feasibility Report is based upon several major assumptions including, but not limited to, first-year attendance at the Project of 1.2 million visitors, followed by annual attendance increases and increased net revenues from admissions, food and beverage and retail sales. A copy of the Feasibility Report is attached hereto as APPENDIX A.

### **Borrower Equity Contribution**

As of September 30, 2013, approximately \$14,000,000 of Borrower equity has been expended and is directly attributable to the Project. Such funds have been expended to pay, among other things, costs associated with obtaining permits and preliminary architectural, design, engineering and consulting fees. These funds have been generated as a result of charitable contributions to the Borrower or from the sale of Ark Encounter memberships.

Upon initial issuance of the Series 2013 Bonds, the Borrower will have applied \$4,510,655 in additional equity to pay-off the existing mortgage loan secured by the Project Site.

Moreover, the Borrower expects to receive additional charitable contributions and revenues from the sale of additional Ark Encounter memberships during the course of construction of the Project. Such amounts, as and if/when received by the Borrower, will be applied to pay the costs of enhancements to the Project in the form of additional educational exhibits and the like. See "ESTIMATED SOURCES AND USES OF FUNDS." Such enhancements have not been considered by the various consultants to the Borrower in projecting the attendance or revenues of the Project.

### **Economic Development Incentives**

In November of 2010, the Borrower submitted its application for the Kentucky Tourism Sales Tax Credit Program (the "Tourism Tax Credit") with the Secretary of the Kentucky Tourism, Arts and Heritage Cabinet (the "Tourism Cabinet") and received approval in May of 2011. The Tourism Tax Credit provides for the recovery of up to 25% of the total development costs for a qualified project over a

10-year period from sales taxes generated by such project. The actual amount of incentive is limited to the lesser of: (a) the amount of costs approved by the State for recovery per an incentive agreement, which may not be greater than 25% of the project's total development costs, or (b) the amount of actual sales tax generated over the applicable 10-year period set for sales tax recovery. The cost recovery is realized on an annual basis with the Kentucky Department of Revenue returning to the developer the state sales tax paid by visitors to the approved project on admission tickets and food and gift sales. In connection with the application process, the Ark Encounter Project was subject to detailed review by the Tourism Cabinet, including review and analysis by Hunden Strategic Partners, an independent consultant selected by the Tourism Cabinet, to determine if the Project met all legal requirements and conditions under the Kentucky Tourism Development Act, and it was determined that the Project qualifies for the incentive. The Borrower received approval of its application on May 19, 2011, and has entered into a Tourism Development Agreement with the Kentucky Tourism Development Finance Authority ("KTDFFA"). Although final approval was granted by KTDFFA, the decision may nevertheless be challenged in court by taxpayers, activist groups, or others seeking to block the Project from participation in this State incentive program. In addition, the Borrower expects to pursue additional State and local government incentives available to the Project. Due to the uncertain nature and amount of incentives which may be received, no incentives have been included in the Borrower's financial projections. See "BONDHOLDERS' RISKS – RISKS RELATED TO THE PROJECT – Economic Development Incentives May be Challenged" herein.

### **The Project Site**

The Project Site consists of approximately 203.5 acres located in Williamstown, Kentucky. The Project Site is presently owned by Ark Encounter, LLC subject to the lien of a Commercial Mortgage and Assignment of Rents and Leases granted by Ark Encounter, LLC in connection with the initial acquisition of the Project Site (the "Current Mortgage"). Upon the issuance of the Series 2013 Bonds, Borrower Equity will be utilized to pay-off the indebtedness secured by the Current Mortgage and the Current Mortgage will, with respect to the Project Site, be released.

### **Title Insurance**

As of the date of the issuance of the Series 2013 Bonds, a commitment for title insurance has been issued with respect to the Project Site, naming the Trustee as proposed insured. The Mortgage will be recorded on the date of issuance of the Series 2013 Bonds. Upon the issuance and delivery of the entire issue of Series 2013 Bonds in the aggregate principal amount of \$62,000,000, and payment of the purchase price therefor by the Holders thereof, the Trustee will receive a policy of title insurance, for the benefit of Bondholders, insuring the lien of the Mortgage in an amount equal to the par amount of the Series 2013 Bonds (the "Title Policy").

### **Construction Permits and Zoning**

On August 5, 2013, the Borrower submitted a Planned Unit Development Stage I Site Plan Submission to the Grant County Joint Planning Commission and the Williamstown City Council. Each of the Planning Commission and the City Council have approved the Stage I submission. The Borrower expects Stage II submission and approval (the final steps in establishing the Planned Unit Development) in January, 2014. In addition to approval of the Planned Unit Development, the Borrower expects all required building permits and other approvals will be obtained in sufficient time to permit construction of the Project to proceed in accordance with the construction schedule described below under "Construction Schedule."

## **Environmental**

Pursuant to the Loan Agreement, the Borrower has represented and warranted that to the best of its knowledge, after due inquiry, there are no pending environmental claims relating to the Project Site nor is the Borrower aware of any grounds on which any claim might be based. Moreover, the Borrower has covenanted to comply with all applicable Environmental Regulations (as defined in the Loan Agreement) with respect to the Project. No environmental site assessments have been performed on the Project Site.

## **Site Testing and Surveys**

The Borrower has obtained the following reports, surveys and analyses:

- A Geotechnical Engineering Report which provides design and construction recommendations relative to site preparation and drainage for the Project, as well as anticipated construction concerns and precautions, all based on the results of exploration of the subsurface conditions at the Project Site;
- A Hydraulic Analysis providing a topographic survey of the Project Site to meet requirements of the Kentucky Division of Water. Included in the survey were the locations and elevations of the Ordinary High Water Mark related to the proposed construction of a bridge over Clark's Creek Tributary 11;
- A Traffic Impact Analysis summarizing projected traffic anticipated at the Project and a planning level analysis of improvements to accommodate the additional traffic and an estimate of anticipated costs for such recommended improvements;
- An Encroachment Permit, obtained on behalf of the Borrower from the Kentucky Transportation Cabinet for the construction of one entrance and two exits to the Project;
- An Indiana Bat Conservation Memorandum of Agreement between the Borrower and the United States Department of the Interior Fish and Wildlife Service, permitting the removal of wooded areas identified as potential habitat for the Indiana bat, in compliance with the Endangered Species Act;
- A Phase I Archaeological Survey documenting the archaeological features of the Project Site; and
- An application to the U.S. Army Corps of Engineers for a Section 404 permit related to necessary grading work to create level areas for parking lots and attractions associated with the Project.

Additional reports, surveys and analysis may be required to obtain various permits and approvals related to the Project. Management of the Borrower expects all such items will be obtained in sufficient time to permit construction of the Project to proceed timely.

## **Design-Build Process**

Pursuant to an AIA Document B142 – 2004, Standard Form of Agreement Between Owner and Consultant, the Borrower has engaged Destination Concepts and Development, LLC (“DCD”) to serve as design-build consultant to the Borrower in connection with the Project. Among other things, DCD will manage and administer the Project, coordinate and review the various surveys, reports and studies

necessary for the Project, prepare and review planning and programming related to the Project, prepare budgets and estimates for the construction of the Project and assist the Borrower in evaluating and selecting contractors to perform the various work to construct the Project.

DCD is a joint venture of LeRoy S. Troyer, Founder and President of The Troyer Group, Inc., and Cary Summers, founder of The Nehemiah Group (which is serving as project consultant to the Borrower). Headquartered in Mishawaka, Indiana, DCD provides design and consulting services to the destination and attraction industry. The Troyer Group, Inc. was established November 1, 1971 as a sole proprietorship providing architecture and planning services. Today the firm employs more than 30 people and offers a full range of architectural, engineering, design, landscape architecture and construction administration services. DCD has contracted with The Troyer Group, Inc. to provide certain architectural, engineering and design services related to the Project.

The Borrower does not expect to utilize the services of a general contractor, rather DCD will assist the Borrower in the preparation and letting of various bid packages for portions of the Project. The Borrower expects to publish as many as nine bid packages related to site work and seventeen bid packages for various components of the Project. With the assistance of DCD, the Borrower will evaluate respondents and directly enter into contracts with prime and/or sub-contractors to perform the work. The Borrower and DCD will require, as a condition of bidding, that each contractor demonstrate a reasonable level of financial strength and that each provide performance and payment bonds to industry standards. Notwithstanding the foregoing, the Borrower expects to negotiate contracts with Amish craftsmen to perform certain of the heavy timber and mortise and tenon work as part of the Project. Such Amish craftsmen will not meet typical industry standard financial measures nor do they provide performance or payment bonds. DCD and the Borrower will use their best efforts to mitigate any risks related to the employment of Amish craftsmen to perform portions of the Project work.

DCD will further oversee and supervise the construction process on behalf of the Borrower. DCD will contract with Troyer Group – One Source LLC to be physically located at the Project site and will perform inspections of the work, prepare and process construction draws and disbursements and maintain an independent accounting of the work as it progresses.

### **Owner or Contractor Controlled Insurance Program**

The Borrower expects to institute an Owner Controlled Insurance Program or a Contractor Controlled Insurance Program (an “OCIP” or “CCIP”), or a combination thereof, with respect to the Project based on the recommendation of its selected insurance broker. An OCIP or CCIP, also referred to as a Wrap-Up, is an insurance policy/program generally utilized during the construction phase of a property. A Wrap-Up is designed to cover virtually all liability and/or loss arising from the construction project. The primary benefit of a Wrap-Up (including any hybrid thereof) is that the owner/contractor purchases the insurance as part of a single policy, thus eliminating all insurance costs that would normally be spread across a number of contractors and subcontractors. The Borrower expects to acquire such policy or policies in amounts commercially reasonable for the Project and will comply with all statutory requirements relating to any such coverage. Pursuant to the Mortgage and the Loan Agreement, the Borrower will procure, on or before the date of commencement of construction of the Project, and thereafter maintain continuously in effect so long as any Bonds and the interest thereon remain Outstanding, such policies of insurance with respect to the Mortgaged Property and the Project as required under the Mortgage and the Loan Agreement. See APPENDIX B – “The Loan Agreement – Insurance” and “The Mortgage – Insurance.”

## **Construction Schedule**

Site work is expected to begin April 1, 2014 and substantial completion of the Project is expected by April 1, 2016.

## **Disbursements from the Project Fund**

Monies in the Project Fund will be disbursed by the Trustee to pay the acquisition, construction, equipping, installation and related costs of the Project in accordance with the Indenture. Except for the disbursement of funds to pay costs of issuance of the Series 2013 Bonds as set forth in the Letter of Instructions, which amount shall not exceed the amount set forth under (i) in the definition of Required Borrower Cash Deposit, no funds shall be disbursed from the Project Fund unless the balance on deposit therein on or before March 1, 2014 shall have been at least \$45,520,000. The Trustee shall make disbursements from the Project Fund less retainage for Costs of the Project upon written requisition of the Borrower, which requisition shall be approved by any officer of the Inspecting Architect. Each requisition shall state (i) the item number of each such payment, (ii) the name of the person, firm or corporation to whom each such payment is due, (iii) the respective amounts to be paid, and (iv) the purpose by general classification for which each obligation to be paid was incurred, and certifying (A) that obligations in the stated amounts have been incurred for the Project and are presently due and payable and that each item thereof is a proper charge against the Project Fund and has not been paid, (B) that there has not been filed with or served upon the Borrower or the applicable contractor, notice of any lien, right to lien or attachment upon, or claim affecting the right of any such persons, firms or corporations to receive payment of, the respective amounts stated in such requisition which has not been released or will not be released simultaneously with the payment of such obligation, (C) that such requisition contains no item representing payment on account of any retained percentage which the Borrower is at the date of such requisition entitled to retain, and (D) as to obligations payable to contractors or vendors on account of any of the costs, expenses or obligations herein mentioned, that the copy of the contractor's application for payment or vendor's invoice attached to such requisition is true and correct. Upon receipt of each requisition, the Trustee shall pay the obligations set forth in such requisition out of money in the Project Fund. See APPENDIX B – "The Indenture – Project Fund Disbursements."

## **Licensure and Certifications**

Various components of the Project will be subject to licensure and permitting by State and local governmental authorities. Such licensure and permitting includes, but is not limited to, approvals relating to the operation of themed attractions, food service and animal exhibits. Management of the Borrower expects to timely receive all licenses and permits necessary to operate the Project.

## **Management and Operation of the Project**

The Project will operate 12 months a year, and is expected to initially employ approximately 487 people, full and part-time. The management team of the Project will be headed up by Michael Zovath, a co-founder of Answers in Genesis and Executive Director of Crosswater Canyon. Mr. Zovath, Patrick Marsh, Senior Director of Design, and the Answers in Genesis team of design professionals who directed the design, construction and early operation of the Creation Museum will, in conjunction with Destination Concepts and Development, produce the Ark Encounter based on the literal biblical account of Noah's Ark, the Genesis Flood, and other historic biblical accounts from Scripture.

Answers in Genesis has successfully operated the Creation Museum for several years and will assist in the management and operation of the Ark Encounter Project. It is anticipated that management assistance for the Project may also be provided during the initial years of operation by The Nehemiah

Group (the lead Ark Encounter consultant), or another firm having extensive themed attraction experience.

### ESTIMATED SOURCES AND USES OF FUNDS

The following table presents the estimated\* sources and uses of funds for the Project:

#### SOURCES OF FUNDS

Par Amount of Series 2013 Bonds	\$62,000,000
Borrower Equity <sup>1</sup>	18,510,655
Future Borrower Equity <sup>2</sup>	<u>2,144,124</u>

<b>TOTAL SOURCES</b>	<b>\$82,654,779</b>
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#### USES OF FUNDS

Pay-Off Existing Mortgage Loan <sup>3</sup>	\$ 4,510,655
Deposit to Project Fund <sup>4</sup>	50,257,782
Deposit to Reserve Fund <sup>5</sup>	1,755,613
Capitalized Interest <sup>6</sup>	7,978,283
Costs of Issuance <sup>7</sup>	2,008,322
Prepaid Project Costs <sup>8</sup>	14,000,000
Additional Project Enhancements <sup>9</sup>	<u>2,144,124</u>

<b>TOTAL USES</b>	<b>\$82,654,779</b>
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<sup>1</sup> Includes approximately \$14,000,000 Borrower Equity expended through September 30, 2013, together with \$4,510,655 Borrower Equity utilized to pay off the existing mortgage loan on the Project Site.

<sup>2</sup> Represents a portion of projected Borrower revenues to be received from charitable contributions and sale of Ark Encounter memberships during Project construction period (through April 1, 2016).

<sup>3</sup> Borrower Equity will be utilized at or prior to the issuance of the Series 2013 Bonds to pay off the existing mortgage loan on the Project Site.

<sup>4</sup> Funded with Bond proceeds.

<sup>5</sup> Represents initial deposit from Bond proceeds in an amount equal to 50% of the Reserve Fund Requirement.

<sup>6</sup> Represents construction period interest on the Series 2013 Bonds through and including April 1, 2016.

<sup>7</sup> Includes legal, Underwriter, and trustee fees, and printing and other related expenses.

<sup>8</sup> Includes costs related to preliminary architectural, design, engineering and consulting fees.

<sup>9</sup> Represents funds to be applied to discretionary Project enhancements including additional educational exhibits as and if/when Future Borrower Equity is received.

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\* Assumes delivery of all Series 2013 Bonds issued. In the event not all Series 2013 Bonds are delivered, amounts will be adjusted accordingly.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the net debt service schedule\* for the Series 2013 Bonds.

PAYMENT DATE	PRINCIPAL	INTEREST	TRUSTEE FEE ANNUAL	CAPITALIZED INTEREST	DEBT SERVICE RESERVE	NET DEBT SERVICE
4/1/2014	---	\$ 955,833.47		(\$955,833.47)	---	---
10/1/2014	---	1,755,612.50	\$ 5,000	(1,755,612.50)	---	\$5,000.00
4/1/2015	---	1,755,612.50		(1,755,612.50)	---	---
10/1/2015	---	1,755,612.50	5,000	(1,755,612.50)	---	5,000.00
4/1/2016	---	1,755,612.50		(1,755,612.50)	---	---
10/1/2016	\$ 1,170,000	1,755,612.50	5,000		---	\$ 2,930,612.50
4/1/2017		1,724,900.00			---	1,724,900.00
10/1/2017	2,335,000	1,724,900.00	5,000		---	4,064,900.00
4/1/2018		1,663,606.25			---	1,663,606.25
10/1/2018	3,090,000	1,663,606.25	5,000		---	4,758,606.25
4/1/2019		1,582,493.75			---	1,582,493.75
10/1/2019	3,265,000	1,582,493.75	5,000		---	4,852,493.75
4/1/2020		1,496,787.50			---	1,496,787.50
10/1/2020	4,140,000	1,496,787.50	5,000		---	5,641,787.50
4/1/2021		1,388,112.50			---	1,388,112.50
10/1/2021	4,670,000	1,388,112.50	5,000		---	6,063,112.50
4/1/2022		1,259,687.50			---	1,259,687.50
10/1/2022	5,735,000	1,259,687.50	5,000		---	6,999,687.50
4/1/2023		1,101,975.00			---	1,101,975.00
10/1/2023	6,300,000	1,101,975.00	5,000		---	7,406,975.00
4/1/2024		924,787.50			---	924,787.50
10/1/2024	7,500,000	924,787.50	5,000		---	8,429,787.50
4/1/2025		713,850.00			---	713,850.00
10/1/2025	4,845,000	713,850.00	5,000		---	5,563,850.00
4/1/2026		568,500.00			---	568,500.00
10/1/2026	5,765,000	568,500.00	5,000		---	6,338,500.00
4/1/2027		395,550.00			---	395,550.00
10/1/2027	6,110,000	395,550.00	5,000		---	6,510,550.00
4/1/2028		212,250.00			---	212,250.00
10/1/2028	7,075,000	212,250.00	5,000		(\$3,511,225.00)	3,781,025.00

## BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the Borrower with respect to the Series 2013 Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2013 Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described herein.

\* Assumes delivery of all Series 2013 Bonds issued. In the event not all Series 2013 Bonds are delivered, amounts will be adjusted accordingly.

**INVESTMENT IN THE SERIES 2013 BONDS IS SPECULATIVE IN NATURE AND SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR SHOULD CONSIDER ITS FINANCIAL CONDITION AND THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF INVESTING IN THE SERIES 2013 BONDS.**

### ***GENERAL RISKS***

#### **General Uncertainty of Revenues**

The Bonds (including the Series 2013 Bonds and all Additional Bonds issued on a parity therewith) are special, limited obligations of the Issuer, payable solely from certain funds held by the Trustee, as described in “SECURITY FOR THE SERIES 2013 BONDS” herein. The ability of the Borrower to realize revenues in amounts sufficient to pay debt service on the Bonds when due is affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. No representation or assurance can be given that the Borrower will realize revenues in amounts sufficient to pay debt service when due on the Bonds. The risk factors discussed below should be considered in evaluating the Borrower’s ability to make payments due under the Indenture and the Loan Agreement in amounts sufficient to provide for payment of the principal of and interest on the Bonds.

The receipt of future revenues by the Borrower is subject to, among other factors, the construction of the Project being completed in a workmanlike and timely manner, the ability of the Project to attract the predicted volume of admissions, the spending patterns of guests visiting the Project and other factors.

IF THE BORROWER IS UNABLE TO GENERATE REVENUES SUFFICIENT TO FULFILL ITS OBLIGATIONS, THE TRUSTEE MAY TAKE POSSESSION OF THE PROJECT AND ATTEMPT TO SELL OR LEASE THE PROJECT ON TERMS THAT WILL PAY MATURING PRINCIPAL AND INTEREST ON THE BONDS SECURED THEREBY. IT IS POSSIBLE THAT THE BONDHOLDERS COULD SUFFER A LOSS OF PART OR ALL OF THEIR INVESTMENTS IF THE ASSETS OF THE BORROWER ARE INSUFFICIENT TO ENABLE IT TO PERFORM IN FULL UNDER THE LOAN AGREEMENT AND THE TRUSTEE IS UNABLE TO SELL OR LEASE THE PROJECT FOR AN AMOUNT WHICH, WHEN ADDED TO WHATEVER CONTRIBUTIONS ARE MADE BY THE BORROWER, IF ANY, IS SUFFICIENT TO PAY THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS WHEN DUE.

### ***RISKS RELATED TO THE PROJECT***

#### **Construction Risk**

As stated above, the Borrower will construct the Project pursuant to a design-build process utilizing the services of DCD. See “THE BORROWER AND THE PROJECT – Design-Build Process” herein. The design-build process is underway but the Borrower will not have completed the bid process and signed construction contracts prior to the issuance of the Series 2013 Bonds. The Borrower expects to publish bid packages and negotiate contracts for the various components of the Project commencing in the first or second quarter of 2014. The Borrower will not engage a general contractor nor will the Borrower execute a guaranteed maximum price contract with any contractor. Thus, it is possible under certain circumstances that the cost to construct the Project may exceed the current estimates by virtue of bids coming in higher than expected, changes occurring during the construction process or other factors. In the event that moneys in the Project Fund are insufficient to cover any such increase, there can be no assurance that the Borrower will have a sufficient source of capital to complete the Project. Increased

Project costs could have an adverse effect on the Borrower's financial condition. The uncertainties inherent in construction may also result in increased construction costs or delays in completing the Project.

The Borrower must obtain governmental approvals as construction progresses. Although the Borrower believes the Project, as designed, will receive such approvals, there can be no assurance that such approvals will be obtained in a timely fashion or that changes to the Project will not be required. Delays in completion and occupancy of the Project could increase the Borrower's expenditures and decrease its revenues.

### **Permits**

At the time of the issuance of the Series 2013 Bonds, the Borrower has not yet obtained all of the permits necessary to commence construction and operation of the Project. While the Borrower, based on publicly available information, expects the permits to be obtained in a timely fashion, any delay in obtaining the necessary permits could cause a delay in the construction of the Project which could adversely impact the timing and production of revenues to pay debt service on the Series 2013 Bonds.

### **Information Not Verified**

Information concerning the Borrower and the Project has been obtained from the Borrower and has not been independently verified by the Issuer or the Underwriter. Much of the information regarding the Project involves predictions of future events, such as the ability of the Project to attract sufficient admission volume and to generate revenues at a sufficient level to maintain a positive debt service coverage ratio. Such information is, by its nature, not subject to verification.

### **Limited Value and Use of Facilities**

Upon the initial issuance of the Series 2013 Bonds, there will be a Mortgage on the Borrower's property securing the Bonds. However, if an event of default with respect to the Bonds were to necessitate realization against the assets of the Borrower, the facilities of the Borrower might be of limited value. The facilities of the Borrower are not general purpose buildings and would be of limited utility and would not generally be suitable for industrial or commercial use. Moreover, the Project Site is the subject of a planned unit development zoning specifically tailored to the Project's anticipated uses. As a result, in the event of a default by the Borrower and foreclosure on such facilities, the Trustee's remedies and the number of entities which might purchase or lease such facilities would be limited, and the sale price or rentals generated by such facilities might be of less than full value and might not be sufficient to repay the Outstanding Bonds.

### **Economic Development Incentives May Be Challenged**

The Project will convey a biblical message, so questions may be raised regarding whether a grant of federal, state or local incentives to the Project would violate the Establishment Clause of the First Amendment of the United States Constitution, or any provisions of the Kentucky Constitution. Although the Borrower believes the Project qualifies for the Tourism Tax Credit, there is no guarantee that a court would not take a view different from that of the Borrower or the Tourism Cabinet, if challenged. The law in this area is changing and the cases often turn on specific facts. The fact that the Project will focus on the Ark of Noah and that exhibits will convey a biblical and historical message could cause a court to distinguish cases otherwise favorable to permitting such incentive. In addition, the Borrower expects to pursue additional State and local government incentives available to the Project. Due to the uncertain nature and amount of incentives to be received, no incentives have been included in the Borrower's

financial projections. Nevertheless, failure to realize any anticipated economic development incentives could negatively affect the Borrower's cash flow and ability to pay debt service on the Bonds.

#### **Receipt of Future Borrower Equity Not Assured**

Answers in Genesis and the Borrower will continue their fundraising and membership sales efforts during the course of construction of the Project, approximately 24 months. Based on Answers in Genesis' history at the Creation Museum and the Borrower's efforts to date, the Borrower believes such efforts will result in the realization of the Future Borrower Equity. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Borrower expects to utilize such funds to provide enhancements to the Project such as additional educational exhibits and the like. However, there can be no assurance that the Future Borrower Equity will be realized or will be realized in amounts necessary to fund the expected enhancements. While the Project may be completed without the enhancements and none of the expected enhancements have been considered in the Borrower's attendance and financial projections, failure to fund such enhancements could negatively affect the Project and therefore the Borrower's cash flow and ability to pay debt service on the Bonds.

#### **Unanticipated construction delays in completing capital improvement projects at the Borrower's attraction can adversely affect the Borrower's revenues.**

Any construction delays can adversely affect the Borrower's attendance and the Borrower's ability to open the Project to the public and realize revenue needed to pay the Borrower's debt service obligations with respect to the Bonds.

#### **The Borrower may not be able to generate sufficient cash to service all of its indebtedness, including the Bonds, and may be forced to take other actions to satisfy its obligations under its indebtedness that may not be successful.**

The Borrower's ability to pay principal and interest on the Bonds and to satisfy any other obligations will depend upon its future financial and operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond its control. The Borrower can provide no assurance that its business will generate sufficient cash flow from operations in an amount sufficient to fund its liquidity needs, including the payment of principal and interest on the Bonds.

If the Borrower's cash flows and capital resources are insufficient to service its indebtedness, the Borrower may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance its indebtedness, including the Bonds. These alternative measures may not be successful and may not permit the Borrower to meet its scheduled debt service obligations. The Borrower's ability to restructure or refinance its debt will depend on the condition of the capital markets and its financial condition at such time. Any refinancing of its debt could be at higher interest rates and may require it to comply with more onerous covenants, which could further restrict its business operations. In addition, the terms of the Borrower's existing or future debt agreements, including the Indenture governing the Bonds, may restrict it from adopting some of these alternatives. In the absence of such operating results and resources, the Borrower could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations. The Borrower may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that the Borrower could realize from any such dispositions may not be adequate to meet its debt service obligations then due.

## ***RISKS RELATED TO THE OPERATION OF PROJECT***

**The Borrower has no operating history and there can be no assurance that the Borrower will achieve market acceptance.**

Ark Encounter, LLC was formed in the State of Missouri and has obtained a certificate of authority to do business in the State of Kentucky where the Project is to be located. Crosswater Canyon was formed in the Commonwealth of Kentucky. Ark Encounter, LLC has no history upon which to evaluate its business and prospects and has not recognized any revenues to date. The Borrower's prospects must be considered in light of the risks, difficulties and uncertainties frequently encountered by companies in an early stage of development.

**The Borrower may have negative cash flow until the launch of the Project operations.**

As is the case with any start-up venture, the Borrower may have negative cash flow during the construction and initial operating phase of the Project. A portion of the proceeds of the Series 2013 Bonds are intended to pay construction period interest through and including April 1, 2016 and to meet the Borrower's substantial cash needs for the development and pre-operating stages of the Project (including, but not limited to, advance planning, development, design, staffing, opening merchandise inventory, Project layout and content, media production, artifacts, and exhibit and display development). See "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY FOR THE SERIES 2013 BONDS – Principal and Interest Fund" herein. In addition, the Borrower projects that any remaining needs for cash will be financed through cash flow generated by operations and exhibit sponsorships. In the event that operations do not produce the projected cash flow, or additional debt financing is not available on terms and conditions which the Borrower believes acceptable and in the best interests of the Borrower, there may be a need for additional capital from other sources.

If operations do not produce the anticipated cash flow, and if the Borrower is not able to obtain capital on terms which the Borrower believes to be acceptable, it is unlikely that it will be able to meet its current plans and goals, and may be forced to substantially revise or delay its plans and goals. If the Borrower requires, but is unable to obtain, additional capital in the future, it may be unable to implement its business, respond to changing business or economic conditions, withstand adverse operating results, or compete effectively.

**The Borrower may never achieve positive cash flow.**

The Borrower's business is speculative and dependent on acceptance of the Borrower's products, programs and services and effectiveness of its marketing programs. There can be no assurance that the Borrower will be successful or that its business will become cash flow positive. If it fails to reach positive cash flow, the Borrower will not be able to satisfy its debt service obligations with respect to the Bonds.

**The Borrower must rely heavily on Answers in Genesis and its consultants in the foreseeable future.**

The Borrower has no operating history or revenues and will rely heavily on Answers in Genesis and its consultants in the foreseeable future. The loss of any of the key personnel of the Borrower, Answers in Genesis or its consultants may have a materially adverse effect on the Borrower. The Borrower may consider but currently has no plans to obtain key man life insurance to protect the Borrower in the event of the untimely death of key personnel. Consequently, no such policies have yet been purchased.

**The Borrower may not be able to find and retain qualified and competent staff.**

The Borrower will need a number of qualified managers, employees, consultants and experts who are willing and able to serve in both the developmental and operational stages of the Borrower's operations. If the Borrower is unable to locate, hire, train, and retain the appropriate number of such persons or to engage the services of organizations with appropriate areas of ability and expertise in a timely manner, it will not be able to develop the Project and commence and continue operations in a timely and cost effective manner. If that occurs, the Borrower will likely incur additional delays and expenses, which may have a materially adverse effect on the Borrower and may result in the Borrower being forced to alter its plans or even cease operations. The Borrower has conducted a number of meetings with qualified organizations and individuals who have the expertise to construct and operate the business. The Borrower believes such sources will be available, as needed, to assist with the construction and operation of the Project.

The Borrower will employ numerous staff and operating personnel, many of whom will face the challenge of travel or moving to the location of the Project. In order to achieve public acceptance and create a strong appeal to visitors by affording them a consistently high quality of service environment, the Project's staff and volunteers must perform at or above industry standards. The ability of the Borrower to motivate, continually train, and maintain a group of enthusiastic, highly professional employees may present a significant challenge which, if not successfully met, could adversely impact the success of the Project. Certain desirable, but non-critical aspects of the Project may involve the use of volunteers, and there can be no assurance as to the availability, or quality of such volunteer component; however, the Borrower will seek to minimize the reliance upon volunteer groups by utilizing volunteer assistance for specific programs or tasks.

**The Borrower may be subject to liability if it fails to comply with applicable U.S., state and local regulatory requirements, and there is uncertainty regarding these requirements.**

At the present time, there are numerous federal, state, and local statutes, ordinances and regulations, which will be applicable to the Project's development and operation. The Borrower cannot predict what regulations will be enacted or what changes will occur or their impact on the prospects for the future of the Borrower. The Borrower intends to comply with all applicable rules and regulations, although there can be no assurance that the Borrower will not commit a violation through inadvertence. The Borrower has investigated some of the more important state and local requirements and believes it can comply with applicable laws. The Borrower has not investigated whether any of its proposed activities will comply with every aspect of the local laws and regulations where the Project is to be located, nor has it investigated the costs of compliance with all local laws and regulations. If the Borrower fails to comply with state and local laws or regulatory requirements, the Borrower may be subject to various liabilities, and the necessary corrective action or penalties may have an adverse effect on its future.

**Adverse weather conditions can seriously impact attendance at the Project.**

The Borrower plans to operate the Project on a year-round basis. Adverse weather conditions, especially during peak attendance months, may seriously impact the operation of the Project. While public attendance is expected to decrease measurably during the winter months in particular, unforeseen severe weather conditions at any time of year could significantly impact public attendance and the overall operation of the Project.

**There are logistical and geographic barriers which the Borrower must overcome for the Project to succeed. The location of the Project is a critical factor for success.**

The Project will be located in Williamstown, Grant County, Kentucky. This is a relatively rural area with no substantial economic development, situated approximately 50 miles south of Cincinnati, Ohio, and 40 miles north of Lexington, Kentucky. It is expected that the Project will be able to generate attendance from the regional areas surrounding its location, including, in particular, the Northern Kentucky/Greater Cincinnati Area; Lexington, Kentucky; Louisville, Kentucky; Indianapolis, Indiana; Columbus, Ohio; Huntington, West Virginia; and other more populated areas. However, there is no assurance that the Borrower will be able to successfully market its themed attraction from those populated areas in numbers that provide significant, consistent cash flow.

The Creation Museum, located approximately 43 miles northwest of the Project in Petersburg, Kentucky (near Cincinnati), is expected to offer combo-tickets for the Creation Museum and the Project which should boost public awareness and attendance at the Project, but the exact impact of such promotional efforts is uncertain.

**A recession or other economic downturn could seriously affect the Borrower's chances of success.**

While the Borrower believes that its business projections are based on reasonable assumptions, an economic recession or other economic downturn, similar to the economic difficulties experienced around the country in the latter part of 2008, could seriously affect the Borrower's operations and its chances of success.

**There is no assurance that the market and research findings of the Feasibility Report will be reliable in the economic and market conditions of the future.**

The Feasibility Report was compiled in October, 2013 but relies on data and information originally gathered as early as 2008. A number of market indicators and economic trends have already changed since the time the underlying data, surveys and information were collected and performed. In October 2008, there were dramatic changes in economic conditions and the business and financial markets of the United States. There can be no assurance that such changes will not recur and continue in the future, and the potential impact of any such adverse conditions on the Project cannot be accurately predicted.

**The Borrower's operations may diverge from its current business plan.**

In the event business conditions at the Project or the economic conditions on a national, state, or local level are not favorable, it may be necessary for the Borrower to diverge from its current business plan. This may include the down-sizing of operations, staff, and cutting other expenses of operation. The results and impact of any such divergence, though well intentioned, cannot be known in advance.

**The Borrower will be subject to complex federal and state regulations governing the treatment of animals which can change and to claims and lawsuits by activist groups before government regulators and in the courts.**

The Borrower will operate in a complex and evolving regulatory environment and will be subject to various federal and state statutes and regulations and international treaties implemented by federal law. The state in which the Borrower will operate also regulates zoological activity involving the import and export of exotic and native wildlife, endangered and/or otherwise protected species, zoological display and anti-cruelty statutes. The Borrower may incur significant compliance costs in connection with these regulations and violation of such regulations could subject the Borrower to fines and penalties and result

in the loss of its licenses and permits, which, if occurred, could impact its ability to display certain animals. Future amendments to existing statutes, regulations and treaties or new statutes, regulations and treaties may potentially restrict its ability to maintain its animals, or to acquire new ones to supplement or sustain its breeding programs or otherwise adversely affect its business.

Additionally, from time to time, animal activist and other third-party groups may make claims before government agencies and/or bring lawsuits against us. Such claims and lawsuits may be based on allegations that the Borrower does not properly care for some of its featured animals. On other occasions, such claims and/or lawsuits may be designed to change existing law or enact new law in order to impede the Borrower's ability to retain, exhibit, acquire or breed animals. While the Borrower will seek to structure its operations to comply with all applicable federal and state laws and vigorously defend itself when sued, there are no assurances as to the outcome of future claims and lawsuits that could be brought against the Borrower. In addition, associated negative publicity could adversely affect the Borrower's reputation and results of its operations.

**Featuring animals at the Project will involve risks.**

The Project will feature displays and interactions that include animals. All animal enterprises involve some degree of risk. All animal interaction by the Borrower's employees and its guests in attractions at the Project, where offered, involves risk. While the Borrower expects to maintain strict safety procedures for the protection of its employees and guests, injuries or death, while rare, have occurred in the industry. Such events could occur in the future which could harm the Borrower's reputation, reduce attendance and negatively impact the Borrower's business, financial condition and results of operations.

**Animals that will be in the Borrower's care will be important to the Project, and these animals could be exposed to infectious diseases.**

The Project will be distinguished from theme park attractions of the Borrower's competitors in that the Borrower will offer guest interactions with animals. Individual animals, specific species of animals or groups of animals in the Borrower's collection could be exposed to infectious diseases. An outbreak of an infectious disease among any of these animals or the public's perception that a certain disease could be harmful to human health may materially adversely affect the Borrower's animal collection, its business, financial condition and results of operations.

**If the Borrower loses licenses and permits required to exhibit animals and/or violate laws and regulations, the Project will be adversely affected.**

The Borrower will be required to hold government licenses and permits, some of which will be subject to yearly or periodic renewal, for purposes of possessing, exhibiting and maintaining animals. In the event that any of the Borrower's licenses or permits are not granted or renewed or any of its licenses or permits are revoked, portions of the Project might not be able to remain open for purpose of displaying or retaining the animals covered by such license or permit. Such an outcome could materially adversely affect the Borrower's business, financial condition and results of operations.

In addition, the Borrower may be subject to periodic inspections by federal and state agencies and the subsequent issuance of inspection reports. While the Borrower intends to comply with, or exceed, requisite care and maintenance standards that will apply to its animals, government inspectors can cite the Borrower for alleged statutory or regulatory violations. If it is cited for an alleged deficiency, the Borrower will most likely be given the opportunity to correct any purported deficiencies without penalty. It is possible, however, that in some cases a federal or state regulator could seek to impose monetary fines

on the Borrower. The Borrower cannot predict whether any fines that regulators might seek to impose would materially adversely affect its business, financial condition or results of operations.

Moreover, many of the statutes under which the Borrower will operate allow for the imposition of criminal sanctions. While neither of the foregoing situations are likely to occur, either could negatively affect the business, financial condition or results of operations at the Project.

**Adverse litigation judgments or settlements resulting from legal proceedings in which the Borrower may be involved in the normal course of its business could reduce its profits or limit its ability to operate its business.**

The Borrower may be subject to allegations, claims and legal actions arising in the ordinary course of its business, which may include claims by third parties, including guests who visit the Project, the Borrower's employees or regulators. The outcome of many of these proceedings cannot be predicted. If any of these proceedings were to be determined adversely to the Borrower, a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against the Borrower, its business, financial condition and results of operations could be materially adversely affected.

**The Borrower's insurance coverage may not be adequate to cover all possible losses that it could suffer, and its insurance costs may increase.**

Companies engaged in the themed attraction business may be sued for substantial damages in the event of an actual or alleged accident. An accident occurring at the Project or at competing attractions may reduce attendance, increase insurance premiums, and negatively impact the Borrower's operating results. Although the Borrower will carry liability insurance to cover this risk, there can be no assurance that its coverage will be adequate to cover liabilities, or that it will be able to obtain adequate coverage should a catastrophic incident occur.

The Borrower will use commercially reasonable efforts to maintain sufficient insurance coverage. There can be no assurance, however, that the Borrower will be able to obtain adequate levels of insurance to protect against suits and judgments in connection with accidents that may occur at the Project.

The Borrower shall maintain insurance of the type and in amounts that it believes is commercially reasonable and that is available to animal enterprise related businesses in the theme park industry. The Borrower cannot predict the level of the premiums that it may be required to pay for subsequent insurance coverage, the level of any self-insurance retention applicable thereto, the level of aggregate coverage available, or the availability of coverage for specific risks.

### ***RISKS RELATED TO THE THEMED ATTRACTION INDUSTRY***

**Competition from other themed attractions may adversely affect attendance at the Project.**

The themed attraction industry is highly speculative, inherently risky, and unpredictable. There can be no assurance of the economic success of the Project since revenues depend primarily upon its acceptance by the public, which cannot be predicted. The commercial success of the Project also depends upon the quality and acceptance of competing properties released in the marketplace at or near the same time, the availability of other forms of entertainment and leisure activities, general economic conditions, and other tangible and intangible factors. The themed attraction industry in general is continuing to undergo significant changes, primarily due to technological developments. It is impossible to predict the overall effect of these changes on the potential revenue and profitability of the Project.

**The Borrower may not be able to attract a sufficient number of visitors, or even if it does, the Borrower may not be able to maintain visitor interest.**

Although the Borrower anticipates that the Project will attract substantial interest from the general public, the Borrower cannot be certain that it will attract a sufficient number of visitors to make the Project as successful as anticipated, or, even if successful during the first years of operation, that it will be able to maintain visitor interest at levels that are commercially sustainable.

**The Borrower could be adversely affected by a decline in discretionary consumer spending or consumer confidence.**

The Project's success depends to a significant extent on discretionary consumer spending, which is heavily influenced by general economic conditions and the availability of discretionary income. The recent severe economic downturn, coupled with high volatility and uncertainty as to the future global economic landscape, has had and continues to have an adverse effect on consumers' discretionary income and consumer confidence.

Difficult economic conditions and recessionary periods may adversely impact attendance figures, the frequency with which guests choose to visit the Project and guest spending patterns at the Project. The actual or perceived weakness in the economy could also lead to decreased spending by the Borrower's guests. Both attendance and total per capita spending at the Project will be key drivers of the Borrower's revenue and profitability, and reductions in either can materially adversely affect its business, financial condition and results of operations.

**Various factors beyond the Borrower's control could adversely affect attendance and guest spending patterns at the Project.**

Various factors beyond the Borrower's control could adversely affect attendance and guest spending patterns at the Project. These factors could also affect the Borrower's suppliers, vendors, insurance carriers and other contractual counterparties. Such factors include:

- war, terrorist activities or threats and heightened travel security measures instituted in response to these events;
- outbreaks of pandemic or contagious diseases or consumers' concerns relating to potential exposure to contagious diseases;
- natural disasters, such as hurricanes, fires, earthquakes, tornados, floods and man-made disasters, which may deter travelers from scheduling vacations or cause them to cancel travel or vacation plans;
- bad weather and even forecasts of bad weather, including abnormally hot, cold and/or wet weather, particularly during weekends, holidays or other peak periods;
- changes in the desirability of particular locations or travel patterns of the Borrower's guests;
- low consumer confidence; and
- oil prices and travel costs and the financial condition of the airline, automotive and other transportation-related industries, any travel-related disruptions or incidents and their impact on travel.

Any one or more of these factors could adversely affect attendance and total per capita spending at the Project, which could materially adversely affect the Borrower's business, financial condition and results of operations.

**Incidents or adverse publicity concerning the Project or the themed attraction industry generally could harm the Borrower's brands or reputation as well as negatively impact its revenues and profitability.**

The Borrower's reputation is among its most important assets. The Borrower's ability to attract and retain customers depends, in part, upon the external perceptions of the Borrower, the quality of the Project and the Borrower's corporate and management integrity. The operation of themed attractions involves the risk of accidents, illnesses, environmental incidents and other incidents which may negatively affect the perception of guest and employee safety, health, security and guest satisfaction and which could negatively impact the Borrower's brands or reputation and its business and results of operations. An accident or an injury at the Project or at themed attractions operated by competitors, particularly an accident or an injury involving the safety of guests and employees, that receives media attention, is the topic of a book, film, documentary or is otherwise the subject of public discussions, may harm the Borrower's brand or reputation, cause a loss of consumer confidence in the Borrower, reduce attendance at the Project and negatively impact the Borrower's results of operations. The considerable expansion in the use of social media over recent years has compounded the impact of negative publicity.

**There is no existing, announced or, to the knowledge of the Borrower, any planned themed attraction of similar nature to the Project.**

The Project is believed to be the only planned major attraction of its kind in the United States. Nevertheless, other themed attractions in the country, particularly the Midwest, are expected to compete with the Project to some extent, including such attractions as Kings Island in the Cincinnati, Ohio area, and certain themed attractions and entertainment venues in Branson, Missouri and Nashville, Tennessee.

**There is a risk of accidents occurring at theme parks, which may reduce attendance and negatively impact revenues.**

Although the Borrower intends to be safety conscious, there are inherent risks involved with attractions such as the Project and an accident or serious injury at the Project may result in negative publicity and could reduce attendance and result in decreased revenues. In addition, accidents or injuries at parks operated by the Borrower's competitors may influence the general attitudes of themed attractions patrons and adversely affect attendance at the Project.

**The Borrower's operations and its ownership of property subject it to environmental regulation, which creates uncertainty regarding future environmental expenditures and liabilities.**

The Borrower may be required to incur costs to comply with environmental requirements, such as those relating to water resources, discharges to air, water and land; the handling and disposal of solid and hazardous waste; and the cleanup of properties affected by regulated materials. Under these and other environmental requirements the Borrower may be required to investigate and clean up hazardous or toxic substances or chemical releases from current or formerly owned or operated facilities. Environmental laws typically impose cleanup responsibility and liability without regard to whether the relevant entity knew of or caused the presence of the contaminants. The costs of investigation, remediation or removal of regulated materials may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair the Borrower's ability to use, transfer or obtain financing regarding its property. The Borrower may be required to incur costs to remediate potential environmental hazards,

mitigate environmental risks in the future, or comply with other environmental requirements. No environmental assessment or survey has been performed with respect to the Project Site.

### ***RISKS RELATED TO THE SERIES 2013 BONDS***

#### **Suitability of Investment; Lack of Rating; Marketability**

An investment in the Series 2013 Bonds involves a certain degree of risk and the Series 2013 Bonds are not suitable investments for all persons. Prospective purchasers should be able to evaluate the risks and merits of an investment in the Series 2013 Bonds before considering such a purchase.

The Series 2013 Bonds have not been rated by any recognized rating agency. The absence of a credit rating and, with respect to the Series 2013 Bonds could adversely affect the ability of Holders to sell the Series 2013 Bonds or the price at which the Series 2013 Bonds can be sold. There is no public market for the Series 2013 Bonds. As a result, Bondholders will not be able to resell Series 2013 Bonds at their fair market value or at all. Transferability of the Series 2013 Bonds will depend on many factors, including, among other things, prevailing interest rates, the Borrower's operating results and the market for similar securities. The Underwriter is not obligated to repurchase Series 2013 Bonds from any Holder thereof. There is no assurance that a secondary market for the Series 2013 Bonds will develop or that Bondholders who wish to sell Series 2013 Bonds prior to the stated maturity will be able to do so.

#### **Amendment of the Indenture and Loan Agreement**

Certain amendments to the Indenture and the Loan Agreement may be made with the consent of the owners of a majority in aggregate principal amount of the Outstanding Series 2013 Bonds. Such amendments may adversely affect the security of the Bondholders. See APPENDIX B – “The Indenture – Supplemental Indentures With Bondholders’ Consent” and “– Amendments to Loan Agreement Requiring Consent of Bondholders.”

#### **No Assurance of Projected Results**

The projections contained in APPENDIX A to this Official Statement have been prepared by the Borrower and its consultants. The projections are based solely on the Borrower's judgment concerning future events and its assumptions concerning future developments as of the date of this Official Statement. There can be no assurance that the projected results will occur, that these judgments or assumptions will prove correct; that unforeseen developments will not occur or that the Borrower's assumptions concerning future developments will not change prior to any further financing transactions.

#### **Assets of Answers in Genesis Not Available as Security for the Series 2013 Bonds**

Investors should note that Answers in Genesis, Inc. (“AiG”) is a distinct nonprofit corporation and its assets have NOT been pledged as security for the Series 2013 Bonds. Should the Borrower encounter financial difficulty, AiG is under no obligation to make payments on the Series 2013 Bonds.

#### **Extraordinary Mandatory Redemption for Project Fund Insufficiency**

The Series 2013 Bonds are subject to Extraordinary Mandatory Redemption in the event the balance in the Project Fund on March 1, 2014 is not at least \$45,520,000. In such event, the then Outstanding Series 2013 Bonds will be called for redemption on the earliest possible redemption date thereafter at par and without accrued interest. See “DESCRIPTION OF THE BONDS – Extraordinary Mandatory Redemption for Project Fund Insufficiency” and “– Notice of Redemption” herein and

APPENDIX B – “The Indenture – Project Fund Disbursements,” “– Principal and Interest Fund; Priority of Debt Service Payments” and “– Reserve Fund.”

### ***WARNING REGARDING USE OF FORWARD-LOOKING STATEMENTS***

This Official Statement, including the above risk factors and certain schedules and other information contained herein and in the appendices hereto, contains forward-looking statements which relate to possible future events, future performance and future operations. In some cases, forward-looking statements can be identified by the use of words such as “may,” “will,” “should,” “anticipates,” “believes,” “expects,” “plans,” “future,” “intends,” “could,” “estimate,” “predict,” “potential,” “continue,” or the negative of these terms or other similar expressions. These forward-looking statements are only the Borrower’s predictions. Actual results could and likely will differ materially from these forward-looking statements for many reasons, including risks described above and appearing elsewhere in the projections. The Borrower cannot guarantee future results, levels of activity, performance or achievements. The Borrower is under no duty to update any of the forward-looking statements, projections and the risk factors described herein to conform them to actual results or to changes in expectations.

### **TAX MATTERS**

#### **General**

In the opinion of Bond Counsel for the Series 2013 Bonds, interest on the Series 2013 Bonds is exempt from Kentucky income tax and the Series 2013 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions under the laws of the Commonwealth of Kentucky as presently enacted and construed. HOWEVER, INTEREST ON THE SERIES 2013 BONDS IS NOT EXCLUDIBLE FROM GROSS INCOME OF THE HOLDERS OF THE SERIES 2013 BONDS FOR FEDERAL INCOME TAX PURPOSES. OWNERS OF THE SERIES 2013 BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES 2013 BONDS.

#### **Backup Withholding**

General information reporting requirements will apply to payments of principal and interest made on a Series 2013 Bond and the proceeds of the sale of a Series 2013 Bond to non-corporate Holders of the Series 2013 Bonds, and “backup withholding” at a rate of 28% will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of a Series 2013 Bond that is a U.S. owner can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

#### **Nonresident Owners**

Under the Code, interest on any Bond whose beneficial owner is a nonresident alien, foreign corporation or other non-United States person (Nonresident) are generally not subject to United States income tax or withholding tax (including backup withholding) if the Nonresident provides the payor of interest on the Series 2013 Bonds with an appropriate statement as to its status as a Nonresident. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the Nonresident conducts a trade or business in the United States and the interest on the Series 2013 Bonds held by the Nonresident

is effectively connected with such trade or business, that interest will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding).

### **Circular 230**

THE FOREGOING DISCUSSION OF TAX MATTERS WAS NOT INTENDED OR WRITTEN BY BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE SERIES 2013 BONDS. THE FOREGOING DISCUSSION OF TAX MATTERS WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SERIES 2013 BONDS. EACH PROSPECTIVE OWNER OF THE SERIES 2013 BONDS SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE OWNER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

### **LEGAL MATTERS SUBJECT TO APPROVAL OF COUNSEL**

Certain legal matters incident to the authorization and issuance of the Series 2013 Bonds are subject to the unqualified legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel, whose opinion will be delivered concurrently with the original issuance of the Series 2013 Bonds. The actual legal opinion to be delivered by Bond Counsel may vary from the form attached hereto if necessary to reflect facts and law on the date of initial issuance. The opinion will speak only as of its date, and subsequent distribution by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has renewed or expressed any opinion concerning any of the matters referenced in the opinion subsequent to its date. See APPENDIX C hereto.

Certain legal matters will be passed upon for the Issuer by its counsel, Jeffrey C. Shipp, Esq., Williamstown City Attorney, with offices in Fort Mitchell, Kentucky, for the Borrower by its general counsel, John Pence, Esq., Petersburg, Kentucky, and for the Underwriter by its counsel, Hall, Render, Killian, Heath & Lyman, P.C., Indianapolis, Indiana.

Bond Counsel has not been engaged to, nor has it undertaken to, review the accuracy, completeness or sufficiency of this Official Statement or any other offering material relating to the Series 2013 Bonds; provided, however, that Bond Counsel shall render an opinion to the Underwriter (upon which only it may rely) relating to the accuracy of certain statements contained herein under the heading "TAX MATTERS" and certain statements which summarize provisions of the Indenture, the Loan Agreement, the Mortgage and the Series 2013 Bonds.

### **LEGAL OPINIONS AND ENFORCEABILITY OF RIGHTS AND REMEDIES**

The various legal opinions to be delivered concurrently with the initial issuance of the Series 2013 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment of the transaction opined upon or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The enforceability of the rights and remedies of the Trustee and the owners of the Series 2013 Bonds under the Indenture and the availability of remedies to any party seeking to enforce the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decision, including specifically Title 11 of the United States Code (the federal bankruptcy code), the enforceability of the rights and remedies under the Indenture and the availability of remedies to any party seeking to enforce the security granted thereby may be limited.

The various legal opinions to be delivered concurrently with the initial issuance of the Series 2013 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). These exceptions would encompass any exercise of federal, State or local police powers (including the police powers of the State), in a manner consistent with the public health and welfare. The enforceability of the Indenture and the availability of remedies to a party seeking to enforce a pledge of security under the Indenture in a situation where such enforcement or availability may adversely affect public health and welfare may be subject to these police powers.

### **NO CREDIT RATING**

The Series 2013 Bonds are not rated. See “BONDHOLDERS’ RISKS – *RISKS RELATED TO THE SERIES 2013 BONDS* – Suitability of Investment; Lack of Rating; Marketability” herein.

### **FINANCIAL PROJECTIONS**

The financial projections of the Borrower presented in the Feasibility Report were created in 2011, and later revised in 2013, based on information provided by America’s Research Group and The Nehemiah Group. Monthly revenue projections for the Project assume first year attendance of 1.2 million visitors and are based on historical monthly attendance ratio trends and guest mix of the Creation Museum. Season pass revenue for the Project is assumed to be realized on an accrual basis and the financial projections assume no income from special events, special exhibits or third parties. The financial projections have been neither audited nor reviewed by an independent public accountant.

### **FORWARD-LOOKING STATEMENTS**

The statements contained in this Official Statement, and in any other information provided by the Borrower, that are not purely historical, are forward-looking statements, including statements regarding the Borrower’s expectations, intentions or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Borrower on the date hereof, and the Borrower assumes no obligation to update any such forward-looking statements. Actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to numerous risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including employees, suppliers and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Borrower. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement are accurate.

## LITIGATION

### The Issuer

There is no pending or threatened litigation seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2013 Bonds, questioning or affecting the validity of the Series 2013 Bonds or any proceedings of the Issuer taken with respect to the issuance or sale thereof, questioning or affecting the validity of the pledge or application of any moneys, revenues or security provided for the payment of the Series 2013 Bonds or questioning or affecting the existence or powers of the Issuer.

### The Borrower

There is no litigation pending or threatened against the Borrower which is not covered by insurance or self-insurance or which, in the opinion of Borrower management, could have a material adverse effect on the Borrower's business or financial position.

## CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"), the Borrower will agree to provide, or cause to be provided, pursuant to the Continuing Disclosure Agreement described below, through U.S. Bank National Association, as disclosure agent (the "Agent"):

(i) to the nationally recognized municipal securities information repository designated by the SEC, currently the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system ("EMMA"):

(a) commencing with the fiscal year in which the Project is complete, certain annual operating data (the "Operating Data") including the actual annual attendance at the Project and of the type of information contained under the caption "FINANCIAL PROJECTIONS – 10-Year Operating Income Projections" in APPENDIX A hereto, reflecting only the actual data from the prior fiscal year; and

(b) commencing with the fiscal year ending June 30, 2014, annual audited financial statements of the Borrower (the "Annual Financial Information");

such information in (a) and (b) above will be available not later than the March 1 immediately succeeding the end of the Borrower's fiscal year for such preceding year, beginning with the fiscal year ending June 30, 2014;

(ii) in a timely manner, not in excess of 10 business days following the occurrence of any of the following events, to the MSRB through EMMA, notice of the occurrence of any of the following events with respect to the Bonds (collectively, the "Events"): (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 7501-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (g) modifications to the rights of Holders of the Bonds, if material; (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event); (i)

defeasances; (j) release, substitution, or sale of property securing repayment of the Bonds, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership or similar event of the Borrower (Note: For the purposes of this event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower); (m) consummation of a merger, consolidation or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or the change of a name of trustee, if material; and

(iii) in a timely manner, to the MSRB through EMMA, notice of a failure of the Borrower to provide the Annual Financial Information or Operating Data not later than the March 1 immediately succeeding the end of the Borrower's fiscal year.

The Borrower may from time to time choose to provide information or notice of the occurrence of an event, in addition to those items listed above in clauses (i) and (ii), but the Borrower has no obligation under the Continuing Disclosure Agreement to update such information or include it in any future annual filings and does not undertake to commit to provide any information or notice of the occurrence of any event except those items set forth above.

To ensure the timely dissemination of the Annual Financial Information, Operating Data and Event notices, the Borrower will enter into and deliver, on the date of issuance of the Series 2013 Bonds, a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with the Agent. Under the terms of the Continuing Disclosure Agreement, the Borrower will, concurrently with or prior to the respective filing date, provide the required information, reports and notices to the Agent for filing as described above. The Continuing Disclosure Agreement applies to the Bonds, including the Series 2013 Bonds and any Additional Bonds issued under the Indenture. The obligations of the Borrower and the Agent under the Continuing Disclosure Agreement will terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity.

The Borrower acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Holders of the Bonds (including Holders of beneficial interests in the Bonds).

### **Compliance with Previous Undertakings**

In the previous five years, the Borrower has not been subject to any undertakings in a written contract or agreement pursuant to section (b)(5) of the Rule and therefore the Borrower has not failed to comply in any material respects with any previous undertakings in a written contract or agreement entered into pursuant to subsection (b)(5) of the Rule.

## SALE OF SERIES 2013 BONDS

Pursuant to the terms of a Bond Placement Agreement among the Issuer, the Borrower and Ross, Sinclair & Associates, LLC, Cincinnati, Ohio (the “Underwriter”), the Underwriter has agreed to use its “best efforts” to place the Series 2013 Bonds. The Series 2013 Bonds are intended to be exempt securities under the Securities Act of 1933, as amended (the “Securities Act”), and the offer, sale and delivery of the Series 2013 Bonds does not require registration under the Securities Act or qualification of the Indenture under the Trust Indenture Act of 1939. In accordance with the Bond Placement Agreement, the Series 2013 Bonds are being placed with purchasers at a price equal to \$62,000,000 (which amount is equal to the par amount of the Series 2013 Bonds). The Underwriter is being paid a fee equal to two and one-half percent (2.5%) of the par amount of the Series 2013 Bonds in connection with the placement thereof.

**Each prospective purchaser is responsible for assessing the merits and risks of an investment in the Series 2013 Bonds and must be able to bear the economic risk of such investment in the Series 2013 Bonds. Prospective purchasers should consult with their personal financial advisors regarding any investment in the Series 2013 Bonds.**

The Underwriter does not guarantee a secondary market for the Series 2013 Bonds and is not obligated to make any such market for the Series 2013 Bonds. No assurance can be made that such a market will develop or continue. Consequently, investors may not be able to resell Series 2013 Bonds should they need or wish to do so for emergency or other purposes.

## MISCELLANEOUS

The foregoing summaries and the summaries contained in APPENDIX B of the provisions of the Indenture, the Series 2013 Bonds, the Loan Agreement, the Mortgage, the Assignment of Rents, the Collateral Assignment and the Continuing Disclosure Agreement do not purport to be complete and are made subject to the detailed provisions thereof to which reference is hereby made.

The Borrower, represented by certain of its officers and administrative staff, has reviewed the information contained herein which relates to the Borrower and the Project, and the Borrower, acting through such officers and administrative staff, has approved all such information contained herein for use within this Official Statement.

During the initial offering period for the Series 2013 Bonds, copies of the Indenture and the Loan Agreement will be available for inspection at the office of the Issuer, 400 North Main Street, Williamstown, Kentucky 41097. Following issuance of the Series 2013 Bonds, copies of such documents will be available for inspection at the principal corporate trust office of the Trustee.

Each of the Issuer and the Borrower has duly authorized this Official Statement, and the Borrower has approved it and authorized its distribution.

CITY OF WILLIAMSTOWN, KENTUCKY

By:     /s/ Rick Skinner      
Rick Skinner, Mayor

ATTEST:

By:     /s/ Vivian Link      
Vivian Link, City Clerk

CROSSWATER CANYON, INC.

By:     /s/ Michael D. Zovath      
Michael D. Zovath, Executive Director

ARK ENCOUNTER, LLC

BY: CROSSWATER CANYON, INC.,  
ITS MANAGING MEMBER

By:     /s/ Michael D. Zovath      
Michael D. Zovath, Executive Director

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**APPENDIX A**  
**FEASIBILITY REPORT**

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# **ARK ENCOUNTER, LLC**

## **Feasibility Report**

Prepared for: Crosswater Canyon | Ark Encounter, LLC | 2095 Global Way | Hebron, KY 41048  
Feasibility Study Provided by: Britt Beemer | President & CEO | America's Research Group (ARG)  
Financial Projections Provided By: Cary Summers | President | Nehemiah Group  
Report Assembled by: H<sup>2</sup>R Market Research | 1717 E Republic Road, Suite C | Springfield, MO 65804

November 1, 2013

Crosswater Canyon, Inc.  
Ark Encounter, LLC  
2095 Global Way  
Hebron, KY 41048

To whom it may concern:

In accordance with our agreement on September 12, 2013, we have assembled a seamless, cohesive feasibility report from the ARG Feasibility Study, Nehemiah Group's financial projections and other documents provided to us. We acknowledge that this report is to be used in connection with the marketing and sale of industrial building revenue bonds to finance a portion of the Ark Encounter and we hereby consent to such use. Additionally, we have included information on the resident market, travel market in the Greater Cincinnati/Northern Kentucky region and several comparable attractions nationwide to help provide additional context to the projections supplied to us.

As in all studies of this type, the estimated results provided by ARG and Nehemiah Group are based upon competent and efficient management, and presume a professionally managed national marketing strategy will be employed. Although these assessments have been conscientiously prepared by these industry experts using information they obtained during the course of their study and experience in the industry, the proposed project's future performance is based on their estimates and assumptions, which are subject to uncertainty and variation, and neither they nor we represent them as results that will actually be achieved.

Respectfully submitted,

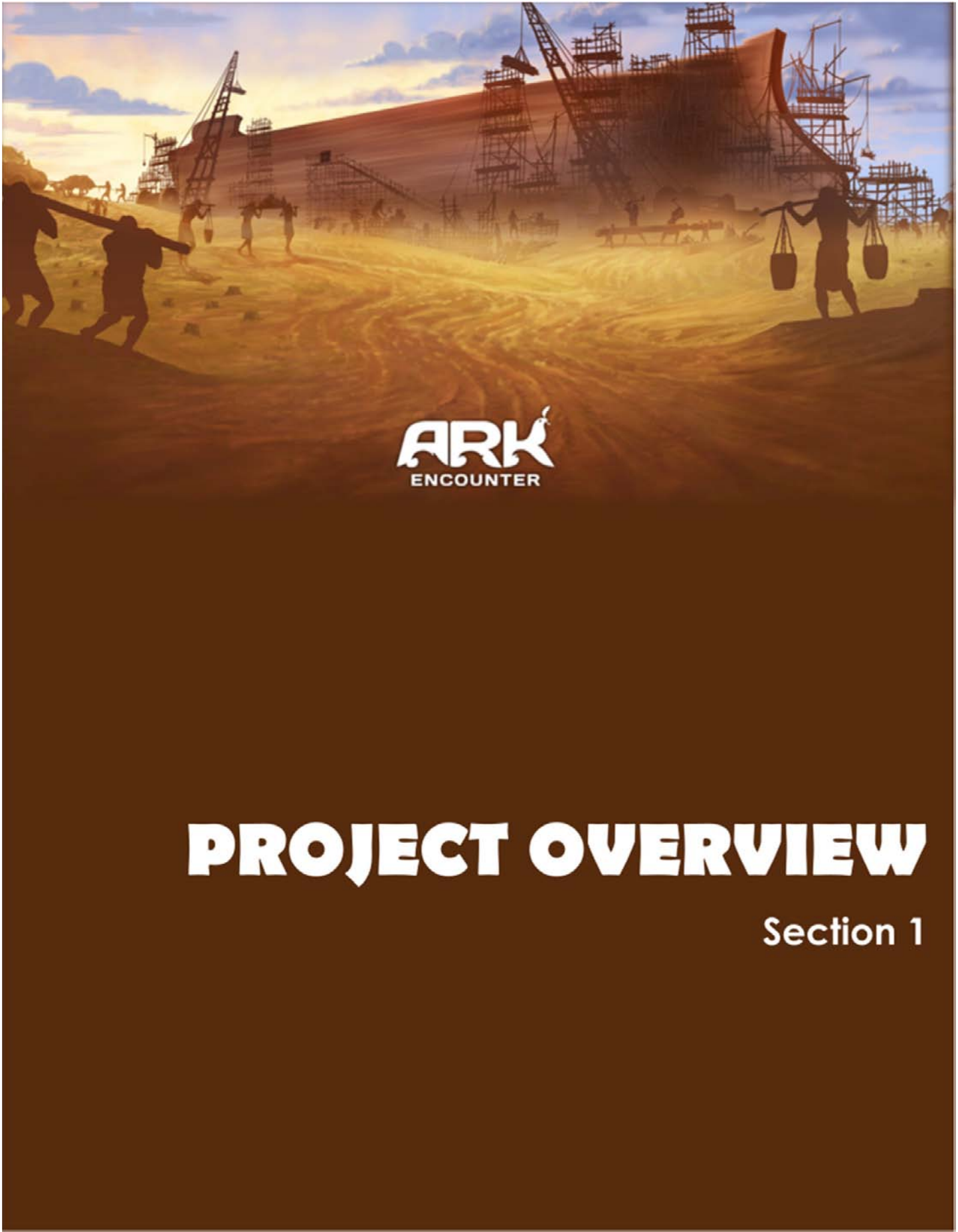
H<sup>2</sup>R Market Research

Jerry Henry  
President and CEO

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**ARK**  
ENCOUNTER

# PROJECT OVERVIEW

Section 1

## **PROJECT OVERVIEW**

### **INTRODUCTION**

The Ark Encounter will be a full-scale reproduction of Noah's Ark. The Ark Encounter is the first phase of a larger, biblically themed attraction. The Ark Encounter will be located in Williamstown, Grant County, KY, a short distance from the cities of Cincinnati, OH and Lexington, KY just off Interstate 75, one of the nation's busiest highways. Grant County is conveniently located in the middle of the "Golden Triangle," of Northern Kentucky-Cincinnati, Georgetown-Lexington and Louisville...making this particular location attractive for overnight visits and day trips from many nearby cities.

Kentucky has been chosen as the location for the Ark Encounter for a number of reasons, including its proximity to the Creation Museum and accessibility by a majority of the US population. More than two-thirds of the US population lives within a one-day drive of the Williamstown location. And, based upon the findings in American Research Group's (ARG) feasibility study, nearly two-thirds of the US population would exhibit an interest in visiting this type of attraction. It is estimated that the first phase of the Ark Encounter will cost \$73 million to build including land, construction and long-term utilities. Of this amount, approximately \$14 million has already been raised, leaving \$59 million to be funded through the sale of bonds or raised separately through additional charitable contributions and charter boarding pass (membership) sales.

Based upon the estimate of visitation generated from ARG's feasibility study (1.2 to 2.0 million guests in the first year), financial projections for the Ark Encounter were developed by the Nehemiah Group using 1.2 million people visiting the Ark Encounter in the first year. The projections indicate that the Ark Encounter will produce \$42.4 million in gross sales and yield an EBITDA of \$10.9 million in the first 12 months of full guest visitation.

### **COMPANY DESCRIPTION AND HISTORY**

The Ark Encounter, LLC was organized in 2010 and is a wholly-owned subsidiary of Crosswater Canyon, Inc., a 501(c)(3) Kentucky non-profit corporation. Crosswater Canyon was organized in 2010 and is an affiliate of Answers in Genesis, Inc. Crosswater Canyon and Ark Encounter LLC are the owners of the Ark Encounter and will be responsible for the daily operations of the attraction. The Executive Director of Crosswater Canyon in charge of the Ark Encounter project is Michael Zovath, a co-founder of Answers in Genesis.

Answers in Genesis (AiG) is a 501(c)(3) non-profit Christian ministry with the mission of proclaiming the absolute truth and authority of the Bible, relating the relevance of a literal Genesis to the (Christian) church and world today, and obeying God's call to deliver the message of the Gospel, individually and collectively. Its goal is to support the church in fulfilling its commission of sharing the Gospel around the world, and its vision is to serve as a catalyst in bringing reformation by reclaiming the foundations of the Christian faith found in the Bible, from the very first verse.

AiG is the owner and operator of the Creation Museum, a 70,000 square-foot "walk through Bible history," located in northern Kentucky, off Interstate 275, near Cincinnati, Ohio. This evangelical ministry and the Creation Museum are headed by Ken Ham, President and CEO of Answers in Genesis. (For additional

information on management and operation of the Ark Encounter project, see “PROJECT OPERATIONS & MANAGEMENT,” herein.)

### **ARK ENCOUNTER SITE**

The Ark Encounter, together with the future phases of the project, will be located primarily on 203.5 acres owned by Ark Encounter near Williamstown, Grant County, Kentucky. The remainder of the 800 acres will be owned by AiG or an affiliated entity, and reserved for the development for future expansion and other tourism supporting projects and activities. The out-parcels will be used for hotels, restaurants, parks, etc. including some development by third party developers.

### **PHASES OF DEVELOPMENT**

The Ark Encounter will consist of several phases of development within the first ten years of operations and other additions thereafter, with each phase involving major themed attractions, as well as retail and food venues. The operation of the project will commence upon the completion of the Ark Encounter, with major capital projects being planned every other year, beginning in year three of operations. The funding of future phases of the project will be provided from operating cash flow of the Ark Encounter, subject to the prior payment of the bonds.

### **SITE DESCRIPTIONS**

There will be nine primary themed areas of the project, including Noah’s Ark, the Walled City, the Ark Zoo (Noah’s Animals), the Ten Plagues Ride, the Tower of Babel, a First Century Village, an Aviary, a Children’s Area, and a Special Events Area. Some of these themed areas may be subject to change over time, at the discretion of Crosswater Canyon, as the content and storyline to be presented in the attractions and exhibits are further developed. Each phase carries with it supporting guest services as well as secondary thematic experiences. The construction of the second phase, following phase one of the building of the Ark Encounter, is anticipated to begin in year three of operations and be ready for guest usage in year four.

The first phase will be the development of Noah’s Ark, the pinnacle attraction of the entire Ark Encounter project, including necessary infrastructure and parking. The construction of the Ark is expected to begin in March, 2014, and will take approximately 24 months to complete, for an expected opening in April, 2016.

#### **The Ark Encounter**

The Ark will be a full-size, biblically dimensioned replica of Noah’s Ark, as described in the Book of Genesis of the Bible. Based on the biblical account of the Ark in Genesis, the Ark was 300 cubits long, 50 cubits wide and 30 cubits high. While there are differing interpretations among scholars as to the length of a “cubit” referred to in Bible passages, for purposes of constructing the replica, 20.4-inches will be used as the standard measure of a cubit. Therefore, the Ark Encounter will be approximately 510 feet long, 85 feet wide and 51 feet high. This walk-through-the-Ark Encounter will enable each guest to gain an understanding of how the Ark could have been built, and how Noah, his family, and all of the representative kinds of land animals were cared for and survived on board the Ark for 376 days during the worldwide flood and its aftermath. The Ark will include numerous, highly themed learning areas and interactive elements.

## **Additional Phases of the Ark Encounter**

It is anticipated that the following attractions will be opened within the first ten years of guest operations though the calendar date of each opening will be depend upon guest response to the prior phase and available cash flow. The financial projections included in this report reflect the anticipated funding and timing of each phase of the development. Some of the elements described may be combined into a single phase. Each phase will take approximately 12 months to build and it is anticipated the Ark Encounter will experience attendance gains in each year during which an additional phase opens, as noted in the financial projections.

### **The Walled City**

The Walled City will depict the pre-flood lifestyle including the culture and the architecture of the people of Noah's day. This 14-acre cultural attraction will, upon completion, be the entry point to the entire complex for all guests and, similarly to the Main Street at Disneyland with its festive atmosphere, will be its central gathering point. The Walled City will be a highly themed pre-flood era walled city that includes era shops, restaurants and outdoor theaters with plays and live entertainment that bring to life the culture and times in which Noah lived, including a section depicting the violent culture of the day. The Walled City will present biblical truth as it introduces the Ark and the worldwide Flood.

### **The Ark Zoo (Noah's Animals)**

The Ark Zoo area will provide guests the opportunity to learn more about some of the kinds of animals found on the Ark. This area will be akin to a petting zoo, complete with barns, petting area, open animal areas and a show barn. This area will answer many of the questions about the animals found on the Ark. It will be educational, fun and interactive. Included in the zoo area will be an outdoor theater to accommodate animal acts and shows.

### **Aviary**

The Aviary will be a walk-through area with several viewing platforms, allowing guests to get close to the birds in their natural settings. Nearby, an outdoor "animal actors" theater will provide further learning experiences featuring many of the birds.

### **Children's Area**

The Children's Area will be a unique setting next to the Ark Zoo and Aviary, and will be highly themed with bridge nets, climbing areas, slides, and zip lines. It will feature an indoor and outdoor discovery center where children can learn about God's provision for His creation, and His economy of design, with a restaurant and viewing area for parents. The area will be designed for family participation and will allow grandparents, parents, and children to both learn and have fun in this very creative area.

### **Special Effects Lake**

The Special Effects Lake will mimic the explosion from the depths of the earth, which triggered the worldwide flood. The sound system combined with the exploding water and fire will be a crowd pleaser.

## **Tower of Babel**

The Tower of Babel exhibit will be more than 100 feet tall, depicting how this amazing structure may have looked after its completion. Guests will enter a highly themed interior and weave along a path that relates the story of man's efforts to elevate himself, and his abandonment of God. It will also introduce exhibits on the origin of the different people groups and languages, and will lead guests to a spectacular 500-seat 4-D theatre presentation of "Who is God?".

## **Ten Plagues Ride**

The Ten Plagues Ride is designed to be an introduction to the birth of the Hebrew nation. Starting with a pre-show, the story begins following the worldwide flood and introduces the life and time of Abram as he moves his family from Ur to Canaan, concluding with the formation of the Hebrew nation through the descendants of Abraham and the life of Moses.

The Ten Plagues Ride will take guests on a floating journey down the River Nile, winding through scenes from Old Testament history—as Moses tells Pharaoh to "let my people go", special effects depicting the "Ten Plagues" in a fun way help make the story memorable, ending in the parting of the Red Sea. The exit will feature a special exhibit on the Tabernacle.

## **Performing Arts Theater**

The Performing Arts Theater will be a full, fly-loft theater and will seat 850 guests. The theater will accommodate live biblically based plays and musicals and film-based shows.

## **First Century Village**

This exhibit area will provide guests with the opportunity to experience a typical village that would have been found in the north Galilee area of Israel, where Jesus conducted most of his ministry. It will be complete with costumed villagers of the period, houses, a synagogue, a sheepfold, an olive press building, watchtowers, terraced farming, and a first century dining facility where guests can reserve seats for a special first century meal. The experience will culminate with a visit to the first century theatre where live actors and videos summarize all that guests have seen (or will see) at the Ark Encounter.

## **Special Events Area**

The Special Events area will feature a special exhibit building that will accommodate traveling exhibits and special limited engagement presentations. The outdoor area will allow for numerous opportunities to showcase seasonal festivals, serve as a venue for large private gatherings and educational classes, and provide corporations and other business entities with an area away from the main guest area. This area will seasonally showcase some of the Leaders in Energy and Engineering Design (LEED) building techniques used to build the Ark Encounter complex. These techniques will feature LEED standards in the use of wind and solar power, renewable energy sources and preservation of the land. This area will also showcase corporate sponsors and will attract many educational groups who come to see the green technology.

## **Amphitheater Area**

The Amphitheater will be an outdoor performance space, seating up to 3,500 guests on raked seating, with the first third being covered. It will have a large stage, green room, and be capable of accommodating live performances and musical groups, and will be used for production shows, concerts, corporate outings and special events.

## **Summary of Development Phases**

The Ark Encounter will operate 12 months a year, and is expected to initially employ approximately 480 people, both full-time and part-time. Future components of the development are expected to be built as revenues are available, commencing in the third year of operation and continuing through the tenth year of operations at which time considerations will be given to the next major expansion of the facility. The construction of these future phases may be accelerated if cash flows exceed projections and/or if additional debt is available.

## **SCOPE OF SERVICES**

This Ark Encounter Feasibility Report represents a compilation of efforts from multiple sources, vendors and industry experts with extensive experience in the travel and tourism leisure market space. The core projections in this report are driven from the professional feasibility study conducted by Britt Beemer, Chairman/CEO of America's Research Group (ARG).

Cary Summers, president of the Nehemiah Group, worked with the management of AiG, and the Creation Museum along with industry contractors and developers to prepare a financial operating plan based upon ARG's attendance projections. The Nehemiah Group is a consulting firm that has specialized in religious and biblically-sourced attractions around the world since 1998. Mr. Summers and his team prepared the financial projections related to the Ark Encounter and future phases of the Ark Encounter set forth herein.

H<sup>2</sup>R Market Research has previously conducted primary market research for the Creation Museum, the State of Kentucky's Department of Travel and Cincinnati USA RTN (Regional Tourism Network), the official leisure travel bureau of the region, comprising of 15 counties in Ohio, Kentucky and Indiana. H<sup>2</sup>R was commissioned to produce this seamless and cohesive Feasibility Report from the ARG Feasibility Study and resulting financial documents prepared by the Nehemiah Group.

## **BIOGRAPHIES**

### **America's Research Group (ARG), C. Britt Beemer; Chairman, CEO & Founder**

- Britt Beemer, founder and chairman of America's Research Group and ARGconsumer.com.
- Recognized nationally as a premier marketing strategist, Britt Beemer has gained wide acclaim for his work on how, when and why consumers select their products and services. His client list encompasses many industries, including home furnishings, appliances and electronics, financial services, specialty and mass retailing, healthcare provider institutions, manufacturers and others.
- Mr. Beemer has spoken on numerous programs for major industry and trade groups and continues to lecture in seminars and workshops. America's Research Group conducts annual client conferences designed to update its customers on emerging consumer trends. His knowledge of consumer preferences increases monthly as ARG conducts thousands of additional shopper interviews.
- His work has been cited in the media including *The Wall Street Journal*, *The New York Times*, *Investor's Business Daily*, *CNN Business Day*, *Nightly Business Report* and many others. In addition, Mr. Beemer's work has provided the basis for major articles reporting national studies in industry publications such as *Best's Review*, *Supermarket News*, *Chain Store Age Executive*, *Sporting Goods Dealer* and *Automotive News*. He is the author of *Predatory Marketing*, a book on strategic marketing and *It Takes a Prophet to Make a Profit*, about emerging trends of the millennium. His newest book, *The Customer Rules*, on how to grow a business through unsurpassed customer services, was published in 2008 by McGraw Hill.
- Britt Beemer's expertise covers each phase of survey research including questionnaire design, sample construction and data analysis, but especially interpretation. He serves as the senior director of research at America's Research Group, where he personally reviews all research and prepares and presents each strategic marketing plan.

### **Nehemiah Group, Cary Summers, President & Founder**

- Cary Summers formed the Nehemiah Group to provide various investments and consulting services through a composition of companies that has a primary focus on tourism and thematic attraction.
- The company was formed in 1998 by Mr. Summers after he retired from the Herschend Family Entertainment Inc. (HFE) after serving several years as President and CEO. At the time of Mr. Summer's leadership, HFE owned or operated 14 different attractions located in 4 states including such well known properties as Dollywood, Silver Dollar City, White Water, Stone Mountain Park, The Grand Village, and The Grand Palace Theatre.
- The Nehemiah Group. Inc. was created to provide various investments and consulting services through the formation of the Churchill Coffee Company, Treasures of the Holy Land, Adventure, Legacy and Legends and Nehemiah Group Consulting.
- Nehemiah Group Consulting provides services to both the non-for-profit and for-profit segments involved in thematic projects primarily that are focused upon Biblical related presentation.

- Mr. Summers and Nehemiah Group Consulting have worked with the Nazareth Village, a recreation of the full-scale first century village where Jesus was raised, located in Nazareth, Israel. Work with the Nazareth Village involved development of the concept, the construction and operation oversight of Nazareth Village. Mr. Summers has served as CEO of Nazareth Village since 1998.
- Additional work by Nehemiah Group includes the work for Passages, the largest traveling exhibit of Biblical artifacts ever to tour the USA, currently in Colorado Springs, Colorado. The Nehemiah Group, in conjunction with Hobby Lobby, constructed and operated the exhibit in its initial tours. Mr. Summers serves as COO for the Museum of the Bible which includes traveling exhibits domestically and overseas. The Passages collection also includes the Greens Scholars Initiative, Bible curriculum for public schools, permanent museums and the Green Collection, the largest privately held collection of ancient manuscripts, printed Bibles and other Biblical artifacts in the world.

### **H<sup>2</sup>R Market Research, Jerry Henry, President & CEO**

- H<sup>2</sup>R Market Research is an award-winning research consulting firm that serves multiple industries including quick service restaurants, packaged foods, healthcare and others. However, its primary area of focus is the travel and tourism industry.
- Founded in 2001, the H<sup>2</sup>R Market Research team is comprised of nearly 30 employees including consumer insight analysts, focus group moderators, programmers, statisticians and professional surveyors from a variety of marketing and research backgrounds.
- H<sup>2</sup>R's collective areas of expertise include quantitative analysis, focus group moderation, advanced statistical analysis, questionnaire development and fieldwork across multiple data collection methodologies and more.
- Jerry Henry is the President and CEO of H<sup>2</sup>R Market Research. He is a visionary executive & collaborative thought partner with nearly 30 years of experience leading high impact teams in Consumer Insights and Marketing Research. He has proven experience across a wide variety of methodological disciplines including a full range of qualitative and quantitative services.
- While Jerry's experience spans numerous industries and best-in-class brands, he is particularly skilled in the area of travel, tourism and leisure where he has spent much of his career working with best-in-class tourism and retail brands as well as numerous state travel offices and destination marketing organizations.
- Jerry annually authors the Outlook Forum's Outlook on the Attractions Industry white paper; he is a former recipient of the TTRA's J. Desmond Slattery Award Professional Marketing Award.

## **MAJOR ASSUMPTIONS**

### **Major assumptions in the financial projections based on the feasibility study's conclusions**

- 1.2 million first-year attendance scenario followed by annual attendance increases and increases in net revenue from admissions, food and beverage and retail sales.
- Future phases funded through excess cash flow.
- Management and staff will be comprised of experienced professionals.
- Government rules and regulations are all identified and understood and will not change.
- No adverse economic downturns beyond the norm.
- Professional accounting systems in place and will be used.
- Ongoing maintenance will be conducted regularly.
- The Ark Encounter will be marketed in a professional manner by experts in this market space.
- Ark constructed in a professional and appealing manner as described.

### **Risks related to the Ark Encounter**

- Neither Ark Encounter LLC nor Crosswater Canyon Inc. (collectively the "Company") have any operating history upon which you may evaluate, and we cannot assure you that the Company will achieve market acceptance.
- The Company may have negative cash flow until the launch of the Ark Encounter.
- The Company may never reach positive cash flow.
- The Company may not be able to find and retain qualified and competent staff.
- The Company may be subject to liability if it fails to comply with applicable US, state and local regulatory requirements, and there is uncertainty regarding these requirements.
- Adverse weather conditions can seriously impact attendance at the Ark.
- There are logistical and geographic barriers which the Company must overcome for the Ark to succeed. The location of the Ark is a critical factor for success.
- A recession or other economic downturn could seriously affect the Company's chances of success.
- There is no assurance that the market and research findings of the Ark Feasibility Study will be reliable in the economic and market conditions of the future.
- The Company's operations may diverge from its current business plan.

### **Risks related to our Industry**

- Competition from other themed attractions may adversely affect attendance at the Ark.
- The Company may not be able to attract a sufficient number of visitors, or even if it does, the Company may not be able to maintain visitor interest.
- There is no existing, announced or, to the knowledge of the Company, any planned themed attraction of similar nature of the Ark Encounter except for an ark concept in Rotterdam, Netherlands and one in Hong Kong, China, both of which are much different in concept but do involve an ark structure.

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**ARK**  
ENCOUNTER

# **REGIONAL CHARACTERISTICS**

Section 2

## REGIONAL CHARACTERISTICS

### INTRODUCTION

While the Ark Encounter will be a destination experience that will attract visitors from around the country and across the globe—like most other large scale leisure attractions—it will also need to pay attention to its Core Market in the Cincinnati DMA (Designated Market Area, or DMA, is a concept introduced by Nielsen Media Research to define 210 non-overlapping geographical areas in the US).

The Core Market is important because residents live in the area 365 days a year, host out-of-town visitors on a regular basis, account for a significant portion of an attraction’s annual repeat business and provide an excellent source of word of mouth marketing. And, in the modern era, positive brand advocacy coupled with social media broadcasts may actually offer greater value in the lifetime value equation than their actual visits. The Core Market is imperative to understand and dissect because lacking the knowledge of the Core Market will hinder the growth of the Ark Encounter.

### DEMOGRAPHIC AND ECONOMIC TRENDS

The demographic and economic data in the following table is provided by Moody’s Analytics<sup>1</sup>. It explores the overarching demographic and economic trends of the Greater Cincinnati/Northern Kentucky area. This data succinctly summarizes employment growth, key economic performance indicators, strengths and weaknesses, current employment trends and provides an overarching analysis for the Cincinnati area.

Cincinnati, OH Demographic and Economic Indicators												
2006	2007	2008	2009	2010	2011	2012	Indicators	2013p	2014p	2015p	2016p	2017p
83.8	84.8	83.8	80.0	81.7	84.0	85.9	<b>Gross metro product (C\$B)</b>	86.5	88.5	91.9	94.2	96.4
-0.6	1.2	-1.2	-4.5	2.1	2.7	2.3	<b>% change</b>	0.8	2.2	3.8	2.6	2.3
1,037.3	1,047.2	1,043.3	992.4	980.9	990.0	1,002.2	<b>Total employment (000)</b>	1,008.2	1,023.0	1,051.5	1,078.3	1,092.8
0.3	1.0	-0.4	-4.9	-1.2	0.9	1.2	<b>% change</b>	0.6	1.5	2.8	2.5	1.4
5.2	5.0	5.9	9.3	9.6	8.6	7.1	<b>Unemployment rate</b>	7.3	7.2	6.4	5.8	5.5
5.7	3.1	3.6	-4.1	2.5	4.9	3.1	<b>Personal income growth</b>	1.9	4.4	6.0	5.6	4.3
2,085.6	2,099.9	2,110.9	2,123.4	2,132.4	2,137.8	2,144.2	<b>Population (000)</b>	2,155.3	2,167.1	2,179.6	2,192.9	2,206.5
7,436	5,289	3,290	3,109	2,824	2,521	2,641	<b>Single-family permits</b>	3,628	7,225	10,502	10,346	8,891
2,011	1,595	710	406	382	848	963	<b>Multifamily permits</b>	1,245	1,504	1,770	1,618	1,354
142.7	140.2	129.9	122.9	127.4	121.6	126.8	<b>Existing-home price (\$ths)</b>	134.7	139.8	145.1	149.8	154.2
12,231	11,199	8,853	14,845	12,978	9,844	9,392	<b>Mortgage originations (\$mil)</b>	8,555	5,432	5,578	5,400	6,447
-2.0	-9.7	-0.6	1.2	-1.4	-3.9	-2.7	<b>Net migration (000)</b>	1.6	1.8	2.2	3.1	3.6
6,180	8,558	10,216	12,409	12,744	11,186	9,751	<b>Personal bankruptcies</b>	8,719	8,058	7,762	8,019	8,624

*Source: Moody's Analytics*

In addition to the trends show above, employment in the Cincinnati metro area is projected to grow in future years, creating a growth in personal income. The workforce in the metro area is highly educated with an increase in in-migration projected to the Cincinnati area. Comparative to the rest of the US, the metro area has moderate household incomes and above average high-paying business service jobs. The housing market in the metro area has slowly recovered from the housing bubble that began the recession and has seen less fluctuations than the US overall.

\*Demographic data in detail is provided for the Core Market in the appendix (pp. 63-65)

**CORE AND REGIONAL MARKET DEMOGRAPHICS**

**Population & Household Base**

The tables below illustrate the population and household growth trends for the 0-75 mile Core Market around Williamstown, KY. For the purpose of this analysis the Core Market is defined as those living within a 0-75 mile radius of Williamstown, KY including the cities of both Cincinnati, OH and Lexington, KY. The Regional Market is defined as the remainder of a 0-250 mile radius, specifically 76-250 miles. The following data of the Core Market demographics is provided by EASI Demographics<sup>2</sup>.

Historical data is from the US Census Bureau<sup>3</sup> and reported by EASI Demographics<sup>2</sup> software. Data for 2000 and 2010 are actual projections from the US Census Bureau<sup>3</sup>, while estimates for 2012 and 2017 were projected by EASI Demographics<sup>2</sup>, a national econometric forecasting firm. The following are key points from H<sup>2</sup>R Market Research’s analysis of population and household growth trends.

**Population**

- These results indicate that the Core Market had 4,592,586 residents in 2012, up 8.1% from 4,208,953 in 2000. Comparatively, the Regional Market had 24,745,964 total residents in 2012 compared to 23,236,148 in 2000, an increase of 5.9%.
- Projections indicate the Core Market’s population is expected to increase by 2.8% by 2017 to a total of 4,721,939 residents. Meanwhile, the Regional Market is projected to increase by 2% by 2017 to a total of 25,234,396 residents. Overall, the combined market area (0-250 miles) is expected to increase from 29,338,550 in 2012 to a total of 29,956,335 by 2017, a projected increase of 617,785 residents.

Regional Market Population Growth Trends, 2000-2017								
Williamstown, KY Primary Market Area								
Combined Market (0-250 miles)	U.S. Census		Est. 2012	Forecast 2017	2000 to 2010		2012 to 2017	
	2000	2010			Number	Percent	Number	Percent
Core Market, 0-75 miles	4,208,953	4,551,772	4,592,586	4,721,939	342,819	8.1%	129,353	2.8%
Regional Market, 76-250 miles	23,236,148	24,598,317	24,745,964	25,234,396	1,362,169	5.9%	488,432	2.0%
<b>Total Market</b>	<b>27,445,101</b>	<b>29,150,089</b>	<b>29,338,550</b>	<b>29,956,335</b>	<b>1,704,988</b>	<b>6.2%</b>	<b>617,785</b>	<b>2.1%</b>

*Source: Easidemographics.com, The Right Site*

## Households

- In 2012, the Core Market had an estimated 1,813,838 households while the combined 0-250 mile resident market had an estimated 11,591,540 total households. In the Core Market, the number of households increased 8.9% between 2000 and 2010, while the combined market overall increased 7.2% to 11,537,569 households in 2010.
- The Regional Market had 9,736,811 households in 2010 and an estimated 9,777,702 households in 2012. By 2017, the Regional Market is expected to increase to 10,137,479, a 3.7% increase.
- EASI Demographics<sup>2</sup> projections indicate that the Core Market is expected to increase by another 74,273 households to a total of 1,888,111 by 2017. Overall, the combined market is expected to increase 3.7% to a total of 12,025,590 households by 2017.

Regional Market Household Growth Trends, 2000-2017								
Williamstown, KY Primary Market Area								
Combined Market (0-250 miles)	U.S. Census		Est. 2012	Forecast 2017	2000 to 2010		2012 to 2017	
	2000	2010			Number	Percent	Number	Percent
Core Market, 0-75 miles	1,653,713	1,800,758	1,813,838	1,888,111	147,045	8.9%	74,273	4.1%
Regional Market, 76-250 miles	9,105,431	9,736,811	9,777,702	10,137,479	631,380	6.9%	359,777	3.7%
<b>Total Market</b>	<b>10,759,144</b>	<b>11,537,569</b>	<b>11,591,540</b>	<b>12,025,590</b>	<b>778,425</b>	<b>7.2%</b>	<b>434,050</b>	<b>3.7%</b>

Source: Easidemographics.com, The Right Site

## Household Income

The following table contains household income data for the Core Market and the Regional Market, including both the median and average household incomes and the percentage of households with incomes of \$100,000 or greater.

- In 2012, the median household income for the Core Market was estimated at \$55,212, with an average of \$71,672. This is slightly higher than that of the Regional Market which has a median household income of \$48,719 and an average of \$64,184. The overall the combined market has a median income estimated at \$49,735, with an average household income of \$65,356.
- In 2012, roughly 22.2% of the households in the Core Market had incomes of more than \$100,000, which is on par with the US average (24.5%). For the combined market as a whole, an estimated 18.4% of the household base earned more than \$100,000 last year.

Estimated Household Income, 2012			
Williamstown, KY Primary Market Area			
Combined Market (0-250 miles)	Median Income	Average Income	% Over \$100k
Core Market, 0-75 miles	\$ 55,212	\$ 71,672	22.2%
Regional Market, 76-250 miles	\$ 48,719	\$ 64,184	17.7%
<b>Total Market</b>	<b>\$ 49,735</b>	<b>\$ 65,356</b>	<b>18.4%</b>

Source: Easidemographics.com, The Right Site

## Consumer Spending

The table below illustrates the estimated spending on entertainment, fees and admissions within the Core Market and the Regional Market. The table also shows per capita spending averages by household. The following are key points from H<sup>2</sup>R Market Research's analysis of the expenditures data.

- Core Market households spent a total of just over \$4.9 billion on entertainment, fees and admissions in 2011, which equates to \$2,726 per household.
- Regional Market households spent nearly \$26.2 billion overall on entertainment, fees and admissions in 2011 which equates to \$2,679 per household.
- Overall, the average household in the combined market spends \$2,686 annually on entertainment, fees and admissions. This is on par with the average US household (\$2,742).

<b>Estimated Entertainment &amp; Fees/Admissions Spending, 2011</b> Williamstown, KY Primary Market Area		
<b>Combined Market (0-250 miles)</b>	<b>Total Spending (\$000s)</b>	<b>Per Household</b>
Core Market, 0-75 miles	\$ 4,945,150.0	\$ 2,726
Regional Market, 76-250 miles	\$ 26,194,618.0	\$ 2,679
<b>Total Market</b>	<b>\$ 31,139,768.0</b>	<b>\$ 2,686</b>

*Source: Easidemographics.com, The Right Site*

## Quality of Life Attributes

Quality of life issues such as average annual temperature and precipitation are relevant considerations for a year-round tourist attraction. As the data below indicates, the Core Market area has a comparatively temperate climate which is comparable to much of the rest of the United States making it an appropriate location for year-round operations. The table below illustrates the average annual temperatures, precipitation and other indices relating to weather and overall quality of life index scores.

<b>Quality of Life Metrics, 2012</b> Williamstown, KY Primary Market Area		
<b>Core Market (0-75)</b>	<b>Core Market</b>	<b>US Average</b>
Annual Maximum Average Temperature (Degrees)	65	64
Annual Minimum Average Temperature (Degrees)	45	43
Annual Average Temperature (Degrees)	54.7	53.5
Percent of Possible Sunshine:	55%	54%
Annual Average Precipitation (Total Inches)	44	42
Average Annual Snowfall (Total Inches)	18	28
Weather Index	80	73
<b>Quality of Life Index</b>	<b>98</b>	<b>93</b>

*Source: Easidemographics.com, The Right Site*

## School-Aged Children

Because school field trips are a relevant target market for the Ark Encounter, analysis of school-aged children is included. The table below illustrates the number of school-aged children living within the Core Market and the Regional Market, with special attention being paid to the number from Grades 5-12, and College undergraduate students.

- The Core Market had 1,246,092 students' ages 3 years or over in 2012 enrolled in schools, 82% of which were enrolled in public schools. The number registered in Grades 5 through college undergraduates totaled 776,459, which represents 17.6% of the total population over the age of 3.
- There are another 6,476,347 students in the Regional Market, which 85% are enrolled in public school systems. Of this number, 4,171,124 students are enrolled in grades 5 through college undergrad which accounts for 17.5% of the population.
- Altogether, the combined market has 7,722,439 students of which 4,947,583 are enrolled in grades 5 through college undergraduate studies. Therefore, 17.5% of the population is comprised of students, on par with the US average (17.8%).

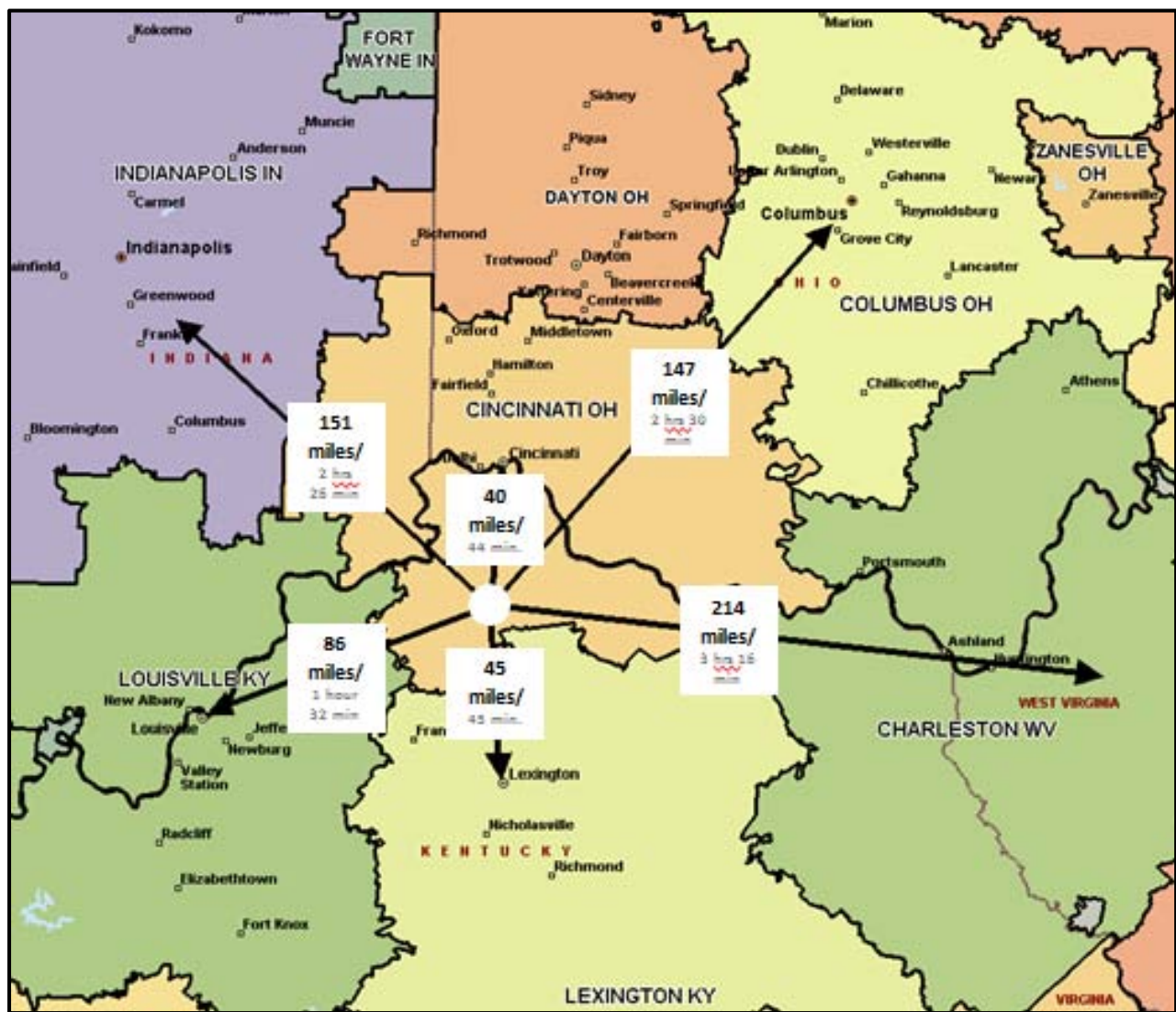
<b>Estimated Population of School Aged Children, 2012</b>			
<b>Williamstown, KY Primary Market Area</b>			
<b>Combined Market (0-250 miles)</b>	<b>Core Market 0-75 mi.</b>	<b>Regional Market 76-250 mi.</b>	<b>Total Market</b>
Enrolled in Public School	1,019,636	5,475,255	6,494,891
Enrolled in Private School	226,456	1,001,092	1,227,548
Preprimary	73,141	363,508	436,649
Kindergarten	63,566	334,816	398,382
Grades 1-4	268,319	1,317,031	1,585,350
Grades 5-8	251,230	1,322,843	1,574,073
Grades 9-12	260,283	1,384,168	1,644,451
Undergraduate College	264,946	1,464,113	1,729,059
Graduate/Professional	64,607	289,868	354,475
Not Enrolled in School	3,168,081	17,351,575	20,519,656
<b>Total Population Aged 3 or Over</b>	<b>4,414,173</b>	<b>23,827,922</b>	<b>28,242,095</b>
<b>Total grades 5 through Undergrad</b>	<b>776,459</b>	<b>4,171,124</b>	<b>4,947,583</b>
<b>% of Total Population</b>	<b>17.6%</b>	<b>17.5%</b>	<b>17.5%</b>

*Source: Easidemographics.com, The Right Site*

## Transportation

The proposed site for the Ark Encounter is just off Interstate 75 in Williamstown, KY, which is nearly equidistant between Cincinnati, OH (40 mi. north) and Lexington, KY (45 mi. south) and within the “golden triangle” of Cincinnati, Lexington and Louisville, KY. Cincinnati is a regional market hub where 3 Interstates (I-75, I-71, and I-74) merge, while Lexington is at the crossroads of I-64 and I-75. The Ark Encounter lies 100 miles northeast of Louisville.

Other key markets include Dayton, OH, Columbus, OH and Indianapolis, IN. Dayton, the nearest additional market, lies northeast of the Ark Encounter, approximately 95 miles on I-75. Columbus lies 150 miles from the Ark Encounter, northeast of Cincinnati on I-71. Indianapolis connects with Cincinnati via I-74 and lies to the northwest of the Ark Encounter approx. 150 miles. More than 8.5 million people reside in the six DMA’s, comprising the primary designated market areas for the Ark Encounter.



According to the Kentucky Department of Transportation<sup>4</sup>, current traffic counts on I-75 average approximately 47,700 vehicles per day. The Ark Encounter will be highly visible from the Interstate and easily accessible for persons visiting the Ark Encounter or any future phases of the Ark Encounter.

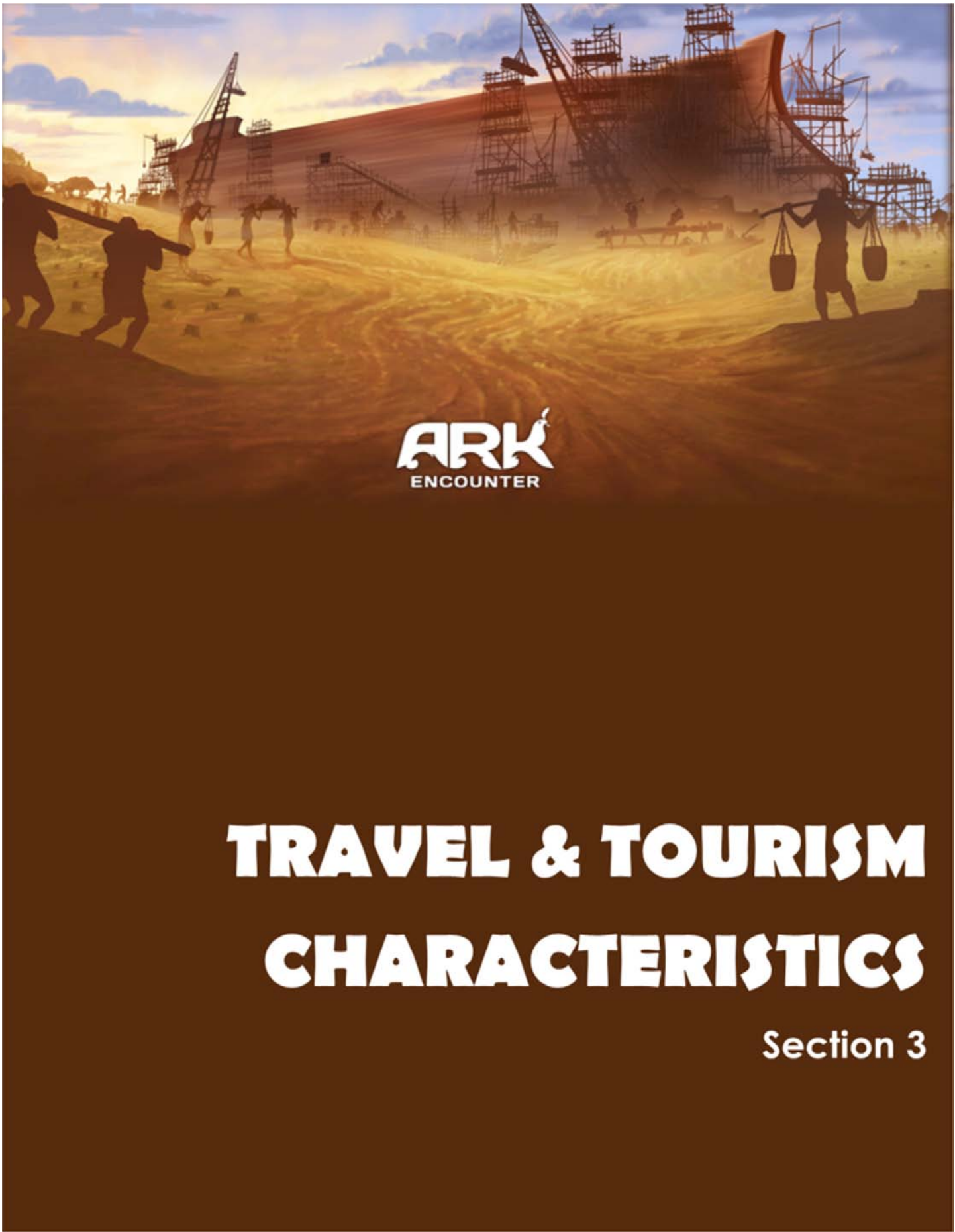
Additionally, there are two major airports located within 50 miles of the Ark Encounter location, the Cincinnati-Northern Kentucky International Airport and Bluegrass Airport in Lexington. The Cincinnati-Northern Kentucky International Airport had 2.9 million enplanements in 2012, which represented a 14% decrease compared to the 3.4 million generated in 2011. The Bluegrass Airport in Lexington generated 535,000 enplanements in 2012, which represented a 0.3% increase over the 533,000 generated in 2011. The table below provides a concise history of enplanements at area airports<sup>4</sup>.

<b>Enplanements at Area Airports, 2012 vs. 2011</b>					
<b>State</b>	<b>Location ID</b>	<b>Airport Name</b>	<b>2012 Enplanements</b>	<b>2011 Enplanements</b>	<b>% Change</b>
IN	IND	Indianapolis International	3,585,246	3,670,396	-2.3%
OH	CMH	Port Columbus International	3,095,360	3,134,379	-1.2%
KY	CVG	Cincinnati/Northern Kentucky International	2,927,218	3,422,466	-14.5%
KY	SDF	Louisville International-Standiford Field	1,642,697	1,650,707	-0.5%
OH	DAY	James M Cox Dayton International	1,288,541	1,247,333	3.3%
KY	LEX	Blue Grass - Lexington	535,347	533,952	0.3%

*Federal Aviation Statistics, 2013*

**SYNOPSIS**

The Ark Encounter is strategically located just a short drive away from two of the region’s largest tourism destinations (Cincinnati and Lexington) and is located on one of the nation’s most travelled north-south highways. And, while the Ark Encounter certainly intends to optimize its intercept marketing programs and capture as many regional travelers as possible, primary visitation will be derived from destination visitors who are visiting the area primarily to experience the Ark Encounter itself and is discussed in the next section. That is, the intent is for the Ark Encounter to bring in its own attendance to Northern Kentucky rather than trying to siphon off what visitation is already in the area. Hence, the intent is to greatly increase the size of the pie in Northern Kentucky rather than simply trying to get a larger slice of the pie that is already there.



**ARK**  
ENCOUNTER

# **TRAVEL & TOURISM CHARACTERISTICS**

Section 3

# TRAVEL AND TOURISM CHARACTERISTICS

## INTRODUCTION

While the Core Market is important to the Ark Encounter because of its inherent proximity to the site and the need for positive brand advocacy, it is travelers from beyond 75 miles who are expected to be the primary drivers of visitation to the Ark Encounter as it is for the Creation Museum.

The US travel industry generated \$2.0 trillion of economic output in 2012. This included \$855.4 billion in direct travel expenditures that spurred an additional \$1.1 trillion in other industries. This level of economic activity supports 14.6 million American jobs, \$200.9 billion in wages and produces \$128.8 billion in tax revenue for federal, state and local governments. Overall, 2.8% of the nation's total gross domestic product (GDP) is attributed to travel and tourism<sup>5</sup>.

In 2012, Americans took more than 2 billion person-trips for business and leisure purposes and the US hosted 66.6 million international arrivals, including 29.6 million from overseas markets. The US Travel Association projects that total person-trips will increase by another 1.3% and that total travel expenditures will grow by 3.9% in 2013. Direct spending by resident and international travelers in the US averaged \$2.3 billion a day, \$97.7 million an hour, \$1.6 million a minute and \$27,125 a second<sup>6</sup>.

In addition to a strong overall travel industry, two of the fastest growing segments in the travel industry are the cultural-heritage and religious travelers segments. The two segments have a significant crossover in travelers. The cultural-heritage traveler is made up of 78% leisure travelers or 118.3 million adults in the US. This group tends to skew slightly older, is more educated, and have a higher household income than that of the general traveler. The cultural-heritage segment is highly sought after due to the frequency of travel and level of expenditures. It is estimated that this segment provides a \$192 billion impact to the US economy annually<sup>7</sup>.

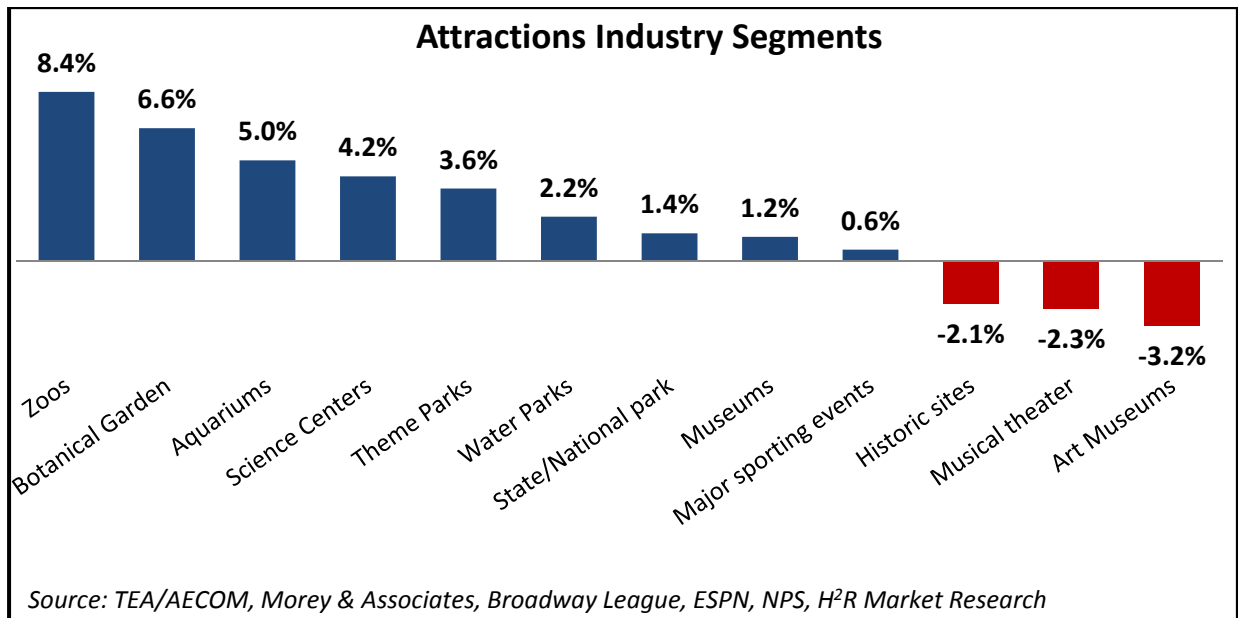
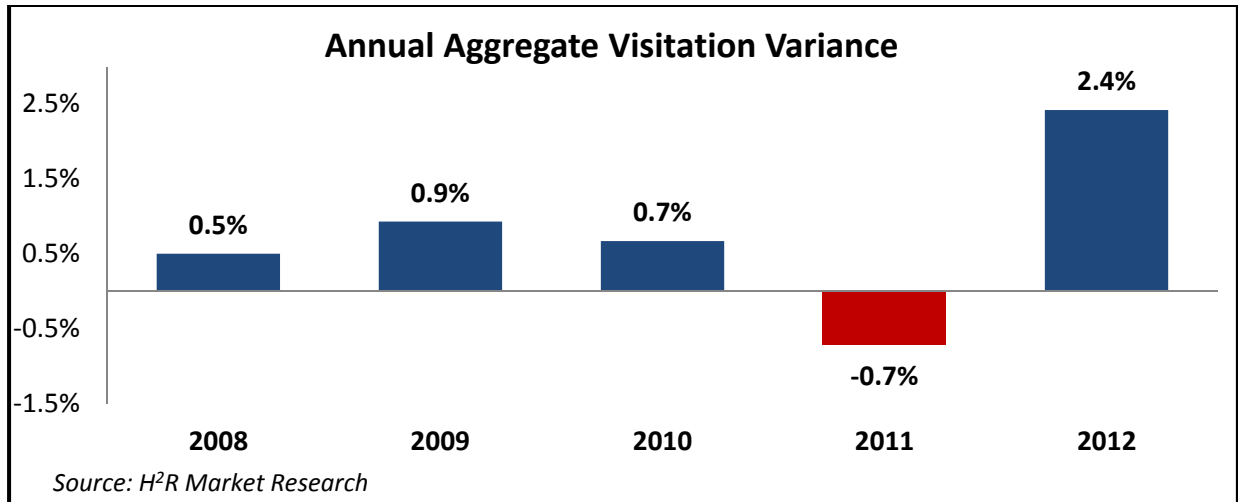
The profile of the religious traveler is similar to that of the cultural-heritage travel. Religious conventions and meetings have increased from 4.4 million attendees in 1994 to 14.7 million in 2006. The Travel Industry Association of America estimates that religious travel has a direct expenditure of \$18 billion annually. In addition, 25% of all travelers incorporate a religious piece in their trip<sup>7</sup>.

## LEISURE TRAVEL PERFORMANCE

More than three out of four domestic trips (77%) are taken for leisure purposes. In 2012, this translated to more than 1.6 billion person-trips that were taken for leisure purposes and \$597 billion in direct spending. While leisure travel person-trips decreased in both 2008 and 2009, growth returned in 2010 and leisure travel has slowly been recovering ever since. The US Travel Association expects annual growth to resume a normal 2% growth rate per year beginning in 2014<sup>6</sup>.

**ATTRACTIONS INDUSTRY PERFORMANCE**

One of the primary reasons people travel for leisure is to visit attractions and activities. In recent years, attractions such as zoos, botanical gardens, aquariums and science centers in large urban destinations have tended to perform better than attractions in regional or nationwide destinations. But, after posting net growth in aggregate visitation of only 1.4% from 2008-2011, the attraction’s industry slowly began returning to normal in 2012 with an aggregate increase of 2.4%<sup>8</sup>.



Growth is expected to reach these levels or higher in 2013 and 2014 as travelers begin to resume more historically normal travel patterns<sup>9</sup>.

According to Morey & Associates, a research and insights company that specializes in cultural attractions, cultural attraction attendance and general admission attendance in 2012 both grew for the first time in two years. Total attendance increased by 4.6%; general admission attendance increased by 5.5%. By comparison, cultural attraction attendance has increased by an average of 1.7% per year over the past decade<sup>10</sup>.

Historical Attendance 2012 Cultural Attraction Trend Report			Admission Prices, 2003-2012 2012 Cultural Attraction Trend Report		
	Total Attendance	GA Attendance		Adult Admission	Child Admission
2003	1.6%	6.8%	2003	5.9%	5.6%
2004	2.7%	3.0%	2004	5.1%	6.6%
2005	0.7%	0.3%	2005	5.7%	7.2%
2006	1.2%	1.7%	2006	6.6%	9.1%
2007	4.5%	3.5%	2007	4.4%	6.3%
2008	1.1%	-1.7%	2008	6.6%	5.3%
2009	2.1%	2.8%	2009	5.9%	6.4%
2010	-0.6%	-1.2%	2010	4.8%	4.9%
2011	-1.2%	0.1%	2011	4.7%	5.1%
2012	4.6%	5.5%	2012	4.7%	3.6%
<b>10-year mean</b>	<b>1.7%</b>	<b>2.1%</b>	<b>10-year mean</b>	<b>5.4%</b>	<b>6.0%</b>
<i>Source: Morey Group, 2013</i>			<i>Source: Morey Group, 2013</i>		

The increase in attendance was driven in large part by larger organizations with attendance of 1 million or more. These attractions generated average total attendance gains of 6.7% and general admission attendance increases of 8.3%<sup>10</sup>.

Similar to attendance increases, admission prices increased by 5% in 2012. Aquariums had the highest average adult admission price at \$20.87. And, overall, child admission prices averaged 68% of the average adult admission price<sup>10</sup>.

### **TRENDS SHAPING THE ATTRACTIONS INDUSTRY**

While it is a positive sign to see growth returning to the attractions industry, as mentioned in the introduction, this does not come without a fair amount of trepidation. That is, while growth is returning to normal, little else seems very normal at all. The entire attractions industry, like most consumer industries today, is undergoing a wave of change driven by consumer needs and wants. These changes are occurring in both customer-facing activities and in the background involving activities and approaches that the visitor is not necessarily directly aware of<sup>11</sup>.

## Customer-Front Trends

### Experiential Design

Experiential design is the practice of designing experiences and environments with a focus placed on the quality of the user experience and culturally relevant solutions. This emerging discipline is driven by the consideration of moments of consumer engagement or touch points between visitors and ideas/emotions/memories that these moments create. Experiential design is changing the way that museums, zoos, aquariums, etc. are creating or recreating their environments—and are opening these kinds of experiences up to broader target audiences. This type of transformation is blurring the lines between the many different types of attraction experiences. Museums are adding themed dining experiences, zoos are adding rides & water features, theme parks are adding animals, and in Asia new “integrated resorts” are redefining traditional attraction elements by combining a variety of attractions such as gaming, dining, attractions all into a new kind of mega-experience that may soon spread to Europe and North America<sup>11</sup>.

### Universal Design

Another trend occurring across the industry is a greater use of universal design. Universal design refers to a broad spectrum of ideas intended to produce environments that are accessible to older people as well as people with and without disabilities. The idea is to design experiences that can be enjoyed by everyone. And, as the world ages and the ratio of families with children declines, it’s a practice that an increasing number of attractions have recognized as necessary for their long-term success<sup>11</sup>.

### Enhanced VIP Experiences

Attractions are also beginning to embrace and an increasing number of visitors are beginning to seek out enhanced VIP experiences. These are special experiences that provide guests with inside access, convenience, and/or pampering of some kind for an additional fee that can sometimes be quite steep. But as employment security returns and high-income travelers venture out in greater numbers, the demand for VIP experiences continues to grow. It is estimated that 23% of attraction visitors have purchased some type of VIP experience at an attraction in the past<sup>11</sup>.

However, a recent study that was researched by H<sup>2</sup>R Market Research and published by PGAV pointed out that while VIP experiences are growing, the emotional drivers behind these purchases are much different than they were prior to the most recent recession. Today the motivation to pay for an upgraded experience has more to do with convenience and enjoying family moments together than they are about the desire to reward or treat oneself. Regardless the motivation, however, the opportunities are popping up everywhere<sup>11</sup>.

## US TRAVEL FORECAST

Looking forward, the economy (as measured by forecasted GDP), unemployment rates and total person-trips all look more positive than the US has seen in several years. Real gross domestic product is projected to grow by 5.1% per year from 2014 through 2016 which would represent a 20.6% increase over 2012 levels. US unemployment is expected to fall from 8.1% in 2012 to 6.0% by 2016. And, total leisure person-trips are forecast to increase by 6.9% by 2016 representing a 108.8 million person-trip increase over 2012 levels<sup>6</sup>.

USTA History/Forecast of Travel & Tourism									
Year	2008	2009	2010	2011	2012p	2013f	2014f	2015f	2016f
<b>Measurement</b>									
Real GDP (\$ Billions)	\$13,161.9	\$12,757.9	\$13,063.0	\$13,299.1	\$13,593.2	\$14,123.3	\$14,837.7	\$15,597.1	\$16,390.8
Unemployment Rate (%)	5.8%	9.3%	9.6%	8.9%	8.1%	7.8%	7.6%	6.9%	6.0%
Consumer Price Index (CPI)	215.3	214.6	218.1	224.9	229.6	234	238.8	243.9	248.4
Travel Price Index (TPI)	257.7	241.5	250.7	266.9	273	278.5	286	294.5	303.5
Total Travel Expenditures in U.S. (\$ Billions)	\$ 772.5	\$ 699.8	\$ 747.4	\$ 812.7	\$ 855.4	\$ 889.1	\$ 928.1	\$ 972.5	\$ 1,016.3
U.S. Residents	\$ 662.1	\$ 605.6	\$ 643.9	\$ 696.5	\$ 726.9	\$ 753.1	\$ 782.2	\$ 816.5	\$ 849.7
International Visitors	\$ 110.4	\$ 94.2	\$ 103.5	\$ 116.1	\$ 128.6	\$ 136.0	\$ 145.9	\$ 156.0	\$ 166.6
Total International Visitors to the U.S. (Millions)	57.9	55.0	59.8	62.7	67	69.6	73.4	77.5	80.7
Overseas Arrivals in the U.S. (Millions)	25.3	23.8	26.4	27.9	29.8	31.0	32.8	35.0	36.7
Total Domestic Person-Trips (Millions)	1,964.9	1,900.1	1,963.7	1,997.5	2,030.3	2,057.4	2,094.9	2,132.6	2,160.6
Business/Convention/Seminar	461.1	437.7	449.5	453.9	459.0	464.5	469.9	475.7	480.5
Leisure	1,503.8	1,462.4	1,514.2	1,543.6	1,571.3	1,592.9	1,625.0	1,656.9	1,680.1

Source: Travel Forecast Model, U.S. Travel Association; BLS, Department of Labor; OTTI, BEA, Department of Commerce

## TRAVEL AND TOURISM IN THE GREATER CINCINNATI/NORTHERN KENTUCKY REGION

The travel and tourism industry is a strong economic driver for the Greater Cincinnati/Northern Kentucky area. More than just transportation and lodging, the industry generates visitor spending at restaurants, shops, attractions, parks and other venues. It creates and sustains jobs and generates tax revenue, all with a collaborate approach that helps to maximize effectiveness.

The region's tourism model is somewhat unique – with Convention & Visitors Bureaus (CVBs) in Cincinnati and Northern Kentucky focused on winning meetings and conventions and a separate Regional Tourism Network (RTN) focused on attracting leisure travelers. This model represents an example of successful regionalism, and it has demonstrated strong results year after year, driven by hospitality partners on both sides of the Ohio River.

The Cincinnati USA RTN – in partnership with the CVBs of Cincinnati and Northern Kentucky – commissioned a comprehensive Economic Impact Study to measure the influence of travel and tourism on the region – in terms of total output, employment, income and state and local tax revenues generated<sup>12</sup>. The Greater Cincinnati/Northern Kentucky region includes travel and tourism in 15 different counties which include: Ohio- Brown, Butler, Clermont, Hamilton, Warren; Kentucky- Boone, Bracken, Campbell, Gallatin, **Grant**, Kenton and Pendleton; and Indiana- Dearborn, Franklin and Ohio.

The study – the region’s first of its kind in more than a decade – revealed positive findings that reflect area development and a spirit of collaboration continues to establish Cincinnati USA as a world-class travel region.

#### **Key findings by the numbers:**

- \$4.1 billion: spending by visitors in Cincinnati USA in 2011, up 4.3% over 2010. Overall, including the multiplier effects of indirect (\$1.2 billion) and induced (\$2.0 billion) spending, total economic impact reaches nearly \$7.3 billion<sup>12</sup>.
- 22.7 million: visitors hosted by Cincinnati USA (15 counties across 3 states) in 2011, including both overnight and day person trips<sup>12</sup>.
- 85%: ratio of the region’s 2011 visitors came for leisure; about half of these visitors came to visit friends and relatives<sup>12</sup>.
- ½: ratio of 2011 overnight visitors to Cincinnati USA came from the Midwest. Another 27% came from Southern US Top states of origin are Ohio (32%), Kentucky (12%), Indiana (9%) and Michigan (7%)<sup>12</sup>.
- 94,000: number of jobs sustained by visitors to Cincinnati USA last year, generating total income of \$2.7 billion. Employment in tourism grew 2.3% in 2011<sup>12</sup>.
- 13.3% of total spending is for Recreation and Entertainment<sup>12</sup>.
- 1 in 10: ratio of all jobs in the region sustained by tourism<sup>12</sup>.

#### **Visitor Behavioral & Demographic Profile**

- Travelers from several key feeder markets that include Cleveland, Cincinnati, Columbus, Louisville, Detroit, Lexington, Dayton, Indianapolis, Chicago and Toledo fuel the region’s visitation and together, these 10 DMAs account for more than half (56%) of the Greater Cincinnati/Northern Kentucky region’s total visitation<sup>12</sup>.
- Most (67%) currently visit the area to visit with friends and relatives (which is also why penetrating the resident market is so important—residents bring out of town guests to see regional attractions). Other purposes for visiting the area include Special Events, Theme Parks and Sightseeing/Touring<sup>12</sup>.
- The Greater Cincinnati/ Northern Kentucky area is a rubber tire destination. More than four out of five visitors arrive via personal vehicle and another 12% arrive by air<sup>12</sup>.
- Hotels, motels and friends’/relatives’ homes account for the vast majority (88%) of overnight accommodations used by visitors and the average traveler spends 2.7 nights in the area as nearly 70% of overnight visitors stay more than 1 night<sup>12</sup>.
- The most popular activities participated in by travelers include shopping (29%), fine dining (18%) and museums (11%). Other popular activities include visiting theaters (6%), zoos (6%) and landmark/historic sites (6%)<sup>12</sup>.
- The average overnight visitor is 45 years of age with the majority (72%) falling into the 25-64 age range. Day-trippers have a similar age distribution, but are slightly older averaging 46 years of age. Nearly two-thirds (65%) of overnight travelers earn household incomes of more than \$50,000 per year—and 22% earn more than \$100,000 per year<sup>12</sup>.
- Two-thirds (67%) of visitors are married/living with partner, 24% are single and 9% are separated, divorced or widowed. Forty percent of visitors to the area have children in their party with fairly even

distributions between those children less than 6 years of age (20%), 6-12 years of age (17%) and teens aged 13-17 years (18%)<sup>12</sup>.

- More than half of visitors (62%) are college graduates or have post-graduate degrees and most (91%) are Caucasian<sup>13</sup>.



## SYNOPSIS

Cultural tourism is high in demand and the tourism and leisure industries have been growing in recent years following the recession. The overall tourism outlook is positive and especially so in the Greater Cincinnati/Northern Kentucky region. The Ark Encounter's effective introduction into the region's tourism network during this upswing in tourism activities will certainly benefit the Ark Encounter's development; the optimistic attitude toward travel in the region coupled with the desire for experiential driven attractions and increases in travel expenditures will aid the Ark Encounter while it strives to establish itself as a stand-alone destination.



**ARK**  
ENCOUNTER

# **COMPARABLE ATTRACTIONS**

Section 4

## COMPARABLE ATTRACTIONS

### INTRODUCTION

Part of the draw of the Ark Encounter is there is presently no comparable attraction anywhere in the US. But, it is an attraction nevertheless and will exhibit operating efficiencies and patterns comparable to other types of aquariums, science centers, theme parks and museums like the ones identified below.

Below is a contextual comparison of operating expenses and profits to use for comparison. The range and average has been calculated from many relevant and comparable attractions for use as a comparative benchmark for the Ark Encounter's operation.

<b>Attraction Industry Benchmark Profit &amp; Loss Projection Ranges</b>		
	<b>RANGE</b>	<b>AVG</b>
Adult Price	\$21.50-\$60.00	\$36.50
Total Attendance (000s)	155k-2.1M	1.0M
Gross Sales	10%-50%	34.0%
Admissions	37%-85%	57.0%
Rentals	0%-9%	2.5%
Parking	0%-14%	3.5%
Other Income	1%-14%	3.2%
<b>Gross Revenue</b>	<b>100%</b>	<b>100.0%</b>
Cost of Sales	3%-27%	14.0%
<b>Gross Profit</b>	<b>80%-93%</b>	<b>85.0%</b>
Payroll & Related	10%-45%	31.5%
Administrative, Utilities & General Repairs & Maintenance Supplies Insurance Marketing & PR Other	Varies Significantly	
<b>Operating Expenses</b>	<b>45%-85%</b>	<b>60.0%</b>
Bonus	0%-1.7%	0.6%
<b>Total Operating Expenses</b>	<b>44%-86%</b>	<b>61.0%</b>
<b>EBITDA</b>	<b>4%-48%</b>	<b>25.0%</b>
Depreciation	5%-18%	10.0%
<b>Operating Profit</b>	<b>-10%-29%</b>	<b>14.0%</b>
<i>Source: H2R Market Research</i>		

## **CREATION MUSEUM**

**Visitation:** 300,000 average per year

**Location:** Petersburg, KY

**Opened:** 2007

**Adult Admission Price:** \$29.95

**Child Admission Price:** \$15.95

**Owner:** Answers in Genesis

**Size:** State of the art 70,000 square foot building constructed at a cost of \$27 million

### **Description:**

- The Creation Museum is a museum near Petersburg, Kentucky that presents a biblical account of the origins of the universe, life, and humankind, portraying a creationist narrative based upon a literalist interpretation of the Book of Genesis (i.e., that Scripture teaches a recent origin for man and the whole creation, and that the Genesis Flood was a worldwide catastrophic event, covering the whole earth;), rather than scientific conjecture about the past based on the philosophy of uniformitarianism, that life evolved over millions (or billions) of years. The museum accepts and supports “operational” science (which uses observable, repeatable experiments to discover truth, and which is the basis of much of our modern technology), as opposed to the interpretation of secular “origins” science (a belief system that relies on evolutionary assumptions about the past, which has never been observed and cannot be tested). Answers in Genesis and its Creation Museum adhere to a biblical worldview which boldly proclaims the absolute truth and authority of the Bible<sup>15</sup>.
- The Creation Museum opened its doors to the public on May 28, 2007<sup>14</sup>.
- The Creation Museum is operated by Answers in Genesis<sup>15</sup> and was envisioned by founder Ken Ham<sup>14</sup>.
- The average Creation Museum visitor comes from more than 250 miles away and the top 6 DMA feeder markets include Cincinnati, Indianapolis, Dayton, Lexington, Columbus and Louisville<sup>14</sup>.
- The average spending by a Creation Museum customer, in addition to what is spent at the museum is \$93.47. Total expenditures per visitor including expenditures made at the Creation Museum average \$118.19<sup>14</sup>.
- Since opening in 2007, the Creation Museum has welcomed more than 2 million visitors<sup>14</sup>.

Creation Museum Overview 2006-present			
Fiscal Year	Attendance	Total Per Cap	Notes
2006-2007	55,874	n/a	
2007-2008	394,185	n/a	
2008-2009	307,199	n/a	
2009-2010	305,604	\$20.30	doesn't include bookstore revenue
2010-2011	281,612	\$21.00	doesn't include bookstore revenue
2011-2012	254,174	\$20.11	doesn't include bookstore revenue
2012-2013	236,583	\$23.91	includes 13% of bookstore sales
2013-2014*	80,244	\$24.64	includes 13% bookstore and % of zip lines
<b>Total</b>	<b>1,915,475</b>		<b>Paid admission/passes</b>
<b>Grand Total</b>	<b>2,010,337</b>		<b>Free events like Christmas Town</b>

Source: Answers in Genesis, 9/2013

\* Creation Museum fiscal year is July 1 – June 30.

\* Fiscal year 2006-2007 reflects attendance for May and June 2007.

\* Attendance for first full year of operation, from opening on Memorial Day 2007 to Memorial Day 2008, was 404,000.

\* Fiscal year 2013 to date reflects attendance for July 1 through September 30, 2013.

## **NEWPORT AQUARIUM**

**Visitation:** 1.0 million average per year (R.K. Miller)

**Location:** Newport, KY at Newport on the Levee.

**Opened:** May 15, 1999

**Adult Admission Price:** \$23 (13+ years)

**Child Admission:** \$15 (2-12 years)

**Owner:** Herschend Family Entertainment

### **Description:**

- The aquarium has 70 exhibits and 14 galleries, including five seamless acrylic tunnels totaling over 200 feet (61 m) in length. The aquarium showcases thousands of animals from around the world in a million gallons (3.8 million liters) of water, including the "Scooter" and "Sweet Pea," two of the few shark rays in captivity<sup>16</sup>.
- The facility is open to the public 365 days a year. Newport Aquarium is an accredited member of the Association of Zoos and Aquariums a leader in global wildlife conservation. The Newport Aquarium is part of Herschend Family Entertainment Corporation, a for-profit company<sup>16</sup>.

## **KINGS ISLAND**

**Visitation:** 3.2 million average per year

**Location:** Cincinnati, OH

**Opened:** 1972

**Adult Admission Price:** \$56.99 at the gate

**Child Admission Price:** \$30.99 at the gate

**Owner:** Cedar Fair Entertainment Company

**Size:** 350 acres

### **Description:**

- Kings Island is a 364-acre (147 ha) amusement park located 24 miles (39 km) northeast of Cincinnati in Mason, Ohio. It is owned and operated by Cedar Fair Entertainment Company. The park was opened in 1972 by the Taft Broadcasting Company and after more than \$275 million in capital investments, the park features over 80 rides, shows and attractions including 13 roller coasters and a 33-acre (13 ha) water park. Kings Island has won *Amusement Today's* Golden Ticket Award for having the "Best Kids' Area" in the world for twelve consecutive years (2001–2012)<sup>17</sup>.
- Kings Island operates from late April through Labor Day. The park reopens several weeks later for Halloween-themed events held every weekend until the end of October. As of 2012, Kings Island is the second most visited seasonal amusement park in the US behind Cedar Point. It had an estimated 3.21 million visitors in 2012. Both parks are second and third overall for seasonal attendance in North America behind Canada's Wonderland<sup>17</sup>.

## **HOLY LAND EXPERIENCE**

**Visitation:** 300,000 average per year

**Location:** Orlando, FL

**Opened:** 2001

**Adult Admission Price:** \$45

**Child Admission Price:** \$15 ages 3-5; \$35 ages 6-12

**Owner:** Trinity Broadcast Network (TBN)

**Size:** 15 acres

### **Description:**

- The Holy Land Experience is a religious-based theme park and museum, based on the life of Jesus Christ in 1<sup>st</sup> century Israel. Located in Orlando, Florida, the park aims to present the story of the life and death of Jesus through live actor reenactments, exhibits, live action, and animated performances over a 15-acre footprint. The park is established as a non-profit tax exempt organization<sup>18</sup>.
- The park functions as an educational opportunity for the presentation of Biblical teaching through important religious themes and stories<sup>18</sup>.

- The Holy Land Experience struggles to effectively market the park and measure important operational and financial statistics due to a lack of experience in the tourism industry. It also struggles due to its very noisy location next to a very busy freeway. The Holy Land Experience lacks scope, the nature of its product offering. Many management struggles and interruptions over the last few years as well as intense competition from Disney, Sea World and Universal Studios for the tourism dollar<sup>18</sup>.

## **MUSEUM OF SCIENCE AND INDUSTRY**

**Visitation:** 1.4 million average per year, including 346k kids in school groups

**Location:** Chicago, IL

**Opened:** 1933

**Adult Admission Price:** \$32 and includes 2 of the following exhibits: Coal Mine, U-505 Sub, WOW, and OMNIMAX

**Child Admission Price:** \$22

**Size:** More than 400,000 square feet of exhibit space and 14 acres of hands on exhibits and 35,000 artifacts

### **Description:**

- It is the largest science museum in the Western Hemisphere. Among its diverse and expansive exhibits, the Museum features a full-size replica coal mine, a German submarine (U-505) captured during World War II, a 3,500-square-foot (330 m<sup>2</sup>) model railroad, the first diesel-powered streamlined stainless-steel passenger train (*Pioneer Zephyr*), and the Apollo 8 spacecraft that carried the first humans to the Moon<sup>19</sup>.
- Based on 2009 attendance, the Museum of Science and Industry was the second largest cultural attraction in Chicago. David R. Mosena has been President and CEO of the Museum since 1998<sup>19</sup>.
- The Museum has over 2,000 exhibits, displayed in 75 major halls. The Museum has several major permanent exhibits: The *Coal Mine* re-creates a working deep-shaft, bituminous coal mine inside the Museum's Central Pavilion, using original equipment from Old Ben #17 circa 1933. Since 1954, the Museum has had the U-505 submarine, one of just two German submarines captured during World War II, and the only one on display in the Western Hemisphere<sup>19</sup>.

**TRIP ADVISOR COMPARABLES**

Trip Advisor is a travel website that assists customers in gathering travel information, posting reviews and opinions of travel-related content and engaging in interactive travel forums. Below are satisfaction ratings and number of reviews from each of Ark Encounter’s comparable attractions<sup>20</sup>.

<b>Ark Encounter Comparables TripAdvisor.com Satisfaction Ratings</b>									
<b>Attraction</b>	<b>Top-Box</b>	<b>Total</b>	<b>% Top-Box</b>	<b>Rating</b>	<b>Excellent 5</b>	<b>Very Good 4</b>	<b>Average 3</b>	<b>Poor 2</b>	<b>Terrible 1</b>
1 Museum of Science & Industry	1,507	2,123	71%	4.59	1,507	426	134	42	14
2 Creation Museum	254	371	68%	4.30	254	53	21	9	34
3 Kings Island	373	834	45%	4.16	373	299	105	34	23
4 Newport Aquarium	221	516	43%	4.10	221	180	76	26	13
5 Holy Land Experience	192	413	46%	3.69	192	77	36	41	67
<b>SUM/AVERAGE</b>	<b>2,547</b>	<b>4,257</b>	<b>60%</b>	<b>4.33</b>	<b>2,547</b>	<b>1,035</b>	<b>372</b>	<b>152</b>	<b>151</b>

SOURCE: TRIPADVISOR.COM, September 23, 2013

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**ARK**  
ENCOUNTER

# **ARK FEASIBILITY STUDY**

**BY A.R.G.**

Section 5

# ARK FEASIBILITY STUDY- VISITATION PROJECTIONS

## INTRODUCTION

The Ark Encounter is expected to attract between 1.2 million and 2.0 million visitors (or an estimated average of 1.6 million visitors) during the first year of operation. This projection is based on research provided by America's Research Group, Ltd. ("ARG") in an effort to determine the interest level of Americans to see a reproduction of the Ark and their willingness to travel to visit the Ark<sup>21</sup>.

Its chairman, C. Britt Beemer, heads ARG. In 1979, Mr. Beemer founded America's Research Group as a full-service consumer behavior research and strategic marketing firm, as stated earlier in this report.

The Ark Feasibility Study investigated the following areas: interest for Noah's Ark; building of the Ark; family's response to the Ark; faith and the Ark; travel arrangements and packages to the Ark<sup>21</sup>.

The basis for ARG's attendance projection includes the following critical issues, identified from the research as making the project a potentially successful concept:

- Over 63% of Americans would take their family to see the Ark. ARG reported that any level over 50% would make the Ark Encounter a potentially successful concept<sup>21</sup>.
- This is a family vacation idea with over 80% expressing it would be a place to visit with adults and kids. ARG concluded that the key point here was that a family driven concept is more likely to be successful in the long term<sup>21</sup>.
- The idea of a vacation visiting the Ark has year-round appeal. ARG reported that such an attraction requires interest of at least 40% to express they would visit it year-round, and in fact 60.6% actually indicated they would be likely to visit it year-round<sup>21</sup>.
- The size of the Ark is the number one reason they would like to see it built<sup>21</sup>.
- The final key for success is how many times families would go to see it. 42% would go multiple times; 41% would go just once; and 17% would not go<sup>21</sup>.

While Ark Encounter believes that the information from the Ark Feasibility Study is reliable, the companies cannot warrant the accuracy or completeness of the study, as there is always a margin of error in all such studies. Moreover, the study was done in 2008 (and confirmed by ARG in 2013), and future economic conditions, market trends, and other factors may cause results different from those anticipated from the study.

## METHODOLOGY

The data obtained by ARG was by telephone interviews of a general population sample in the United States, including samples from each geographic section of the country for a total sample of 1,001. The qualified sample was selected by random digit procedure insuring construction of a probability sample. Detailed findings were analyzed by cross-tabulations of responses based on selected demographic characteristics<sup>21</sup>.

## CALCULATIONS METHODOLOGY AND RATIONALE

The minimum number of visitors the first year is 1.2 million, but the first year attendance could likely reach 2 million. In order to come to this projection, ARG calculated that one hundred million consumers are within an

acceptable driving distance from Cincinnati and applied the 63% response of those who said they would come see it to this number (63 million). Of that number, 50% would be truly serious about going once it opens (31.5 million). Then multiply that by 42% for those who said they would come who have children and would go multiple times—making them the most likely potential customer (13.23 million). Then use 80% of that group (10.58 million) due to taking their families with them (and not all in the family can attend at the same time). Considering other issues of families, many families would visit within a 5 year window. So divide this number by 5, which left 2,116,000 guests. The low range scenario of this is if only 60% of the final number visited, leaving 1,270,000 visitors the first year<sup>21</sup>.

## **FINDINGS**

- Nearly half of respondents said they would drive to visit the ark if it could be driven to in two days<sup>24</sup>.
- Over three in five said they would take their family to see a replica of Noah's Ark if it was constructed in America<sup>21</sup>.
- Of those who would take their family to see the Ark, 31.4% stated they want to see "how big it is" while 28% want to see "how Noah led his life".<sup>21</sup>
- Two in five of these consumers said they would visit the Ark multiple times and 41.4% said they would visit the Ark just once<sup>21</sup>.
- Four in five feel the Ark is a place to visit that kids and adults could both enjoy<sup>21</sup>.
- Over seven in ten said they feel other people of faith would want to see the Ark as well as Christians<sup>24</sup>.
- Approximately 57% said they would expect the Ark to be open on Sunday<sup>21</sup>.
- Three in five of the people in this study said they could see themselves visiting the Ark anytime of the year, while 38.8% said it is a summer vacation idea<sup>21</sup>.
- ARG found that 42.7% of these consumers said that they would like their child's school to sponsor a visit to the Ark<sup>21</sup>.
- Nearly half of these consumers said they see themselves visiting the Ark as a single day visit and 30.8% said they could see it as possibly a multi-day visit<sup>21</sup>.
- ARG shows that 54.7% said they would like a daily church service to be provided in the Ark or next to the Ark. Sixty-five percent said they would expect a church service to be available if the Ark were open on Sunday<sup>21</sup>.
- About three in five said they think it is possible today to build an exact replica of the Ark built by Noah<sup>21</sup>.
- Seventy-six percent said they believe Noah's Ark was actually built and not just a legend<sup>21</sup>.

## **SUMMARY**

ARG's Ark Encounter Feasibility Study was originally conducted in May 2008. Given the lingering effects of the recent economic recession on the ability to raise funds and the lengthy period to acquire an appropriately size property for the Ark Encounter, the Ark project had been slowed until market conditions improved and the property purchase was completed. For this reason, ARG was asked to re-evaluate their projections in April 2013. Mr. Beemer and his team re-examined their research findings in light of market place conditions, other more recent consumer research studies they conducted whose results were consistent with those of their May

2008 study and the consumer trends they monitor on a regular basis. Their conclusion was that their original projections were still acceptable and accurate.

The aggregate attractions industry performance was somewhat frozen in time between 2009 and 2012. It is estimated that the industry as a whole increased by a net of only 3.3% during this timeframe<sup>8</sup>.

But, while attraction performance was comparatively lackluster during this 4-year window, the consumer mindset and travel patterns changed significantly. Environmental macro trends such as the state of the economy, unemployment and underemployment and consumer confidence all played a role in the rise of what came to be known as “staycations” and keeping travelers close to home. That is, for quite a while the uncontrollable factors in life were dictating where travelers felt comfortable going and seeing. It has only been in recent months that the industry has begun to see a normalizing in travel and tourism patterns as more and more travelers are beginning to hit the road and travel further distances based upon their own needs and wants as opposed to financial fears.

According to Peter Yesawich, Vice-Chairman of MMGY, a marketing communications firm that specializes in hospitality and tourism, fresh new experiences are fast becoming one of the larger drivers of tourism as travelers who have been self-sequestered to their own regions for several years are searching for things that are new and different. Likewise, this is further driven by social media and the need/desire for travelers to share fun and unique stories that their friends may not have yet experienced<sup>22</sup>. The fact that the Ark Encounter will be a one-of-a-kind experience should aid in its appeal, perhaps even more than it would have a few years back.



**ARK**  
ENCOUNTER

# **FINANCIAL PROJECTIONS**

**Section 6**

## **FINANCIAL PROJECTIONS**

### **INTRODUCTION**

This section presents the Nehemiah Group's financial projections for the Ark Encounter. The forecast includes estimates of operating income and expenses for the Ark attraction, presented in current-year 2013 dollars. The Nehemiah Group derived the estimates and assumptions presented in this section from the ARG feasibility study included in this document and their review of operations and financial data for comparable attractions elsewhere in the United States including the spending history by the guests of the Creation Museum. The paragraphs below outline the methodology and assumptions the Nehemiah Group applied in their projections. Detailed financial projections are provided in tables throughout this section<sup>23</sup>.

### **CONSTRUCTION & START-UP OPERATIONS**

The overall cost of the Ark Encounter is \$73 million. To date, \$14 million has been collected or applied to the Ark Encounter, leaving a remaining \$59 million necessary to complete the project inclusive of the pay-off of all existing mortgage loans (in an amount equal to \$4.43 million) secured by the Project Site and the completion of all discretionary exhibits (representing approximately \$6.6 million of the project budget). These remaining costs are to be funded via a combination of net Bond proceeds, cash on hand and a portion of anticipated charitable contributions and revenues received from the sale of additional memberships during the construction period.

After the payment of costs of issuance and the making of necessary deposits to the Reserve Fund and Capitalized Interest Account, approximately \$50.2 million in net bond proceeds will be deposited into the Project Fund to fund a portion of the costs of the Project. The Company expects to utilize \$4.43 million of cash on hand to pay-off the existing mortgage loans secured by the Project Site and to deposit an additional \$500,000 of cash on hand to the Project Fund upon the issuance of the Bonds. Following all deposits to the Project Fund on the date of the issuance of the Bonds, a funding shortfall of approximately \$1.2 million with respect to the total project budget is expected. The Company anticipates funding this shortfall with the receipt of additional charitable contributions and revenues from the sale of additional memberships received during the course of construction (through April 1, 2016). Historically, the Ark Encounter and the Creation Museum have received aggregate annual charitable contributions between \$10-15 million; however, in the event the Company fails to raise the necessary \$1.2 million, certain of the discretionary exhibits will simply not be completed. The attendance and revenue projections detailed in this Feasibility Report do NOT rely on the completion of such exhibits.

### **FINANCIAL PROJECTIONS**

Initial financial projections were created in 2011 and later revised in 2013. Monthly revenue projections for the Ark Encounter are based on historical monthly attendance ratio trends and guest mix of the Creation Museum. Season pass revenue is assumed to be realized on an accrual basis and the financial projections assume no income from special events, special exhibits or third parties.

Using ARG's low range of 1.2 million in attendance in year one, the gross income from admissions is \$26,678,469, gross income from retail is \$6,000,000, gross from food sales is \$6,000,000, parking income is

\$1,714,286 and other income is \$409,200. This brings the projected income from daily operations to \$40,801,954 in operating year one. Income from sponsorships is projected at \$600,000 and income from license fees is projected at \$1mm, bringing the total gross income to \$42,401,954 for the first operating year.

Cost of goods is projected to be \$1,980,000 for retail and \$1,860,000 for food. The total cost of goods is \$3,840,000, bringing the gross income after cost of goods to \$38,561,954 in operating year one.

## **OPERATING REVENUES/PROJECTIONS**

The ARG Feasibility Study provided the attendance projections from which these financial projections are based. As mentioned previously in this document, ARG projected that the Ark Encounter would attract as many as 2.0 million visitors per year with a low range of 1.2 million. The Nehemiah Group built the financials around the 1.2 million first-year attendance estimates that are reflected in all of the figures below. Of course, should the Ark Encounter attract significantly more (or less) attendance than 1.2 million, all projected income and operating expense projections would adjust commensurately.

### **Admission Revenue**

Based upon experience with comparable attractions, the Nehemiah Group estimated that two-thirds (67%) or 804,000 of the Ark Encounter's 1.2 million attendance would come from individual sales with 14.6% or 175,200 coming from groups and the remaining 220,800 visits being driven by season pass, lifetime membership and visitation from complimentary admissions. Similarly, it is projected that 50.6% or 607,200 of these visits will come from adult admission, 27.8% or 333,600 from children's admissions, 13.0% or 156,000 from discounted senior admissions and the balance (103,200) from other sources such as season passholders, memberships and complimentary admissions.

For purposes of the projection the regular priced adult admission was set at \$33.95 and children's admission at \$23.95, or 71% of the price of an adult ticket. The table on page 45 illustrates specific admission prices used in the projection by ticket type along with projected attendance and corresponding admission revenues from each admission source. The ticket prices and ticket sales rationale is laid out below.

The admission published prices are based upon a competitive analysis of attractions in the 1 to 2 million+ range. The process is to peg the adult price and proceed to the other categories. The days of the published walk-up prices has dramatically changed in the last few years. The majority of the tickets are now sold via the internet because most attractions provide a lower price via the internet. As an example the walk-up price for an adult for the Ark Encounter is \$33.95, however the majority will be bought via the internet at \$29.95. Taking a conservative approach, the prices for the sake of creating the financial projections, all reflect a 15% discount, thus the majority of the adult tickets net to \$25.46.

The aging of America is also reflected in the pricing structure with an internet price of a senior ticket at \$25.95 less 15%, or \$22.00 and is still considered an adult ticket. Many seniors travel in group and the Ark Encounter has a senior group internet price of \$23.95 less 15%, or \$20.35, and is still considered an adult ticket.

This same pricing process applies to all other ticket types. It is critical that the ticket ratios are also noted. The industry trend is to provide several purchasing options such as multi-day passes, season passes, lifetime passes, combo tickets, group pricing, pre-season pricing and special event pricing. The Ark Encounter reflects this trend and thus the published walk-up price is no longer the gage to pricing, it simply provides the launching point for pricing. Thus the adult price is reflected in various pricing categories, as is the children and senior ticket. In summary, the pricing is very competitive but taking a conservative approach, the financial projections on all ticket sales reflect a 15% discount which results in a per person ticket price of \$25.69.

For season passes, the projections are based on the assumption that passholders will visit 3 times per year. The five year passes are amortized over five years while the lifetime passes are amortized over ten years. Calculations for five year passes equal the annual season passholder price multiplied by the attendance, which is then divided by three. Lifetime passes are calculated similarly, with the annual season passholder price multiplied by attendance, which is divided by three, then the remainder divided by two.

The large theme parks have a per person average retail sales of \$15 to \$20. The Ark Encounter's very conservative retail spending is \$5 per person. This is because, for example, the first 12 months of retail spending at the Lincoln Museum in Springfield, Illinois was \$7 per person. Museums traditionally are not known for strong retail spending per person.

Large theme parks have a spending per person for food and beverage purchase between \$15 and \$30. The Ark Encounter's very conservative spending is \$5 per person. As the facility expands its attraction base over the next several years the food and beverage sales will grow by the simple fact of more opportunities to purchase.

The financial projections for the first couple of years reflect a growth of 4% which is a combination of attendance gains and increased net revenues from admission sales, food and beverage and retail. This is a very conservative gain in each of the categories.

The \$30,823,246 in net admissions includes an across-the-board pricing discount of 15% in all admission sales. Further, the \$30,823,246 includes \$13,932,024 from the 342,777 combination (combo) tickets sold with the Creation Museum. Of this amount, \$4,144,777 (includes a 15% discount) would belong to the Creation Museum, which effectively reduces the Ark Encounter's net admission revenue to \$26,678,469. This is the amount of admissions revenue the Ark Encounter will recognize which results in a net person admission spending of \$22.23.

Ark Encounter Admission Revenue Projections				
Ticket Types	Pricing	Ratio	Attendance	Revenue
<b>Published walk-ups</b>				
Adult	\$ 33.95	10.89%	130,712	\$ 4,437,686
Children	\$ 23.95	5.59%	67,032	\$ 1,605,416
Seniors	\$ 29.95	2.23%	26,813	\$ 803,043
Adult Group	\$ 29.95	2.39%	28,728	\$ 860,404
Senior Group	\$ 26.95	2.10%	25,200	\$ 679,140
Children Group	\$ 20.95	1.64%	19,656	\$ 411,793
Season Pass Adult	\$ 69.95	1.65%	19,774	\$ 345,806
Season Pass Children	\$ 49.95	1.09%	13,071	\$ 217,636
Adult Combo with Creation Museum (CM)	\$ 49.95	5.49%	65,848	\$ 3,289,088
Children Combo w/ CM	\$ 32.95	2.81%	33,768	\$ 1,112,656
Senior Combo w/ CM	\$ 41.95	1.13%	13,507	\$ 566,627
Combo Season Pass Adult w/ CM	\$ 99.95	0.83%	9,962	\$ 331,886
Combo Season Pass Child w/ CM	\$ 69.95	0.55%	6,585	\$ 153,535
<b>Total Walk-Ups</b>		<b>38.39%</b>	<b>460,656</b>	<b>\$ 14,814,715</b>
<b>Complimentary</b>		<b>3.04%</b>	<b>36,450</b>	<b>\$ -</b>
<b>Internet Ticket - Preseason</b>				
Adult	\$ 29.95	15.04%	180,508	\$ 5,406,203
Children	\$ 19.95	7.71%	92,568	\$ 1,846,732
Seniors	\$ 25.95	3.09%	37,027	\$ 960,856
Pre-Season Pass Adult (Nov- March)	\$ 59.95	2.28%	27,308	\$ 409,272
Pre-Season Pass Children (Nov-March)	\$ 39.95	1.50%	18,051	\$ 240,376
Adult Group	\$ 27.95	2.20%	26,382	\$ 737,374
Children Group	\$ 17.95	1.50%	18,051	\$ 324,011
Senior Group	\$ 23.95	1.93%	23,142	\$ 554,251
Combo Adult w/ CM	\$ 44.95	7.58%	90,932	\$ 4,087,411
Combo Child w/ CM	\$ 29.95	3.89%	46,632	\$ 1,396,628
Combo Senior w/ CM	\$ 38.95	1.55%	18,653	\$ 726,527
Adult Combo Group w/ CM	\$ 42.95	1.11%	13,290	\$ 570,811
Children Combo Group w/ CM	\$ 27.95	0.76%	9,093	\$ 254,156
Senior Combo Group w/ CM	\$ 36.95	0.97%	11,658	\$ 430,763
Season Pass Combo Adult w/ CM	\$ 89.95	1.15%	13,756	\$ 412,464
Season Pass Combo Child w/ CM	\$ 59.95	0.76%	9,093	\$ 181,713
Five Year Family Boarding Pass	\$ 240.00	0.35%	4,200	\$ 336,000
Five Year Individual Boarding Pass	\$ 64.00	0.21%	2,520	\$ 53,760
Five Year Child Boarding Pass	\$ 50.00	0.14%	1,680	\$ 28,000
Five Year Family Ark	\$ 200.00	0.65%	7,800	\$ 520,000
Five Year Individual Ark	\$ 56.00	0.39%	4,680	\$ 87,360
Five Year Child Ark	\$ 44.00	0.26%	3,120	\$ 45,760
<b>Total Internet Tickets/Preseason Sales</b>		<b>55.01%</b>	<b>660,144</b>	<b>\$ 19,610,427</b>
Charter Lifetime Family Boarding Pass	\$ 300.00	2.25%	27,000	\$ 1,350,000
Charter Lifetime Individual Boarding Pass	\$ 200.00	0.94%	11,250	\$ 375,000
Lifetime Individual Boarding Pass	\$ 150.00	0.38%	4,500	\$ 112,500
<b>Total Lifetime Boarding Passes</b>		<b>3.56%</b>	<b>42,750</b>	<b>\$ 1,837,500</b>
<b>Grand Total</b>		<b>58.57%</b>	<b>1,200,000</b>	<b>\$ 36,262,642</b>
Less 15% Promo & Discounts		100.00%		\$ 5,439,396
<b>Net Admissions</b>				<b>\$ 30,823,246</b>
<i>Spending Per Person Admissions</i>				\$ 25.69
<i>Source: Nehemiah Group, Cary Summers</i>				

## **Merchandise Revenue**

Merchandise revenues consist of clothing, souvenirs, event programs and other miscellaneous items sold throughout the year and during various special events. It is assumed that the Ark Encounter will retail 100% of all merchandise revenues earned. Per capita expenditure estimates vary by type of attraction, physical location and length of visitor stay; however, for the purpose of this analysis the Nehemiah Group used a per capita estimate of \$5.00, which is at the low end of the traditional themed attraction spectrum. This would result in \$6,000,000 in annual merchandise sales and produce a gross profit of \$4,020,000, providing a gross margin of 67% for the first year.

## **Food & Beverage Revenue**

Food and beverage revenue will consist of the sale of food and beverage in a common area at the Ark Encounter and in various concessions around the attraction. Gross concessions revenues are estimated herein based upon per capita expenditures estimated by the Nehemiah Group based upon their experience with comparable attractions and interviews with other attraction destinations.

Operating hours for the Ark Experience are expected to run from 9am to sundown, and length of stay is projected to run 4 or more hours (comparable to the Creation Museum's experience). While per capita expenditures vary by type of attraction, physical location and length of visitor stay; given this data the Nehemiah Group projected \$5.00 in food and beverage per capita spending, which is on the low end of the themed attraction spectrum.

It is assumed that the Ark Encounter will operate all concessions in-house, and the Nehemiah Group's financial modeling is based upon this basis. Gross food and beverage revenues are projected at \$6,000,000 and would produce a gross profit of \$4,140,000, providing a gross margin of 69% for the first year.

## **Parking Revenue**

Preliminary plans include approximately 500 parking spaces on site. For the purpose of this analysis it is assumed that there will be sufficient parking on-site to accommodate visitation to the Ark Encounter as projected.

Parking can be a very important source of revenue for an attraction. While parking prices may vary when specific events are occurring, this analysis assumes a flat parking rate of \$5.00 per vehicle, a standard fee that is on par with the surrounding area. Assuming 3.5 people per vehicle, attendance of 1.2 million will generate 342,857 paid carloads of visitors. In total, based upon these assumptions, the Nehemiah Group estimated that annual parking revenue would be \$1,714,286.

## Rental Revenue

From the Nehemiah Group's assessment of the target market, demographics were paired with an analysis of other attractions in different markets and it was estimated that the rental of power wheelchairs, regular wheelchairs, baby carts, double baby carts and lockers will account for a total of \$409,200 in annual revenue. Power wheelchairs, baby carts and locker rentals are expected to generate the largest number of individual rentals with power wheelchairs driving the majority (60%) of the total rental revenue.

<b>Ark Encounter Other Income</b>			
<b>Other Income</b>	<b>% of Total</b>	<b>Price/Unit</b>	<b>Revenue</b>
1. Assumes power wheelchair rental	0.6%	\$ 34.00	\$ 244,800
2. Assumes wheelchair rental	0.2%	\$ 6.00	\$ 14,400
2. Assumes baby cart rental	0.5%	\$ 11.00	\$ 66,000
3. Assumes Double baby cart rental	0.2%	\$ 15.00	\$ 36,000
3. Assumes locker rental	0.5%	\$ 8.00	\$ 48,000
<b>Total Other</b>			<b>\$ 409,200</b>

*Source: Nehemiah Group, Cary Summers*

## Corporate Sponsorships and Licensing Revenue

It is estimated that the Ark Encounter will generate \$600,000 in annual revenue from corporate sponsorships and that licensing revenues will generate an additional \$1,000,000 per year. These estimates are generated from proposals presented to Ark Encounter for Corporate Sponsorship and Licensing, and an average of proposed contracts.

## Total Operating Revenues

The total operating revenues of the Ark Encounter including net admissions (\$26,678,469), merchandise revenue (\$6,000,000), food & beverage revenue (\$6,000,000), parking (\$1,714,286), rentals (\$409,200), corporate sponsorships (\$600,000) and license income (\$1,000,000) is \$42,401,954. The table below summarizes the Nehemiah Group’s projection of operating revenues. After deducting the total cost of goods for merchandise sales (\$1,980,000) and food and beverage sales (\$1,860,000), the total net revenue for year one is projected at \$38,561,954.

<b>Ark Encounter Total Revenue Projections</b>	
<b>Revenue Source</b>	<b>Income</b>
Admissions	\$ 26,678,469
Retail	\$ 6,000,000
Food & Beverage	\$ 6,000,000
Parking	\$ 1,714,286
Rentals	\$ 409,200
Corporate Sponsorships	\$ 600,000
License Income	\$ 1,000,000
<b>Total Gross Revenue</b>	<b>\$ 42,401,954</b>
<b>LESS: Cost of Goods</b>	
Retail	\$ 1,980,000
Food & Beverage	\$ 1,860,000
<b>Total Cost of Goods</b>	<b>\$ 3,840,000</b>
<b>Total Net Revenue</b>	<b>\$ 38,561,954</b>
<i>Source: Nehemiah Group, Cary Summers</i>	

## Summary of Gifts

Since December 1, 2010 when Answers in Genesis publicly announced the launch of the Ark Encounter project, AiG has raised funds for the Ark Encounter (with no real visible project activity underway) of \$10,783,221 in net donations and \$3,015,787 in Boarding Pass (memberships) sales; resulting in a total funds raised to date of \$13,799,008.

In the last 36 months, 191,367 households have engaged with Answers in Genesis and provided contact information. Of these households, 110,845 have purchased a product and/or made a donation to Answers in Genesis in the last 36 months.

## **OPERATING EXPENSES**

Operating expenses for the Ark Encounter will include payroll and related expenses. These include facility staff, utility expenses, repairs and maintenance expense and contracts, supplies, marketing, insurance, general and administrative costs related to the operation of the facility. The projections the Nehemiah Group has presented in its report are intended to provide an estimate of the actual cash flow for the periods presented.

In developing these estimates of operating expenses for the Ark Encounter, the Nehemiah Group considered the size and characteristics of the structure and campus, and the number of employees and structures required to operate this attraction.

Operations and accounting practices vary significantly by attraction. Therefore, the categorization of expenses is not always consistent from one project to the next. Nonetheless, this analysis is useful in benchmarking overall operating expenses and expense levels for some categories, especially in the areas of payroll, utilities and supplies.

The following paragraphs summarize the Nehemiah Group's projected expenses for the Ark Encounter based upon their review of the Ark Encounter, expected utilization level, preliminary budget information provided by Answers in Genesis, projected attendance provided by America's Research Group (ARG) and the operating expenses for comparable attractions.

### **Payroll and Related Expenses**

Payroll expenses include attraction staff salaries, wages and benefits, as well as the cost of part time labor. This includes all employees for which expenses are incurred. The Nehemiah Group estimated that this attraction, serving an estimated 1.2 million visitors, will employ around 450-500 employees plus additional staff and part time/temporary staff as needed for special events. For the purpose of their analysis, the Nehemiah Group projected a total staff of 487 employees. This number includes 137 management, accounting, maintenance, security and human resource employees; 87 retail managers, buyers and staff members; 125 food & beverage managers, frontline staff and administrative employees; 54 entertainment managers, coordinators, entertainers and special event coordinators; 64 attraction managers, operators and animal care specialists; 13 marketing specialists; and 7 technology managers and staff.

The Nehemiah Group estimated that payroll, contract labor and related expenses for the Ark Encounter would equate to approximately \$13,504,750 per year.

### **Administrative & General Expenses**

Administrative and General (A & G) expenses generally include office and administrative costs related to the day-to-day operations of the attraction. These costs include things such as telephone, printing, travel and other miscellaneous expenses. The Nehemiah Group estimated that annual A&G expense would total approximately \$837,000 at the Ark Encounter.

## **Repairs & Maintenance**

An attraction with the size and scope of the Ark Encounter will feature sizeable buildings and grounds that must be maintained. Likewise, the property will feature a considerable amount of equipment and systems necessary to provide entertainment for guests, and all of this will require maintenance and repairs on an ongoing basis. While Ark staff members can likely handle some of these repairs, some maintenance and repairs will cause incremental expense, e.g. HVAC maintenance, electrical and repair/maintenance of Ark equipment and systems. Based upon the size and types of equipment projected at the Ark Encounter, the Nehemiah Group estimated that these expenses would total \$508,823 per year.

## **Supplies**

The Ark Encounter will require the regular purchase of supplies and materials necessary to clean, maintain and operate the attraction and its equipment and systems. Based upon the characteristics of this attraction and Nehemiah Group's experience with comparable attractions, they estimated these expenses would total \$1,272,059 per year.

## **Utilities**

Utilities are often one of the largest expense categories for large scale attractions due to their size and the cost to heat, cool and operate the attraction and its systems and equipment. Based upon the Nehemiah Group's experience with similar sized attractions, they estimated that annual utility costs would run \$1,031,457 per year.

## **Insurance**

The property will need to carry property and liability insurance. The cost of this insurance varies significantly across the attractions industry depending upon the size and type of facilities and total visitation. The Nehemiah Group estimated insurance costs to total \$400,000 per year.

## **Marketing**

Marketing expenses for the Ark Encounter will be directly related to the amount of advertising and promotions the Ark Encounter uses to market itself. This expense category also varies considerably depending upon its geographic trade area, its target market and how aggressively the Ark Encounter chooses to pursue various special events. Given that the Ark is expected to attract visitors from across the country (if not around the world), it will require a larger than average marketing budget to generate awareness and comprehension in the market place. As a result, the Nehemiah Group projected that marketing expenses (including public relations and website maintenance) would total \$3,704,166 per year.

## **Special Events**

Additionally, special events are often used in the attraction industry to keep the product fresh and relevant in the market place. The costs of these events vary considerably, but the Nehemiah Group estimated that the Ark Encounter would spend \$1,000,000 per year hosting four different special events annually.

## Other

Additionally, the Nehemiah Group has allocated another \$4,392,767 to account for miscellaneous operating expenses not accounted for above. These expenses would include corporate allocations, attorney fees, bank charges, janitorial services, uniform/costume replacement, professional fees and property tax. Also, a \$1.0 million contingency expense has been built into the operating budget to account for any unknown expenditures that occur in the operation of this one-of-a-kind structure.

## Total Operating Expenses

The total operating expense of the Ark Encounter including payroll & related expense (\$13.50 million); administrative & general (\$837k); repairs and maintenance (\$509k); supplies (\$1.27 million); utilities (\$1.03 million); insurance (\$400k); marketing (\$3.60 million); special events (\$1.00 million); contingency expenses (\$1.0 million) and all other expenses (\$4.39 million) is \$27,651,228. The table below summarizes the Nehemiah Group's projection of operating expenses.

<b>Ark Encounter Operating Expenses</b>	
<b>Category</b>	<b>Expense</b>
Payroll & Related	\$ 13,504,750
Administrative & General	\$ 837,206
Repairs & Maintenance	\$ 508,823
Supplies	\$ 1,272,059
Utilities	\$ 1,031,457
Insurance	\$ 400,000
Marketing & PR	\$ 3,704,166
Special Events	\$ 1,000,000
Contingency	\$ 1,000,000
Other	\$ 4,392,767
<b>Total Operating Expenses</b>	<b>\$ 27,651,228</b>
<i>Source: Nehemiah Group, Cary Summers</i>	

### Capital Projections with Debt Service and Future Expansions

Project Activity	Investment Timing	EBITDA	Total Debt Service	Debt Service Coverage	EBITDA less Debt Service	Cum. EBITDA less Debt Service	Use Capital Investment & DSRF	Future Phase Capital Expansion	Capital Avail. after Debt & Expansion
Finalize Permits/Const.	First 9 mo.	\$	\$ 2,791,320		\$ (2,791,320)	\$ (2,791,320)	\$ 2,791,320		\$ -
Construction	Full Year	\$	\$ 3,563,388		\$ (3,563,388)	\$ (6,354,708)	\$ 3,563,388		\$ -
6 Mo. Const./6 Mo. Ops.	Split Year	<b>\$ 7,201,079</b>	\$ 4,218,388	170.7%	\$ 2,982,691	\$ (3,372,017)	\$ 1,781,694		<b>\$4,764,385</b>
1st Year Operations	Year 4	<b>\$ 10,910,726</b>	\$ 5,119,000	213.1%	\$ 5,791,726	\$ 2,419,709			<b>\$10,556,111</b>
Operating Yr 2	Year 5	<b>\$ 11,877,580</b>	\$ 5,575,525	213.0%	\$ 6,302,055	\$ 8,721,764			<b>\$16,858,166</b>
Operating Yr 3	Year 6	<b>\$ 12,352,683</b>	\$ 5,793,700	213.2%	\$ 6,558,983	\$15,280,748		\$ 8,660,297	<b>\$14,756,853</b>
Operating Yr 4	Year 7	<b>\$ 13,587,952</b>	\$ 6,374,550	213.2%	\$ 7,213,402	\$22,494,150			<b>\$21,970,255</b>
Operating Yr 5	Year 8	<b>\$ 14,131,470</b>	\$ 6,633,125	213.0%	\$ 7,498,345	\$29,992,494		\$10,889,773	<b>\$18,578,826</b>
Operating Yr 6	Year 9	<b>\$ 15,544,617</b>	\$ 7,295,400	213.1%	\$ 8,249,217	\$38,241,711			<b>\$26,828,043</b>
Operating Yr 7	Year 10	<b>\$ 16,166,401</b>	\$ 7,585,375	213.1%	\$ 8,581,026	\$46,822,738		\$12,551,443	<b>\$22,857,627</b>
Operating Yr 8	Year 11	<b>\$ 17,783,042</b>	\$ 8,344,688	213.1%	\$ 9,438,354	\$56,261,091			<b>\$32,295,980</b>
Operating Yr 9	Year 12	<b>\$ 18,494,363</b>	\$ 8,680,500	213.1%	\$ 9,813,863	\$66,074,955		\$12,991,819	<b>\$29,118,025</b>
Operating Yr 10	Year 13	<b>\$ 20,343,800</b>	\$ 9,548,200	213.1%	\$10,795,600	\$76,870,554		\$ 7,535,091	<b>\$32,378,533</b>
Operating Yr 11	Year 14	<b>\$ 20,343,800</b>	\$ 9,544,700	213.1%	\$10,799,100	\$87,669,654			<b>\$43,177,633</b>
Operating Yr 12	Year 15	<b>\$ 20,343,800</b>	\$ 10,382,700	195.9%	\$ 9,961,100	\$97,630,754	\$ 1,781,694		<b>\$54,920,427</b>
<b>Totals</b>		<b>\$199,081,313</b>	<b>\$101,450,559</b>		<b>\$97,630,754</b>		<b>\$9,918,096</b>	<b>\$52,628,423</b>	

Source: Ross, Sinclair & Associates

## **VISION FOR CAPITAL EXPANSION**

In the attractions industry those who continue re-investing to keep their product experience fresh and new tend to grow much faster than those that attempt from operate only from the original base investment. Based upon the level of retained earnings, the Ark Encounter intends to fund long-term projects after the successful completions of year 3, year 5, year 7, year 9 and year 10 and would be funded from excess cash flow. Overall, in its first 14 years reinvestment in capital projects total \$52,628,423. These dollars will be used to construct additional phases of the Ark Encounter as were described earlier in this document.

## **FINANCIAL SUMMARY**

To summarize, the Ark Encounter financial projections are based on the low-range attendance estimate by America's Research Group of 1,200,000 guests in its first year of operation. Revenues are projected to reach \$42,401,954 in year one and cost of goods totaling \$3,840,000 and operating expenses of \$27,651,228. Based upon the work of ARG and the Nehemiah Group, financial projections and key operating assumptions, it is estimated that the Ark Encounter will generate an operating profit of approximately \$10,910,726 with a debt service charge of \$5,119,000 in the first full year of operations.

By operating year 3 revenues are projected to reach \$45,861,954 with a cost of goods of \$4,153,344 and operating expenses that total \$29,355,926 which provides for an EBITDA projection of \$12,352,683 and a debt service fee of \$5,793,700.

### 10-year Operating Income Projections

**Operating Assumptions**

\* 1,200,000 in attendance

\* Retained earnings with major capital projects every other year beginning in year 3 of operations

**Annual Attendance Growth**

4% Normal

10% Post Capital Expansion

	Year 1	104% Year 2	104% Year 3	110% Year 4	104% Year 5	110% Year 6	104% Year 7	110% Year 8	104% Year 9	110% Year 10	Total
<b>Gross Income</b>	\$42,401,954	\$44,098,032	\$45,861,954	\$50,448,149	\$52,466,075	\$57,712,683	\$60,021,190	\$66,023,309	\$68,664,241	\$75,530,665	\$563,228,253
<b>Project Operating Cost</b>	\$27,651,228	\$28,226,852	\$29,355,926	\$32,291,519	\$33,583,180	\$36,941,498	\$38,419,158	\$42,261,073	\$43,951,516	\$48,346,668	\$361,028,618
<b>Project Cost of Goods</b>	\$ 3,840,000	\$ 3,993,600	\$ 4,153,344	\$ 4,568,678	\$ 4,751,426	\$ 5,226,568	\$ 5,435,631	\$ 5,979,194	\$ 6,218,362	\$ 6,840,198	\$ 51,007,000
<b>EBITDA</b>	<b>\$10,910,726</b>	<b>\$11,877,580</b>	<b>\$12,352,683</b>	<b>\$13,587,952</b>	<b>\$14,131,470</b>	<b>\$15,544,617</b>	<b>\$16,166,401</b>	<b>\$17,783,042</b>	<b>\$18,494,363</b>	<b>\$20,343,800</b>	<b>\$151,192,634</b>
Debt Service	\$ 5,119,000	\$ 5,575,525	\$ 5,793,700	\$ 6,374,550	\$ 6,633,125	\$ 7,295,400	\$ 7,585,375	\$ 8,344,688	\$ 8,680,500	\$ 9,548,200	\$ 70,950,063
Debt Service Coverage	213.14%	213.03%	213.21%	213.16%	213.04%	213.07%	213.13%	213.11%	213.06%	213.06%	213.10%

Source: Nehemiah Group, Cary Summers



**ARK**  
ENCOUNTER

# **PROJECT OPERATIONS & MANAGEMENT**

Section 7

## **PROJECT OPERATIONS & MANAGEMENT**

### **MANAGEMENT & OPERATION OF ARK ENCOUNTER**

The Ark Encounter will operate 12 months a year, and is expected to initially employ approximately 487 people, full and part-time. The Ark Encounter, after full development, will have 20 merchandise locations of various sizes and 17 food locations. This coupled with attraction personnel, parking attendees, janitorial staff, security and other various management positions will comprise the full employee base of the Ark Encounter.

#### **Strength of the Management**

The management team of the Ark Encounter will be headed up by Michael Zovath, a co-founder of AiG, who is the Executive Director of Crosswater Canyon and the Ark Encounter project. Mr. Zovath, Patrick Marsh, and the AiG team of design professionals who directed the design, construction, and early operation of the Creation Museum, are working with Destination Concepts and Development to produce a highly thematic educational attraction at Ark Encounter, based on the literal biblical account of Noah's Ark, the Genesis Flood, and other historic biblical accounts from Scripture.

AiG has successfully operated the Creation Museum for over six years, and by the time the Ark Encounter opens, will have operated the museum for eight to nine years. It is anticipated that management assistance for the Ark Encounter project may also be provided during the initial years of operation by the Nehemiah Group (the lead Ark Encounter consultant), or another firm having extensive themed attraction experience. The key operating personnel will all have extensive experience in the themed attraction industry and will have a good understanding of this type of gated admission. The Ark Encounter for the first year will employ approximately 487 full and part time employees with opportunities for them to advance within the organization.

### **BIOGRAPHIES OF ADDITIONAL SUPPORTING ENTITIES AND PERSONNEL**

#### **Ark Encounter**

Ark Encounter, LLC was formed in 2010 as a Missouri limited liability company, and is authorized to do business in the Commonwealth of Kentucky. The sole owner and member of Ark Encounter is Crosswater Canyon, Inc., a non-profit corporation formed under the laws of the Commonwealth of Kentucky.

#### **Answers in Genesis**

AiG, the sole member of Crosswater Canyon, is the owner and operator of the Creation Museum, located in northern Kentucky, off Interstate 275, near Cincinnati, Ohio. Answers in Genesis is an internationally known apologetics ministry dedicated to upholding the authority of the Bible from the very first verse, and to equipping Christians to defend their Christian faith by trusting in God's Word, the Bible, as the foundation of their faith.

**Ken Ham**, CEO/President of AiG, co-founded the ministry 20 years ago. Mr. Ham has become one of the nation's most in demand Christian speakers and a frequent guest on national TV and radio programs. Mr. Ham hosts the "Answers" radio program on 600 stations across America. He has been a visionary leader behind the Creation Museum and the Ark Encounter project.

As owner and operator of the Creation Museum, AiG and its executive management team have acquired significant experience that will be applied to the planning and development of the Ark Encounter project.

Over 2,000,000 people have visited the Creation Museum since its opening in May 2007, and the museum continues to undergo expansion of its programs and exhibits on a regular basis to maintain public interest and attraction to its facilities and its core message on biblical authority.

While AiG is not an obligor or guarantor of the bonds being issued to finance the Ark Encounter project, the reputation, experience and oversight of the project by lead AiG personnel is expected to prove invaluable to the success of the development of the Ark Encounter project.

### **Crosswater Canyon**

Crosswater Canyon was formed as a Kentucky nonprofit corporation in 2010, to operate for the benefit, and support the mission and purposes of, AiG. Like AiG, Crosswater Canyon is recognized by the IRS as a public charity, and is an organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The board of directors and executive officers of Crosswater Canyon are appointed by AiG, the sole member of Crosswater Canyon. The following persons have been appointed by AiG to serve a term of one to three years as the initial board of directors of Crosswater Canyon:

**Dan Manthei** is a founding board member of AiG, having served on its board of directors since 1994 and continuing to the present. Since 1972, Mr. Manthei has been involved with management of the family business, Manthei Incorporated, a company in Petoskey, Michigan, which manufactures wood-faced veneer products and builds mobile home R.V. resorts. Mr. Manthei served on the board of directors of the Institute for Creation Research (formerly located in El Cajon, California, but now in Dallas, Texas), from 1980 until 2009, and has provided leadership and assistance to a number of other Christian ministries over the years, including Campus Crusade for Christ Int'l, World Concern, and Wycliffe Bible Translators.

**Craig Baker** has been an executive manager with First Companies, a Michigan real estate development corporation, since 1990. Mr. Baker has served in various capacities at First Companies prior to his promotion to Vice President, including Assistant Project Manager, Project Manager, and Estimator. He has gone on to receive the prominent distinction of Certified Commercial Investment Member (CCIM). As a CCIM, Mr. Baker has unique knowledge and experience encompassing all facets of construction, real estate, and property management. As co-owner and Vice President of First Companies, Mr. Baker is responsible for the planning and estimating departments, as well as supervising key team members. He has been a member of the board of directors of AiG since February 2010.

**Anthony J. Biller** is a full time intellectual property litigator, and represents clients in patent, trademark, copyright, trade secret lawsuits and related disputes in courts throughout the country. In addition to working in litigation since 1994, Mr. Biller has served in the federal court system, where most intellectual property lawsuits are tried.

Mr. Biller is a member of the American Bar Association litigation and intellectual property practice groups, the International Trademark Association, and the Federalist Society. Mr. Biller is a Fellow of the American Bar Foundation and a member of the Alliance Defense Fund's National Litigation Honor Corps. He currently chairs the ABA's IPL committee on trademark litigation, is the past chair of the committee on trademarks and the internet, and was named to the North Carolina Business "Legal Elite" for Intellectual Property in 2008 and 2009. Mr. Biller received his undergraduate degree from Purdue University where he was a Distinguished Military Graduate. He earned his Juris Doctor, magna cum laude, from Campbell University in 1997.

**Adam Heinlein CFP, CHFC**, began his career as a financial advisor in 1986 and earned the Certified Financial Planner (CFP) designation through the College for Financial Planning in 1991 and the Chartered Financial Consultant (CHFC) through the American College in 2009. Mr. Heinlein specializes in assisting family business owners in the area of estate planning with an emphasis on Christian/charitable strategies. Mr. Heinlein is a private pilot and partner in Aerospace Risk Management Group, Inc., a property/casualty insurance agency serving the aviation community. Mr. Heinlein serves clients located in many states and is currently a board member of Our Savior Lutheran School in Lansing, Michigan.

**Paul Spires** is the Chairman and Founder of United Mercantile Corporation (UMC). UMC manages other companies commonly held by Paul, his wife and two trusted Christian friends. These companies include The Home Team Inspection Service, Inc., a national franchising company of a Whole House Inspection brand (founded in 1991); House Doctors Handyman Service, a national franchising company of a Handyman Service brand (founded in 1994); Trigon Imaging Systems, Inc., a wide format digital printing supplier (founded in 2008); and various other real estate ventures. He has directed UMC since 1995.

**Dr. John C. Whitcomb** is one of the great Bible-upholding theologians of our day and a recognized leader in the battle for biblical inerrancy. Dr. Whitcomb is a prolific author and captivating speaker, as well as a highly regarded professor of Old Testament and Christian theology for more than 50 years. Dr. Whitcomb's most famous work, *The Genesis Flood* (co-authored in 1961 with the late Dr. Henry Morris) is widely acknowledged as having had a significant part in igniting the modern creationist movement around the world. Dr. Whitcomb taught at Grace Theological Seminary in Winona Lake, Indiana, from 1951–1990. Among his published creationist works are *The Early Earth* and *The World That Perished*. He is also known as a superb and gracious speaker on a wide range of apologetics topics. He and his wife Norma reside in Indianapolis.

## **Crosswater Canyon, Inc. Executive Director**

**Michael D. Zovath** has been appointed to serve as the initial Executive Director of Crosswater Canyon, Inc. Mr. Zovath graduated from Bob Jones University in 1972 with a B.A in Christian Education. He is a retired lieutenant colonel in the US Army, having served in troop units and planning tactical and classified operations. Upon retiring from the Army in 1992, Mr. Zovath went into full-time Christian service with the Institute for Creation Research. In 1993-94, he helped co-found AiG, where he served as the General Manager for seven years. From 2001 until 2009, he served as Vice President of Museum Operations, and upon commencement of the Ark Encounter project in 2009, has served as Executive Director of the Ark Encounter project.

## **Ark Encounter – Sr. Director of Design**

**Patrick Marsh** has served as the design director for the Creation Museum since 2001. Mr. Marsh is now serving as Design Director for the Ark Encounter project. Mr. Marsh is a graduate of UCLA in California (B.A. in Industrial Design, M.F.A. in Environmental Design), and has been involved in design for over 30 years. Some of the highlights of his career include coordinating 50 designers to prepare for the 1984 Olympic Games in Los Angeles, and preparing the dramatic unveiling of the refurbished Statue of Liberty on New York Harbor in 1986. Mr. Marsh also served as Art Director in the design of the *King Kong* and *Jaws* attractions at Universal Studios, Florida. Before joining AiG in 2001, Mr. Marsh spent 11 years working as director of design for Dream Makers in Tokyo, Japan. There he was responsible for the total concept design of various theme park and resort projects throughout Japan, including script writing, art direction, scenic design and architectural design. He is now applying his design expertise to the development of the exhibit layout for the Ark Encounter project.

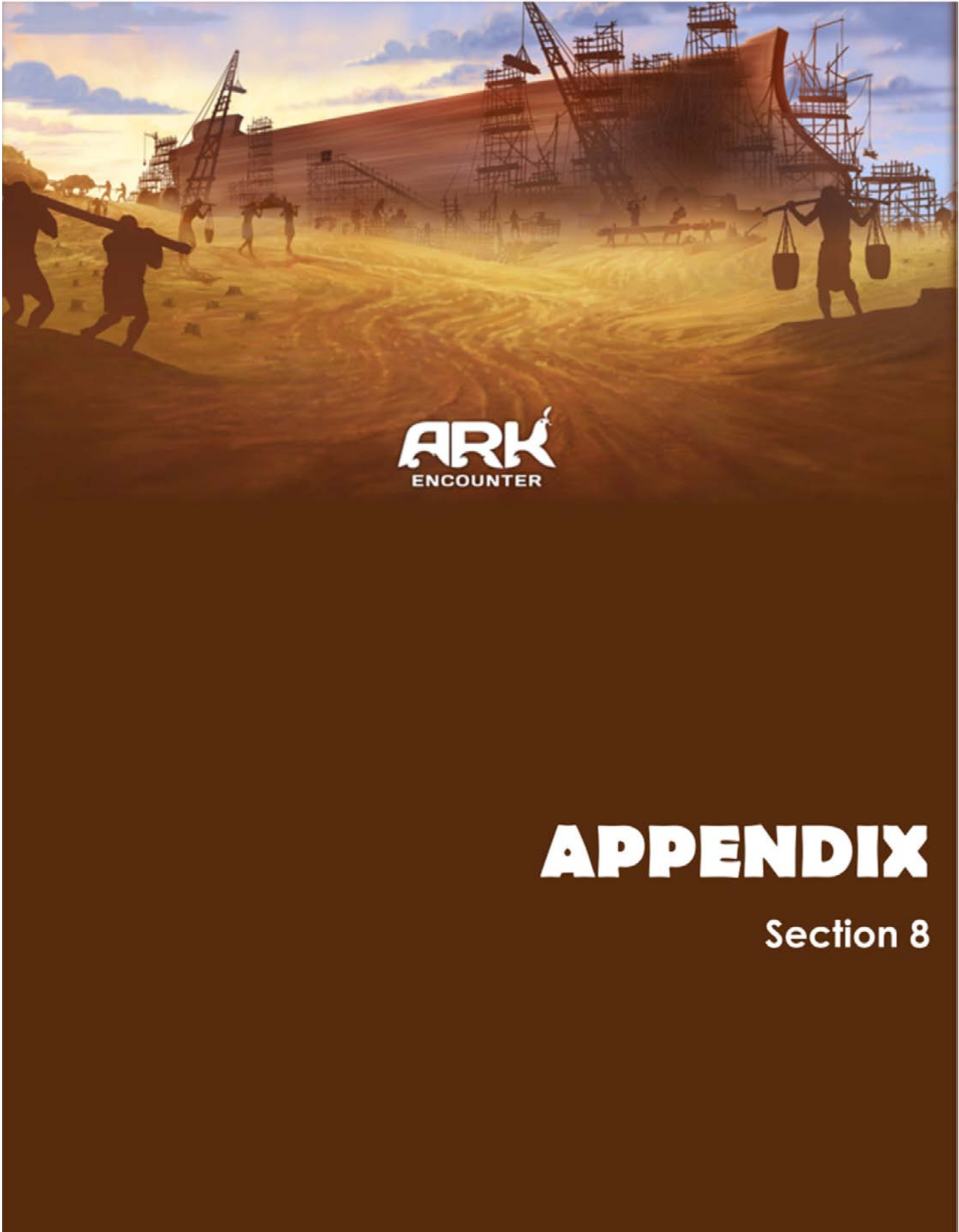
## **Destination Concepts and Development, Design-Build Consultant**

Destination Concepts and Development (“DCD”), an Indiana limited liability company located in Mishawaka, Indiana, has been retained as the design-build consultant for the Ark Encounter project. DCD represents a combination of the resources and talents of two consulting groups, both with extensive business experience in the themed attraction industry - The Nehemiah Group, of Springfield, Missouri, headed by Cary Summers, and The Troyer Group, Inc., of Mishawaka, Indiana, headed by LeRoy Troyer.

**The Nehemiah Group**, a management-consulting firm, provided assistance in the design of the master plan for the Ark Encounter project, and may provide managerial oversight for the initial operating phase of the project. As founder and chairman of the Nehemiah Group, Cary Summers has assisted public and private sectors both nationally and internationally in developing their regional heritage, resulting in increased tourism and stronger community definition. Mr. Summers also lends his talents to business consultation, specializing in the implementation of biblical-based principles for midsize businesses. (See Project Overview - Biographies – Nehemiah Group, Cary Summers, herein.)

**The Troyer Group**, an architectural and engineering firm, is providing architectural and engineering services for the construction of the project, including construction administration services related to oversight and management of the bidding and administration of construction contracts and services for the project. The founder, President and CEO of The Troyer Group is LeRoy S. Troyer, FAIA. Terry Troyer is CEO of The Troyer Group, Inc. and president of Troyer Group One Source LLC. LeRoy S. Troyer, FAIA established the firm in 1971, and is a family owned business that provides architectural, engineering, interior design, landscape architecture planning and management services for religious, healthcare, senior living, higher education, public sector, residential, commercial and industrial markets for over two decades.

Cary Summers and LeRoy Troyer bring an extensive and diverse amount of individual experience to DCD. Through their combined capabilities of planning, design, construction and management of tourism and destination places, along with the talents of a full scope of in-house resources as well as key associations with well-respected business partners, DCD is able to offer clients all of the resources necessary to take their dreams from concept through completion.



**ARK**  
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# APPENDIX

Section 8

## APPENDIX

### ENDNOTES

- 1) Moody's Analytics, Précis US Metro, Midwest, Cincinnati, OH Economic Analysis and Indicators – A subsidiary of Moody's Corporation established in 2007 to focus on non-rating activities providing economic research regarding risk, performance and financial modeling, as well as consulting, training and software services.
- 2) EASI Demographics, [www.easidemographics.com](http://www.easidemographics.com) – Demographic database software solution which can be used to pin point specific geographic regions and/or economic sectors using the most recent Census data allowing for projections of the next 5 years.
- 3) US Census Bureau, [www.census.gov](http://www.census.gov)
- 4) Kentucky Department of Transportation, [www.transportation.ky.gov](http://www.transportation.ky.gov) and Federal Aviation Statistics, [www.faa.gov](http://www.faa.gov)
- 5) US Travel Answer Sheet, US Travel Association, [www.ustravel.org](http://www.ustravel.org) – The US Travel Association is the national, non-profit organization representing all components of the travel industry that generates \$2.0 trillion in economic output. It is the voice for the collective interests of the US travel industry and the association's 1,350 member organizations. US Travel's mission is to promote and facilitate increased travel to and within the United States.
  - US Travel Association additionally references data collected by the US Census, Bureau of Labor Statistics, Department of Labor, Bureau of Economic Analysis and the Department of Commerce when compiling results.
- 6) US Travel Forecast, US Travel Association, [www.ustravel.org](http://www.ustravel.org), 9/22/13 – The US Travel Association is the national, non-profit organization representing all components of the travel industry that generates \$2.0 trillion in economic output. It is the voice for the collective interests of the US travel industry and the association's 1,350 member organizations. US Travel's mission is to promote and facilitate increased travel to and within the United States.
  - US Travel Association additionally references data collected by the US Census, Bureau of Labor Statistics, Department of Labor, Bureau of Economic Analysis and the Department of Commerce when compiling results.
- 7) Cultural and Heritage Travel, Mandala Research, 10/21/09 – A leading source for travel and tourism market research needs. The company's mission is to conduct studies that address the unmet needs in travel and tourism research, providing with every study an in-depth understanding of travelers, their motivations and desires.
- 8) Outlook on the Attractions Industry, Global Outlook Forum, H2R Market Research, October 2013 – The leading travel forecast conference combining industry networking and quality educational programs into a premier event.

- 9) Travel and Tourism Research Association, TTRA, [www.ttra.com](http://www.ttra.com) - The Travel and Tourism Research Association (ttra) is a non-profit association whose major purpose is to increase the quality, value, effectiveness and use of research in travel marketing, planning and development. The association strives to be a leader for the global community of practitioners and educators engaged in research, information management and marketing in the travel, tourism, and hospitality industries.
- 10) Morey and Associates, [www.moreygroup.com](http://www.moreygroup.com) - A national market research and consulting firm specializing in the unique needs of cultural attractions.
- 11) H<sup>2</sup>R Market Research and PGAV, VIP Experiences in the New Destination Visitor, May 2013
- 12) Cincinnati USA Regional Tourism Network, Convention and Visitors Bureau of Cincinnati and Northern Kentucky, [www.cincinnatiusa.com](http://www.cincinnatiusa.com) - The Cincinnati USA Regional Tourism Network (RTN) is a destination marketing company that promotes leisure travel to Cincinnati and Northern Kentucky. Founded in 2005, the RTN attracts leisure visitors while collaborating with the Cincinnati USA Convention & Visitors Bureau, and the Northern Kentucky Convention & Visitors Bureau and community partners to bring the region to life for millions of visitors.
- 13) Travel USA, Longwoods International – Established in 1978 as a market research consultancy, Longwoods International is a respected leader in brand strategy and ROI research. Longwoods conducts strategic market research for public and private sector clients throughout North America, Europe and the Pacific Rim.
- 14) Creation Museum, [www.creationmuseum.org](http://www.creationmuseum.org)
- 15) Answers in Genesis – A non-profit ministry that helps Christians to understand and defend their faith, as well as communicate the gospel message to a culture that no longer believes that the Bible is true. Answers in Genesis operates the Creation Museum in Petersburg, Kentucky.
- 16) Newport Aquarium, [www.newportaquarium.com](http://www.newportaquarium.com) and H<sup>2</sup>R Client database
- 17) King’s Island, [www.visitkingsisland.com](http://www.visitkingsisland.com)
- 18) Holy Land Experience, [www.holylandexperience.com](http://www.holylandexperience.com) and Hunden Strategic Partners Report, May 2011
- 19) Museum of Science and Industry, [www.msichicago.org](http://www.msichicago.org)
- 20) Trip Advisor, [www.tripadvisor.com](http://www.tripadvisor.com) - TripAdvisor is the world's largest travel site, enabling travelers to plan and have the perfect trip. TripAdvisor offers trusted advice from real travelers and a wide variety of travel choices and planning features with seamless links to booking tools. TripAdvisor branded sites make up the largest travel community in the world, with more than 260 million unique monthly visitors\*\*, and over 100 million reviews and opinions covering more than 2.7 million accommodations, restaurants and attractions. The sites operate in 34 countries worldwide, including China under daodao.com. TripAdvisor also includes TripAdvisor for Business, a dedicated division that provides the tourism industry access to millions of monthly TripAdvisor visitors.

- 21) Summary of Ark Feasibility Study - Survey and Market Research Findings, America's Research Group, 2008 - ARG is headed up by its chairman, C. Britt Beemer. In 1979, Mr. Beemer founded America's Research Group as a full-service consumer behavior research and strategic marketing firm, as stated earlier in this report.
- 22) MMGY, [www.mmgyglobal.com](http://www.mmgyglobal.com) - A marketing communications firm that specializes in hospitality and tourism.
- 23) Nehemiah Group Financial Projections, 10/10/13 – A management-consulting firm, provided assistance for managerial oversight and financial projections of the Ark Encounter.

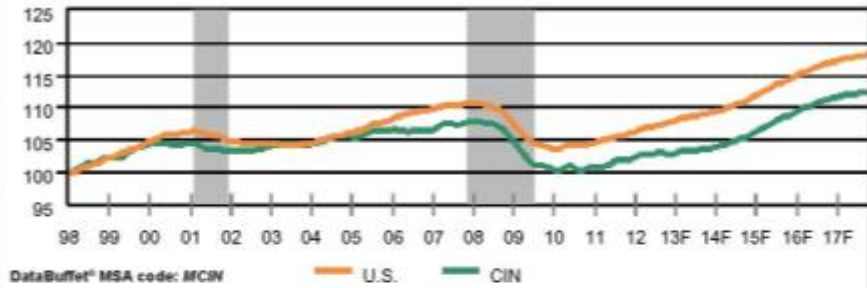
**DEMOGRAPHIC DETAILS OF CORE MARKET DMA – CINCINNATI**

Moody's Analytics, Précis US Metro, Midwest, Cincinnati, OH Economic Analysis and Indicators

# CINCINNATI

<b>EMPLOYMENT GROWTH RANK</b> <small>Rank-1, Worst=102</small>	<b>249</b> 4th quintile	<b>204</b> 3rd quintile
<b>LIFE CYCLE PHASE</b> <i>Mature</i>	<b>VITALITY</b>	
	<b>RELATIVE</b>	<b>RANK</b>
	<b>92%</b>	<b>233</b>
<b>RISK EXPOSURE</b> <small>2013-2018</small>	<b>RELATIVE COSTS</b> <small>vs 5-cities</small>	
<b>328</b> 5th quintile	<b>LIVING</b>	<b>BUSINESS</b>
	<b>93%</b>	<b>95%</b>

RELATIVE EMPLOYMENT PERFORMANCE (1998=100)



2006	2007	2008	2009	2010	2011	2012
83.8	84.8	83.8	80.0	81.7	84.0	85.9
-0.6	1.2	-1.2	-4.5	2.1	2.7	2.3
1,037.3	1,047.2	1,043.3	992.4	980.9	990.0	1,002.2
0.3	1.0	-0.4	-4.9	-1.2	0.9	1.2
5.2	5.0	5.9	9.3	9.6	8.6	7.1
5.7	3.1	3.6	-4.1	2.5	4.9	3.1
2,085.7	2,099.9	2,110.9	2,123.4	2,132.4	2,137.8	2,144.2
7,436	5,289	3,290	3,109	2,824	2,521	2,641
2,011	1,595	710	406	382	848	963
142.7	140.2	129.9	122.9	127.4	121.6	126.8
12,231	11,199	8,853	14,845	12,978	9,844	9,392
-2.0	-9.7	-0.6	1.2	-1.4	-3.9	-2.7
6,180	8,558	10,216	12,409	12,744	11,186	9,751

INDICATORS	2013	2014	2015	2016	2017
Gross metro product (C\$B)	86.5	88.5	91.9	94.2	96.4
% change	0.8	2.2	3.8	2.6	2.3
Total employment (000)	1,006.2	1,023.0	1,051.5	1,078.3	1,092.8
% change	0.6	1.5	2.8	2.5	1.4
Unemployment rate	7.3	7.2	6.4	5.8	5.5
Personal income growth	1.9	4.4	6.0	5.6	4.3
Population (000)	2,155.3	2,167.1	2,179.6	2,192.9	2,206.5
Single-family permits	3,628	7,225	10,502	10,346	8,891
Multifamily permits	1,245	1,504	1,770	1,618	1,354
Existing-home price (\$ ths)	134.7	139.8	145.1	149.8	154.2
Mortgage originations (\$ mil)	8,555	5,432	5,576	5,400	6,447
Net migration (000)	1.6	1.8	2.2	3.1	3.6
Personal bankruptcies	8,719	8,058	7,762	8,019	8,624

## STRENGTHS & WEAKNESSES

### STRENGTHS

- Highly educated labor force attracts new employers and capital investments.
- Transportation networks and international business presence adds vitality and industrial diversity.

### WEAKNESSES

- Fiscal pressures hurt public sector employment.
- Higher cost of doing business than in other Midwest metro areas.

## CURRENT EMPLOYMENT TRENDS

### % CHANGE YR AGO, 3-MO MA

	Sep 12	Jan 13	May 13
Total	1.0	0.5	0.8
Construction	-1.1	-4.7	-7.2
Manufacturing	1.2	0.8	0.4
Trade	0.8	-0.8	0.1
Trans/Utilities	0.4	-0.6	1.8
Information	-2.1	-2.1	-1.1
Financial Activities	1.7	-0.8	-1.1
Prof & Business Svcs.	3.4	3.8	4.5
Edu & Health Svcs.	1.4	1.6	2.6
Leisure & Hospitality	1.7	1.6	1.5
Other Services	-2.8	-0.5	-0.5
Government	-1.1	-1.0	-1.7

## FORECAST RISKS

### SHORT TERM

### LONG TERM

### UPSIDE

- Aerospace manufacturers benefit more than anticipated from pent-up airplane demand, resulting in additional hiring.
- Corporate headquarters boost employment more than expected.

### DOWNSIDE

- Housing recovery is weaker than expected, resulting in fewer construction job gains.
- Local government fiscal challenges are greater than expected.

## ANALYSIS

**Recent Performance.** The Cincinnati-Midwest recovery has gained traction in recent months, and local employment growth is outperforming that of the Buckeye State and nation. High-valued professional and business services are leading the job gains, and consumer industries are providing support. In addition, healthcare providers have outperformed over the past several months, and the long-term secular uptrend in healthcare demand remains in place. Manufacturing is still in recovery despite a fall in factory output this summer. Auto and aerospace manufacturing firms are hiring, albeit at a slower pace than in prior years.

The jobless rate has declined to 6.8%, lower than the 7.6% national rate. This has fueled stronger than average growth in wage income.

**Manufacturing.** Manufacturing will remain a key source of growth over the next several years, owing to CIN's concentration of aerospace manufacturers and auto parts suppliers. Airlines are in the midst of replacing an aging fleet of aircraft, which in turn will support local aerospace parts and engine manufacturers, including GE Aviation. Likewise, auto parts suppliers will benefit from strengthening auto demand. Auto sales are running at 15.3 million units at a seasonally adjusted annualized rate as of May, and this will rise to 16.5 million units in 2014 as pent-up demand is released. Another source of new-vehicle demand will be the replacement of aging vehicles; the average age of a vehicle on the road today is approximately 11 years, according to the Center for Automotive Research. Lastly, although the Cincinnati-ISM Purchase Managers' Index has fallen in recent months, it remains above its neutral threshold of 50, signaling that manufacturing is still expanding.

**Health services.** Healthcare will be a key source of strength for the economy over the next few years. Healthcare jobs account for an outside share of to-

tal employment and CIN's position as a healthcare research hub will be instrumental in driving growth. A slew of new capital investments by local hospitals will keep healthcare employment moving in the right direction. For example, the Cincinnati Children's Hospital Medical Center is constructing a \$180 million research tower that will combine medical research and patient care. The 15-story building will be completed by 2015 and will include new laboratories, an outpatient clinic, and research facilities. TriHealth, another top healthcare employer, will construct a medical office building to expand specialty services provided by physicians.

**Professional services.** High-paying professional and business services will also be a pillar of the recovery. CIN boasts the second highest proportion of college-educated workers of any major Ohio metro area; approximately 30% of the population 25 years or older holds a bachelor's degree, compared with only 25% statewide. High educational attainment will be instrumental in attracting high-paying services jobs that will become a significant driver in coming decades.

Corporate headquarters of large firms, including Kroger and Procter & Gamble, already provide a steady source of demand for highly educated professionals. In addition, smaller firms in consulting, legal, and other professional services will also be a source of growth.

**Cincinnati-Midwest's recovery will deepen over the near term.** Professional services, healthcare and manufacturing will remain the primary growth engines. Payroll employment will rebound to its prerecession level by mid-2015, slightly behind the national trajectory. Nonetheless, a well-educated workforce will help the metro area outpace Ohio in job gains.

*Brent Campbell  
June 2013*

## EMPLOYMENT & INDUSTRY

### TOP EMPLOYERS

Kroger Co.	20,646
University of Cincinnati	15,329
Cincinnati Children's Hospital Medical Center	12,564
Procter & Gamble Co.	12,000
TriHealth Inc.	10,400
Catholic Health Partners / Mercy Health Partners	8,940
UC Health	8,670
GE Aviation	7,500
St. Elizabeth Healthcare	7,251
Fifth Third Bancorp	7,180
Archdiocese of Cincinnati	7,000
Wal-Mart Stores Inc.	6,900
Home Depot	5,900
Christ Hospital	4,746
Macy's Inc.	4,200
Luxottica	4,200
Frisch's Restaurants Inc.	4,182
Miami University	4,122
Kings Island	4,000
Fidelity Investments	3,900

Source: Cincinnati Business Courier Book of Lists, 2013

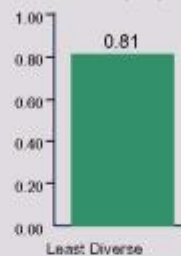
### PUBLIC

Federal	16,498
State	25,587
Local	82,942

2012

### INDUSTRIAL DIVERSITY

Most Diverse (U.S.)



### EMPLOYMENT VOLATILITY

Due to U.S. fluctuations      Relative to U.S.



### COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	CIN	OH	U.S.	CIN	OH	U.S.
Mining	0.1%	0.2%	0.6%	nd	\$50,634	\$80,442
Construction	3.7%	3.5%	4.2%	\$58,715	\$51,816	\$57,059
Manufacturing	10.6%	12.7%	8.9%	\$79,620	\$73,338	\$76,451
Durable	59.1%	67.6%	62.6%	nd	\$72,426	\$78,378
Nondurable	40.9%	32.4%	37.4%	nd	\$75,206	\$73,303
Transportation/Utilities	4.0%	3.6%	3.7%	nd	\$57,361	\$63,289
Wholesale Trade	5.6%	4.3%	4.2%	\$80,452	\$72,695	\$78,458
Retail Trade	10.2%	10.8%	11.1%	\$30,130	\$29,435	\$32,088
Information	1.4%	1.4%	2.0%	\$73,878	\$63,141	\$96,383
Financial Activities	6.4%	5.4%	5.8%	\$47,602	\$41,977	\$50,563
Prof. and Bus. Services	16.0%	13.0%	13.4%	nd	\$55,858	\$61,371
Educ. and Health Services	15.1%	16.7%	15.2%	\$49,879	\$46,252	\$50,771
Leisure and Hosp. Services	10.6%	9.6%	10.3%	\$22,713	\$19,511	\$24,149
Other Services	3.8%	4.0%	4.1%	\$34,055	\$32,036	\$34,601
Government	12.5%	14.6%	16.4%	\$59,889	\$61,128	\$68,458

Sources: Percent of total employment — Moody's Analytics & BLS, 2012; Average annual earnings — BEA, 2011

## MIGRATION FLOWS

### INTO CINCINNATI, OH

### NUMBER OF MIGRANTS

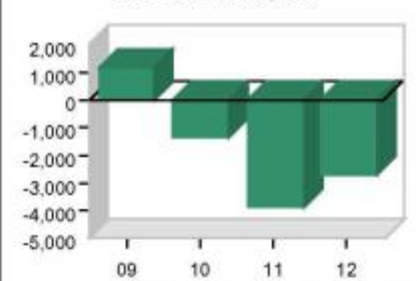
Dayton, OH	4,399
Columbus, OH	1,481
Chicago, IL	660
Indianapolis, IN	521
Louisville, KY	511
Cleveland, OH	497
Lexington, KY	457
New York, NY	346
Atlanta, GA	340
Tampa, FL	337
Total In-migration	38,661

### FROM CINCINNATI, OH

Dayton, OH	3,820
Columbus, OH	1,679
Chicago, IL	773
Indianapolis, IN	575
Louisville, KY	571
Lexington, KY	515
Atlanta, GA	495
New York, NY	478
Cleveland, OH	473
Tampa, FL	449
Total Out-migration	41,514

Net Migration -2,853

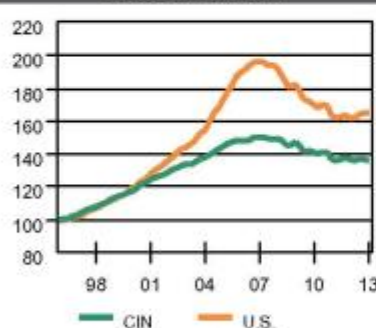
### NET MIGRATION, CIN



	2009	2010	2011	2012
Domestic	-971	-4,752	-6,925	-5,919
Foreign	2,179	3,379	3,064	3,213
Total	1,208	-1,372	-3,861	-2,706

Sources: IRS (top), 2010; Census Bureau, 2012

### HOUSE PRICES



Source: FHFA, 1996Q1=100, NSA

### MOODY'S RATING

**Aa2**

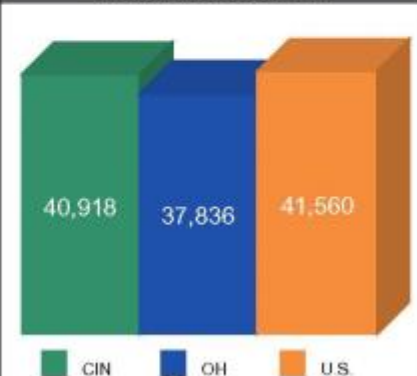
COUNTY  
AS OF MAY 25, 2012

### LEADING INDUSTRIES

NAICS INDUSTRY	EMPLOYEES (000)
GVSL State & Local Government	188.5
7225 Restaurants and other eating places	74.8
6221 General medical and surgical hospitals	45.1
5511 Management of companies and enterprises	41.7
5613 Employment services	28.8
4451 Grocery stores	17.8
6211 Offices of physicians	17.5
5241 Insurance carriers	17.3
6231 Nursing care facilities (skilled nursing facilities)	16.7
GVF Federal Government	16.5
5221 Depository credit intermediation	13.8
5617 Services to buildings and dwellings	13.6
2382 Building equipment contractors	12.7
4529 Other general merchandise stores	11.5
FR Farms	10.0
High-tech employment As % of total employment	37.7 3.7

Sources: BLS, Moody's Analytics, 2012

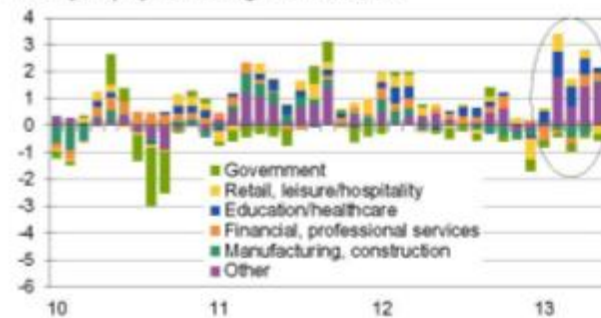
### PER CAPITA INCOME



Source: Bureau of Economic Analysis, 2011

**Services Job Growth Boosts Recovery**

Monthly employment change, 3-mo MA, ths



Sources: BLS, Moody's Analytics

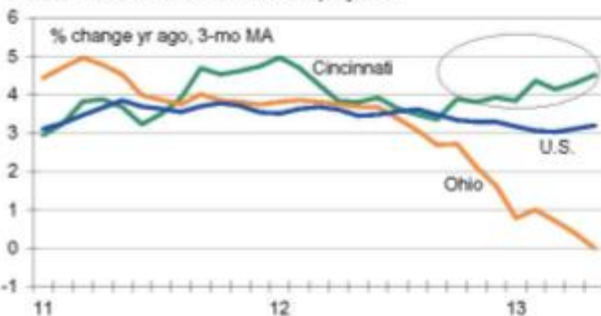
**Manufacturing Bending but Not Breaking**



Sources: BLS, ISM-Cincinnati, Moody's Analytics

**High-Paying Business Services Jobs Up Sharply**

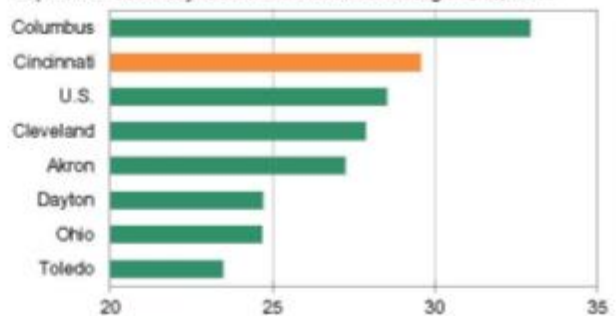
Professional/business services employment



Sources: BLS, Moody's Analytics

**Educated Workforce a Key Advantage**

Population over 25 yrs old with a bachelor's degree, %, 2011



Sources: Census Bureau, Moody's Analytics

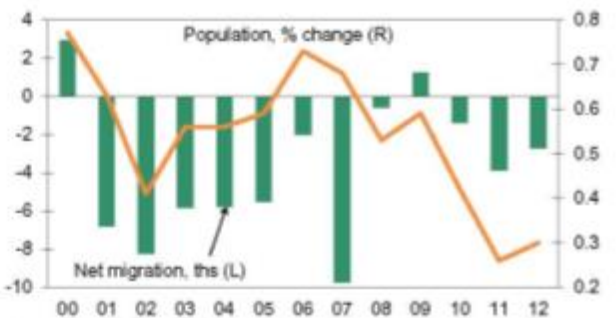
**Housing Market Recovery Shaping Up**



Sources: Census Bureau, CoreLogic, Moody's Analytics

House prices have begun to rebound in CIN thanks to pent-up demand, improving credit conditions, and strong investor buying. Housing affordability is higher in the metro area compared with the national average and is drawing in many first-time homebuyers. A healthy labor market and solid wage growth add to the metro area's attractiveness. Home construction will also improve, as months of new-home supply remain tight and new-home demand rises. Excess housing supply has been limited, and CIN has the lowest foreclosure rate of any major Ohio metro area.

**Population Growth Slows Temporarily**



Sources: Census Bureau, Moody's Analytics

Population growth has slowed in CIN over the past several years because of a slight rise in the pace of out-migration and a lower rate of natural population increase. Nonetheless, this trend will prove temporary. In-migration to the metro area will rebound over the next several years thanks to a healthy labor market that will attract younger workers in search of employment opportunities. Except for Columbus, CIN still has the fastest-growing population of any major Ohio metro area. The rise in in-migration will boost service-providing industries the most.

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**APPENDIX B**

**DEFINITIONS OF CERTAIN TERMS AND  
SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS**

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## APPENDIX B

### DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS

The discussion herein of the Loan Agreement, the Indenture, the Mortgage and the Assignment of Rents and Leases does not purport to be complete and is subject in all respect to the provisions of, and is qualified in its entirety by, reference to the documents. Copies of the Loan Agreement, the Indenture, the Mortgage and the Assignment of Rents and Leases are available from the Trustee. Section references are to appropriate provisions of the documents.

#### Definitions

"Accountants" means a firm of independent certified public accountants acceptable to the Trustee.

"Act" shall mean the Chapter 103 of the Kentucky Revised Statutes, as enacted and amended.

"Additional Bonds" shall mean Bonds issued under Section 2.12 of the Indenture to be secured on a parity with respect to the pledge of Gross Receipts under the Loan Agreement with the Series 2013 Bonds.

"Additional Notes" means any nonnegotiable promissory note or notes, in addition to the Series 2013 Note, delivered by the Borrower in connection with the issuance of Additional Bonds, as provided in the Indenture.

"Additional Payments" means the payments required of the Borrower by Section 1.02 of the Agreement.

"Affiliate" means (a) any corporation, association, business trust, joint venture, partnership or similar entity organized on a for-profit basis under the laws of any state, of which Crosswater (or its members or Governing Board) possesses, directly or indirectly, in excess of 50% of the voting rights with respect thereto, provided that the ability to acquire voting rights shall not be treated as possession of such rights until the rights are acquired, (b) any other corporation, association, business trust, joint venture, partnership or similar entity organized on a nonprofit basis under the laws of any state, the articles of incorporation, by-laws, articles of association or similar organizational documents of which require or expressly permit Crosswater (or its members or Governing Board) to exercise control thereof or to be controlled thereby, whether through (i) appointment of officers or employees to a majority of the governing body on an ex-officio basis (with voting rights), (ii) appointment of a majority of members of such governing body or (iii) authority to remove a majority of members of such governing body.

"Agreement" or "Loan Agreement" means the Loan Agreement, and any permitted amendments and supplements thereto.

"Annual Financial Information" shall mean a copy of the annual audited financial information prepared for the Borrowers which shall include, if prepared, a balance sheet, a

statement of revenue and expenditure and a statement of changes in fund balances. All such financial information shall be prepared in accordance with generally accepted accounting principles using, provided, however, that the Borrowers may change the accounting principles used for preparation of such financial information so long as the Borrowers include as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles.

"Ark, LLC" means Ark Encounter, LLC, a limited liability company duly organized and existing under the laws of the State of Missouri and authorized to do business in the Commonwealth of Kentucky, the sole member of which is Crosswater, its successors and assigns.

"Assignments of Rents and Leases" shall mean that certain Assignment of Rents and Leases dated as of December 1, 2013 from the Borrower to the Trustee as the same may be amended or supplemented from time to time.

"Authorized Borrower Representative" shall mean the President, Vice-President or Secretary of Crosswater, or another representative designated by Crosswater.

"Balloon Indebtedness" means Indebtedness other than Short-Term Indebtedness, 25% or more of the original principal of which matures during any consecutive twelve month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such date.

"BMA Index" means the per annum rate established weekly by Municipal Market Data for tax-exempt seven-day variable rate demand obligations meeting the Bond Market Association's criteria for inclusion in the index and if such index is no longer published, a successor or equivalent index selected by the Trustee after consultation with the Borrower and the Issuer.

"Board Designated Assets," with regard to the Borrower, means cash, cash equivalent deposits and marketable securities that have been designated by the Governing Board of Crosswater for specific uses.

"Bond Counsel" shall mean nationally recognized bond counsel experienced in the field of municipal finance.

"Bondholder" or "Holder" shall mean the owner of a Bond registered as to principal and interest and for the purposes of Article VIII of the Indenture shall also mean the holder of any Parity Obligations permitted under the Loan Agreement.

"Bond Payment Date" shall mean each date on which interest or both principal and interest shall be payable on any of the Bonds according to their respective terms so long as any of the Bonds shall be Outstanding.

"Bond Placement Agreement" shall mean as to the Series 2013 Bonds, the agreement relating to the placement of the Series 2013 Bonds among the Underwriter, the Borrower and the

Issuer, and as to any Additional Bonds, the Bond Placement Agreement defined in the Bond Ordinance or supplemental indenture providing for the issuance of the Additional Bonds.

"Bond Redemption Fund" shall mean the Bond Redemption Fund created under Section 4.01 of the Indenture.

"Bonds" shall mean the Series 2013 Bonds and any Additional Bonds issued under the Indenture.

"Book Value," when used with respect to Property of the Borrower, means the value of the Property, net of accumulated depreciation and amortization, as reflected in the most recent consolidated audited financial statements of Crosswater which have been prepared in accordance with generally accepted accounting principles.

"Borrower" or "Borrowers" shall mean, collectively, Crosswater Canyon, Inc., a Kentucky nonprofit corporation, and Ark Encounter, LLC, a Missouri limited liability company, and their successors and assigns.

"Budget" shall mean the annual budget prepared by the Borrower pursuant to Section 3.20 of the Loan Agreement, as from time to time revised and amended.

"Capital Replacement Fund" shall mean the Capital Replacement Fund created under Section 4.01 of the Indenture.

"Capital Replacement Fund Requirement" shall mean the greater of \$1,000,000 or such higher amount as may be established upon the advice of Independent Consulting Engineers.

"Capitalized Lease" means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee; provided, however, that no such lease shall be considered a "Capitalized Lease" if an Accountant shall determine that such lease is immaterial and therefore need not be presented as a capital lease on the balance sheet of the lessee.

"Capitalized Rentals" means, as of the date of determination, the amount at which the aggregate Net Rentals due and to become due under a Capitalized Lease under which an entity is a lessee would be reflected as a liability on a balance sheet of such entity.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

"Clerk" shall mean the City Clerk of the Issuer.

"Collateral Assignment" means the Assignment of Plans, Specifications, Construction and Service Contracts, Licenses and Permits dated as of December 23, 2013 from the Borrower to the Trustee.

"Commitment Indebtedness" means the obligation of the Borrower to repay amounts disbursed pursuant to a commitment from a financial institution to refinance, when due, other

Indebtedness of the Borrower which other Indebtedness would be classified as Short-Term, Interim, Balloon or Put Indebtedness under the Agreement and is incurred in accordance and in compliance with the provisions of the Agreement including, without limitation, Section 8.04 thereof.

"Commonwealth" or "State" shall mean the Commonwealth of Kentucky.

"Completion of Construction" means the satisfaction of the conditions specified in Section 4.04 of the Indenture with respect to completion of the construction of the Project.

"Completion Funded Indebtedness" means any Long-Term Indebtedness for borrowed money: (a) incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation or equipping of facilities with respect to which Long-Term or Interim Indebtedness for borrowed money has been incurred in accordance with the provisions of the Agreement, and (b) with a principal amount not to exceed ten percent (10%) of the amount of such prior Long-Term or Interim Indebtedness.

"Construction Contract" shall mean the agreement in writing between the Borrower and a contractor for the construction of any portion of the Project.

"Consultant" shall mean an independent person or entity qualified to study operations and financial affairs of facilities comparable to the Project and, in the reasonable judgment of the Borrower, having a favorable national reputation for skill and experience in such work and, unless otherwise specified, selected and retained by the Borrower.

"Continuing Disclosure Agreement" shall mean the Continuing Disclosure Agreement dated as of the date of issuance of the Bonds, between the Borrower and the Trustee, as disclosure agent.

"Costs of the Project" shall mean, without intending thereby to limit or restrict any proper definition of such term under any provisions of law, all costs of acquisition and construction and all obligations and expenses and all items of cost of the Project which are set forth in Section 4.02 of the Indenture.

"Crosswater" means Crosswater Canyon, Inc., a nonprofit corporation duly organized and existing under the laws of the Commonwealth of Kentucky, and being the sole member of Ark, LLC, its successors and assigns

"Current Value" means fair market value as shown in an appraisal made by an M.A.I. appraiser not more than six months prior to the date such information is utilized.

"Days Cash on Hand" means, for purposes of making the calculation for any Fiscal Year, an amount determined by dividing (a) Unrestricted Cash and Investments of the Borrower, as shown on the financial statements for such Fiscal Year, by (b) the quotient of (i) the expenses of the Borrower (excluding depreciation and amortization), as shown on the Financial Statements for such Fiscal Year, by (ii) 365; provided that such calculation may include Unrestricted Cash and Investments and expenses of Affiliates which have unconditionally guaranteed the obligations of the Borrower.

"Debt Service Coverage Ratio" shall mean, for any period, the ratio obtained by dividing Net Income Available for Debt Service for such period by the Debt Service Requirements for such period.

"Debt Service Requirements" shall mean, with respect to the period of time for which calculated, the aggregate of the payments required to be made in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on outstanding Funded Indebtedness of the Borrower with respect to which calculated; provided that: (a) the amount of such payments shall be calculated in accordance with the assumptions contained in Sections 8.04(a), (b), (c) and (d) of the Loan Agreement, as applicable; and (b) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Escrowed Interest is available to pay such interest.

"Defeasance Obligations" means (i) Governmental Obligations and (ii) any pre-funded bonds or other obligations of any state of the United States of America or of any agency, instrumentality or legal governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on an escrow established for the payment of such bonds, in the highest rating category of S&P and Moody's or any successors thereto; or (B) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations described in this definition on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

"Eligible Funds" shall mean with respect to any date of determination any amounts, including the proceeds of refunding bonds, for which, in each case, the Trustee has received and opinion of counsel experienced in bankruptcy matters to the effect that the use of such amounts would not violate Section 362(a) of the Bankruptcy Code (or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court) or be avoidable as preferential payments under Section 544, 547 or 550 of the Bankruptcy Code should the Issuer, the Borrower, any joint venturer in or general partner of the Borrower, or any general partner in any joint venturer in or general partner of the Borrower, become a debtor in proceedings commenced under, or with respect to, the Indenture or the Loan Agreement.

"Escrowed Interest" shall mean amounts deposited in escrow in connection with the issuance of Funded Indebtedness or Bonds to pay interest on such Funded Indebtedness or Bonds.

"Facilities" means any buildings, structures and facilities, including the site thereof and machinery, equipment and furnishings suitable for use as in the operation of the Project as a theme park.

"Fiscal Year" shall mean any period of annual reporting adopted by Crosswater as its fiscal year for financial reporting purposes.

"Funded Indebtedness" means (i) all Indebtedness for borrowed money which is not Short-Term; (ii) all Indebtedness incurred or assumed in connection with the acquisition or construction of Property which is not Short-Term; (iii) all Guaranties by the Borrower other than Guaranties of Short-Term Indebtedness; and (iv) Capitalized Rentals under Capitalized Leases.

"Fund," "Account" or "Funds and Accounts" shall mean any one or more, as the case may be, of the separate trust funds created and established pursuant to Section 4.01 of the Indenture.

"Governing Board" means the Board of Directors of Crosswater.

"Government Obligations" means direct obligations of, or obligations the principal of and the interest on which are unconditionally and fully guaranteed as to the timely payment thereof by, the United States of America, which may include (in the case of direct and general obligations of the United States of America) evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations so long as investments in such proportionate interests are limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying Government Obligations, (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; (c) the underlying Government Obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; and (d) such securities are rated "AAA" by S&P and "Aaa" by Moody's.

"Gross Receipts" means all cash operating or nonoperating revenues or other moneys received by the Borrower from the Project, gross receipts of Affiliates that constitute Revenues, all proceeds of inventory and insurance available to the Borrower and all present and future Incremental Revenues (as defined in the Local Development Agreement) and Sales Tax Refunds (as defined in the Tourism Development Agreement) received by the Borrower, general intangibles, documents and instruments and all proceeds from any thereof owned, leased or used by the Borrower in the conduct of all or any part of their business operated at the Project Site, gifts, bequests, contributions, grants, donations and all investment income, excluding (a) gifts, bequests, contributions, grants and donations and all income thereon restricted by the donor at the time of the making thereof to a special object or purpose inconsistent with the making of Loan Payments, (b) security or similar deposits of tenants until applied or forfeited, and (c) the proceeds of any Permitted Indebtedness.

"Guaranty" means all obligations of the Borrower guaranteeing or, in effect, guaranteeing any Indebtedness, dividend or other obligation of a person (the "primary obligor") in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such person: (a) to purchase such Indebtedness or obligation or any Property constituting security therefor; (b) to advance or supply funds: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation; (c) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation; or

(d) otherwise to assure the owners of the Indebtedness or obligation of the primary obligor against loss in respect thereof.

"Indebtedness" means all Guaranties by the Borrower and all obligations for the payment of money incurred or assumed by the Borrower, whether due and payable in all events, upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise.

"Indenture" shall mean the Trust Indenture dated as of December 1, 2013, or as it may from time to time be supplemented or amended by one or more indentures supplemental thereto, by and between the Issuer and the Trustee.

"Independent" means having no interest, direct or indirect, in the Borrower and, in the case of an individual, not being a member of the Governing Board, an officer or an employee of the Borrower and, in the case of a firm, not having a partner, director, officer or employee who is a member of the Governing Board, an officer or an employee of the Borrower.

"Independent Consulting Engineer" means an independent consulting engineer or firm of engineers of nationally recognized reputation in the field of museum or theme park engineering.

"Independent Counsel" means any attorney or attorneys duly admitted to practice law before the highest court of any state and not an officer or full time employee of the Issuer or the Borrower and who is not reasonably objected to by the Trustee.

"Inspecting Architect", when used in reference to the Series 2013 Bonds, means The Troyer Group, Mishawaka, Indiana, and when used in reference to Additional Bonds, Parity Obligations or Subordinated Obligations, shall mean an independent person or entity qualified to perform architectural services and in the reasonable judgment of the Borrower and the Trustee, having a favorable reputation for skill and experience in such work.

"Insurance Consultant" means a person who is not a member of the Governing Board, an officer or employee of the Borrower, or which is not a partnership, corporation or association having a partner, director, officer, member or substantial stockholder who is a member of the Governing Board, an officer or employee of the Issuer, or an officer or employee of the Borrower, appointed by the Borrower, qualified to survey risks and to recommend insurance coverage for facilities such as the Project and services and organizations engaged in like operations and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom the Borrower or the Issuer transacts business and who shall be acceptable to the Trustee.

"Interest Payment Date" means, as to Series 2013 Bonds, the 1st days of each May and November, commencing April 1, 2014 and, as to Additional Bonds, the date or dates identified as such in the supplemental indenture authorizing such Additional Bonds.

"Interest Rate for Advances" means with respect to the Loan and Bonds, an annual rate of interest which is equal to the rate established and published by U.S. Bank National Association from time to time as its "Prime Rate" plus 3.00%; provided that in no event shall the Interest Rate for Advances exceed the rate permitted by law.

"Interim Indebtedness" means Indebtedness having a term not in excess of five years and incurred in anticipation of permanent financing of facilities.

"Issuer" shall mean the City of Williamstown, Kentucky, a municipal corporation and political subdivision of the Commonwealth, and any successor thereto.

"Issuing Authority" shall mean the City Council of the Issuer.

"Lien" means any mortgage or pledge of, security interest in or lease, lien, charge, restriction or encumbrance on any Property of the Borrower in favor of or which secures any obligation to any person other than the Borrower or any Affiliates.

"Letter of Instructions" shall mean a communication in writing from the Issuer to the Trustee tendered at the time of delivery of the Bonds directing the initial deposits pursuant to the Indenture.

"Loan" shall mean the loan by the Issuer to the Borrower in the principal amount of \$62,000,000 pursuant to the Loan Agreement, from the proceeds of the sale of the Series 2013 Bonds, which Loan is evidenced by the Series 2013 Note and secured by the Borrower's pledge of Gross Receipts under the Loan Agreement and by the Mortgage and the Assignment of Rents and Leases.

"Loan Agreement" shall mean the written agreement between the Issuer and the Borrower in which the Issuer agrees to issue its Series 2013 Bonds and lend the proceeds thereof to the Borrower for financing of the Project, and the Borrower agrees to operate and maintain the Project and amortize the Loan.

"Loan Payment Date" means, with respect to interest payments, the 25th day of each month commencing December 25, 2013, and with respect to principal payments, the 25th day of each month, commencing on the 25th day of the month immediately following Completion of Construction.

"Loan Payments" means the amounts required to be paid by the provisions of Section 1.01 of the Agreement, as the same may thereafter be amended or supplemented.

"Local Development Agreement" means the Local Development Area Agreement dated as of November 1, 2012 by and among, the Issuer, the County of Grant, Kentucky and Ark, LLC, as the same may thereafter be amended or supplemented.

"Long-Term Indebtedness" means Indebtedness (which also may constitute Balloon, Interim or Put Indebtedness) having an original stated maturity or term greater than one year or renewable at the option of the debtor for a period greater than one year from the date of original issuance.

"Maximum Annual Debt Service Requirement" shall mean the largest total Debt Service Requirements for the then current or any succeeding Fiscal Year.

"Moody's" means Moody's Investors Service, a Delaware corporation, its successors and assigns.

"Mortgage" shall mean the Open-End Mortgage and Security Agreement dated as of December 1, 2013, granting certain interests in real property between the Borrower (as mortgagor) and the Trustee (as mortgagee), together with any instruments supplemental thereto, which the Borrower shall execute contemporaneously with the execution of the Loan Agreement to secure the Series 2013 Note and the pledge of Gross Receipts under the Loan Agreement.

"Mortgaged Property" means the Project and the Project Site.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Net Income Available for Debt Service" means, for any period of determination thereof, Project Revenues for such period, plus all interest earnings on moneys held in Funds and Accounts which are transferred to the Revenue Fund pursuant to Article VI of the Indenture, minus (i) total Operating Expenses incurred or payable by the Borrower for such period, (ii) all required deposits to the Insurance and Tax Escrow Fund, the Capital Replacement Fund and the Operating Reserve Fund for such period, (iii) any profits or losses which would be regarded as extraordinary items under generally accepted accounting principles, (iv) gain or loss on the extinguishment of Indebtedness, (v) contributions, (vi) proceeds of Bonds and any other Permitted Indebtedness, (vii) Net Proceeds, and (viii) the proceeds of any sale, transfer or other disposition of all or any portion of the Project by the Borrower.

"Net Proceeds" shall mean, as to any insurance proceeds or any condemnation award, the amount remaining after deducting therefrom all expenses (including attorneys' fees and any expenses of the Trustee) incurred in the collection of such proceeds or award.

"Net Rentals" means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real or personal property excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so-called "percentage lease" shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period. Furthermore, the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage under such lease.

"Non-Recourse Indebtedness" means with respect to the Borrower, any Indebtedness which is not a general obligation of the Borrower and is secured by a Lien, liability for which is effectively limited to the Property, the purchase, acquisition or improvement of which was financed with the proceeds of such Non-Recourse Indebtedness and which is subject to such lien with no recourse, directly or indirectly, to any other Property.

"Note" or "Notes" means the Series 2013 Note dated as of December 23, 2013, constituting an unconditional promise of the Borrower to repay the Loan to the Issuer, which

Note shall be in substantially in the form attached to the Agreement as Exhibit A, and any additional promissory Note or Notes executed and delivered with respect to Additional Bonds.

"Operating Data" shall mean an update of the Operating Data contained in the Offering Document in Appendix A under the heading "FINANCIAL PROJECTIONS – 10-Year Operating Income Projections".

"Operating Expenses" shall mean for any period, expenses paid or budgeted to be paid in connection with the operation and maintenance of the Project (determined on a cash basis) during such period, including payments into the Capital Replacement Fund, but excluding (i) Debt Service Requirements, (ii) any loss or expense resulting from or related to any extraordinary and nonrecurring items, (iii) any losses or expenses related to the sale of assets, the proceeds of which sale are not included in Project Revenues pursuant to clause (ii) of the definition thereof, (iv) expenses paid from operational reserves, and (v) expenses paid from the Capital Replacement Fund.

"Operating Reserve Fund" shall mean the trust fund by that name created pursuant to Section 4.01 of the Indenture.

"Operating Reserve Requirement" shall mean (i) for the initial operational Fiscal Year ending on the June 30 following the Project Completion Date, an amount equal to the average projected Operating Expenses for any month of such Fiscal Year set forth in the Budget approved by the Borrower for such Fiscal Year multiplied by 3.3, and (ii) following the end of the Fiscal Year set forth in (i) above, 45 Days Cash on Hand.

"Outstanding", when used with reference to Bonds shall, subject to the provisions of the Indenture, mean as of any particular time all of the Bonds authenticated and delivered by the Trustee under the Indenture, except:

Bonds theretofore cancelled by the Trustee or delivered to the Trustee cancelled or for cancellation;

Bonds for the payment or redemption of which money in the necessary amount shall have been deposited with the Trustee, and with respect to Bonds to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture; and

Bonds in substitution for which other Bonds shall have been authenticated and delivered pursuant to the terms of the Indenture.

"Parity Instrument" shall mean an instrument creating and/or securing Parity Obligations.

"Parity Obligations" shall mean any obligation of the Borrower authorized pursuant to Section 2.13 of the Indenture to be secured on a parity with respect to the pledge of Gross Receipts under the Loan Agreement with the Series 2013 Bonds and Additional Bonds Outstanding.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Paying Agent" shall mean any paying agent, initially the Trustee, appointed by the Issuer pursuant to Section 10.13 of the Indenture, or any successor appointed thereunder.

"Permitted Encumbrances" means, as of any particular time:

(a) Liens arising by reason of good faith deposits with the Borrower in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Borrower to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or anybody created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Borrower to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(b) any Lien on Property if such Lien equally and ratably secures all of the Series 2013 Bonds, Additional Bonds and Parity Obligations and only the Series 2013 Bonds, Additional Bonds and Parity Obligations then outstanding;

(c) leases by the Borrower as lessor which relate to Property which is of a type that is customarily the subject of such leases, such as office space for educational institutions, food service facilities, gift shops and similar facilities, any leases entered into in accordance with the disposition of Property provisions of the Agreement, leases, licenses or similar rights to use Property existing as of the date of execution of the loan agreement and any renewals and extensions thereof;

(d) Liens for taxes and special assessment which are not then delinquent, or if then delinquent are being contested;

(e) easements, as permitted by Section 3.06;

(f) Any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such Lien is being contested;

(g) such minor defects and irregularities of title as normally exist with respect to Property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof;

(h) zoning laws and similar restrictions which are not violated by the Property affected thereby;

(i) all right, title and interest of the state where the Property involved is located, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;

(j) Liens on or in Property given, bequeathed or devised to the owner thereof existing at the time of such gift, bequest or devise, provided that (i) such Liens attach solely to the Property which is the subject of such gift, bequest or devise, and (ii) the Indebtedness secured by such Liens is not assumed by the Borrower;

(k) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which the Borrower shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured;

(l) any Lien securing Non-Recourse Indebtedness permitted to be incurred under the Agreement;

(m) Liens on moneys deposited by tenants or others with the Borrower as security for or as prepayment of rent;

(n) Liens on Property received by the Borrower through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(o) Liens on accounts receivable securing Short Term Indebtedness in an amount not to exceed one-half the Short Term Indebtedness permitted to be incurred and outstanding under the Agreement;

(p) Liens to secure Purchase Money Indebtedness;

(q) Liens of the type described in (a) through (p) above relating to a facility acquired by the Borrower, which Liens are not incurred in anticipation of or in connection with such acquisition;

(r) The Mortgage;

(s) The Assignment of Rents and Leases;

(t) The Collateral Assignment; and

(u) Existing liens identified in Exhibit C of the Indenture.

"Permitted Indebtedness" means that indebtedness of the Borrower authorized by Section 8.04.

"Plans and Specifications" means the plans and specifications for the Project now on file with the Trustee, as revised from time to time as in the Loan Agreement provided.

"Principal and Interest Fund" shall mean the Principal and Interest Fund created in Section 4.01 of the Indenture.

"Principal Payment Date" means, as to the Series 2013 Bonds, the 1st day of each October, commencing October 1, 2014, and as to Additional Bonds, the date or dates identified as such in the supplemental indenture authorizing such Additional Bonds.

"Pro Forma Debt Service Coverage Ratio" means for any period of time, the ratio obtained by dividing Net Income Available for Debt Service for the relevant period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness then outstanding and the Funded Indebtedness then proposed to be issued and a denominator of one.

"Project" shall mean all the real and personal property located on and including the real property in the City of Williamstown, Kentucky, described in Exhibit A attached to the Indenture, including all fixtures and improvements therein and all equipment and furnishings therefor, and consisting of the acquisition of 203.5 acres and the construction, installation and equipping thereon of a replica of the Ark of Noah, including related facilities.

"Project Completion Date" shall mean April 1, 2016, or a later date as amended in accordance with the provisions of Section 4.05 of the Indenture.

"Project Fund" shall mean the Project Fund created in Section 4.01 of the Indenture.

"Project Revenues" shall mean, (i) for any period during which there is not then existing and continuing an event of default under the Indenture or the Agreement, all cash operating and non-operating revenues of the Project, less (A) any extraordinary and nonrecurring items (including any real property tax refunds), (B) income derived from the sale of assets not in the ordinary course of business, (C) security or similar deposits of tenants until applied or forfeited, (D) Net Proceeds and (E) proceeds of Permitted Indebtedness (as defined in the Loan Agreement), but including as Project Revenues any such Net Proceeds resulting from business interruption insurance or other insurance or condemnation proceeds retained by the Borrower, amounts received by the Borrower or the Trustee pursuant to any payment guaranty, operating guaranty or similar agreement with respect to the Project, and Incremental Revenues (as defined in the Local Development Agreement) and Sales Tax Refunds (as defined in the Tourism Development Agreement) received by the Borrower, and (ii) following the occurrence of an event of default under the Indenture or the Agreement and the expiration of any stated grace period for the cure thereof, all Gross Receipts. Amounts paid to the Borrower from the Surplus Fund under Section 5.02(b) of the Indenture shall not, after they are so paid, constitute Project Revenues for purposes of clause (i) hereof.

"Project Site" shall mean the real property described on Exhibit A attached to the Indenture and made a part thereof, upon which the Project is located

"Projected Debt Service Coverage Ratio" means, for any future period of time, the ratio consisting of a numerator equal to the amount determined by dividing the projected Net Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirements for the Indebtedness expected to be outstanding during such period.

"Project Fund" means the Project Fund, a special fund created and so designated by the provisions of Section 4.01 of the Indenture.

"Property" means any and all right, title and interest in and to any and all real and personal property of the Borrower located at the Project Site and all intangible property of the Borrower wherever situated, including cash.

"Purchase Money Indebtedness" means Indebtedness secured by mortgages, liens or conditional sales contracts, or purchase money mortgages on the property being acquired, given to secure the payment of all or a portion of the purchase price of the real or personal property.

"Put Indebtedness" means Indebtedness which is payable or required to be purchased, at the option of the holder thereof, prior to its stated maturity date.

"Rating Agency" shall mean Moody's or Standard & Poor's.

"Register" shall mean the bond register maintained pursuant to Section 2.08 of the Indenture.

"Registrar" shall mean the Trustee.

"Required Borrower Cash Deposit" means the cash deposit required to be made by the Borrower to the Project Fund on or before February 28, 2014 pursuant to the Series 2013 Note, which amount shall be equal to the lesser of (i) \$1,876,557 or (ii) the difference between (a) the principal amount of Series 2013 Bonds Outstanding on February 28, 2014 and (b) the aggregate amount on deposit on February 28, 2014 in the Project Fund, the Series 2013 Reserve Account and the Principal and Interest Fund (exclusive of amounts representing accrued interest).

"Reserve Fund" shall mean the Reserve Fund created in Section 4.01 of the Indenture, including the Series 2013 Reserve Account therein created.

"Reserve Fund Requirement" shall mean (i) with respect to the Series 2013 Bonds, the sum of \$3,511,225.00, which is an amount equal to the maximum annual interest payable on the Series 2013 Bonds, assuming all such Series 2013 Bonds which are subject to mandatory sinking fund redemption are duly redeemed in accordance with the requirements of the Indenture, and assuming that no such Series 2013 Bond is otherwise redeemed prior to its maturity, and (ii) with respect to Additional Bonds, the amount set forth in the supplement to the Indenture providing for the issuance of such Additional Bonds.

"Revenue Fund" shall mean the Revenue Fund created in Section 4.01 of the Indenture.

"Revenues" shall mean the sum of (a) gross Project Revenues, plus (b) other operating revenues, plus (c) non-operating revenues (other than income derived from the sale of assets not in the ordinary course of business or any gain or loss from the extinguishment of debt or other extraordinary item), as determined in accordance with generally accepted accounting principles, plus (d) gross receipts of Affiliates which have unconditionally guaranteed the obligations of the Borrower under the Loan Agreement.

"Security Documents" shall mean the Notes, the Mortgage, the Assignment of Rents and Leases, the Loan Agreement, the Collateral Assignment and financing statements, and any instruments supplemental or amendatory thereto.

"Series 2013 Bonds" shall mean the \$62,000,000 City of Williamstown, Kentucky Taxable Industrial Building Revenue Bonds, Series 2013 (Crosswater Canyon, Inc. Project), dated as of their date of initial delivery.

"Series 2013 Capitalized Interest" shall mean, with respect to the Series 2013 Bonds, the sum of \$7,978,283.47 to be used to pay interest on the Series 2013 Bonds through and including April 1, 2016.

"Series 2013 Note" shall mean the promissory note which the Borrower shall execute contemporaneously with the execution of the Loan Agreement pursuant to the Loan Agreement to evidence its obligation to repay the portion of the Loan made under said Loan Agreement, which will be secured by the Mortgage and Assignment of Rents and Leases and which shall be assigned by the Issuer pursuant to the Indenture to the Trustee for the benefit of the Series 2013 Bondholders.

"Series 2013 Reserve Account" shall mean the account so designated within the reserve fund with respect to the Series 2013 Bonds and established pursuant to Section 4.01 of the Indenture.

"Short-Term," when used in connection with Indebtedness, means having an original stated maturity (without regard to whether such Indebtedness is payable at the option of the holder thereof prior to its stated maturity date) less than or equal to one year and not renewable at the option of the debtor for a term greater than one year beyond the date of original issuance.

"Standard & Poor's" shall mean Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., a New York corporation, its successors and assigns.

"State" means the Commonwealth of Kentucky.

"Subordinated Obligations" shall mean obligations authorized or issued under Section 2.14 of the Indenture to be secured on a basis subordinate and inferior to the Bonds with respect to the pledge of Gross Receipts under the Loan Agreement.

"Surplus Fund" means the Surplus Fund, a special fund created and so designated by the provisions of Section 4.01 of the Indenture.

"Tourism Development Agreement" means the Tourism Development Agreement dated as of May 19, 2011 between the Kentucky Tourism Development Finance Authority and Ark, LLC, as the same may be amended or supplemented.

"Trust Estate", "trust estate" or "pledged property" shall mean all the items set forth in Granting Clauses One through Five of the Indenture.

"Trustee" shall mean U.S. Bank National Association, Trustee under the Indenture, and its successors in trust.

"Trustee's Fees and Expenses" shall mean the fees and expenses of the Trustee, the Registrar and any Paying Agent, as set forth in Section 10.06 of the Indenture or as otherwise provided in the Indenture, payable (a) in the case of the annual trustee fee, on the date of issuance and on each October 1 thereafter, and (b) in the case of all other fees and expenses, within 30 days of the details thereof being provided to the Borrower, in each case from the Principal and Interest Fund (if paid prior to the completion of construction) or the Revenue Fund or, in the event sufficient funds are not held therein, from the Borrower.

"Turn Around Period" shall mean (i) five (5) business days, with respect to Annual Financial Information and Operating Data delivered by the Borrowers to the Disclosure Agent; (ii) two (2) business days with respect to Event occurrences disclosed by the Borrowers to the Disclosure Agent or such lesser period as necessary in order for such Event occurrence to be disclosed to the public no more than ten (10) business days after the occurrence thereof; or (iii) two (2) business days with respect to the failure, on the part of the Borrowers, to deliver Annual Financial Information and Operating Data to the Disclosure Agent which period commences upon notification by the Borrowers of such failure, or upon the Disclosure Agent's actual knowledge of such failure.

"Underwriter" shall mean Ross, Sinclair & Associates, LLC.

"Unrestricted Cash and Investments" means unrestricted cash equivalents, and marketable securities, but specifically excluding and exclusive of (i) all funds held in the Principal and Interest Fund and the Reserve Fund; (ii) Indebtedness payable in one year or less, unless there exists a firm refinancing commitment from a financial institution, having debt service payments such that the applicable tests under Section 8.04 are satisfied for such refinancing Indebtedness; and (iii) proceeds of Indebtedness that are entrusted with a lender.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a single numerical rate.

## **The Indenture**

Additional Bonds to Pay Cost of Any Improvements to the Project and to Complete the Project; Refunding Bonds. Additional Bonds of the Issuer may be issued under and secured by the Indenture, at one time or from time to time, in addition to the Series 2013 Bonds issued under the provisions of Section 2.01 of the Indenture and subject to the conditions thereafter provided in that Section, for the purpose of providing funds, with any other available funds, for paying the cost of completion of or the cost of any improvements to the Project. Additional Bonds may be issued under the provisions of that Section regardless of whether the Project for which Series 2013 Bonds or Additional Bonds shall have been theretofore issued has been completed.

Before any Additional Bonds for the purpose of paying the cost of completion of or the cost of any improvements to the Project shall be issued under the provisions of Section 2.01 of the Indenture, the Issuing Authority shall adopt an ordinance authorizing the issuance of Additional Bonds, fixing the amount and the details thereof, describing in brief and general terms

the improvements to the Project to be acquired or constructed, and estimating the cost thereof. Such ordinance shall also provide for such increased deposits, if any, to the credit of the Reserve Fund, either from bond proceeds or from the Borrower to bring the Reserve Fund to the Reserve Fund Requirement. Additional Bonds shall have the same designation as the Bonds except for an identifying series designation, shall be dated as stated in said ordinance, shall bear interest at a rate or rates not exceeding any maximum rate then permitted by law, shall be stated to be payable by their terms, subject to the right of prior redemption as set forth in the Indenture, and may be made redeemable at such terms and prices, all as may be provided by said ordinance of the Issuing Authority and not inconsistent with the Indenture.

Except as to any differences in the maturities thereof or in the rate or rates of interest or the provisions for redemption, Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Indenture as the Series 2013 Bonds.

Additional Bonds shall be executed substantially in the form and manner as the Bonds with such changes as may be necessary or appropriate to conform to the provisions of the ordinance or ordinances authorizing the issuance of Additional Bonds and shall be delivered to the Trustee for authentication, but before Additional Bonds shall be authenticated and delivered by the Trustee, there shall be filed with the Trustee the following:

(a) a copy, certified by the Clerk of the Issuing Authority, of the ordinance of the Issuing Authority authorizing the issuance of Additional Bonds;

(b) a statement, signed by the Inspecting Architect, giving the Inspecting Architect's estimate of the date on which the improvements to the Project for which Additional Bonds are to be issued will be completed and available to be placed in use and operation and certifying that, according to the Inspecting Architect's estimate of the total amount required for paying the cost of those improvements, the proceeds of the Additional Bonds, together with any other available funds, will be required and will be sufficient for paying the cost of those improvements, including any financing charges and the amount, if any, required to increase the Reserve Fund by reason of the issuance of the Additional Bonds;

(c) the following:

(i) A certificate of an Accountant certifying that the Pro Forma Debt Service Coverage Ratio for each of the two most recent Fiscal Years preceding the date of delivery of such certificate was not less than 1.50:1, provided that if audited financial statements are not available for the most recent Fiscal Year during the period that ends 180 days after such Fiscal Year, the Accountant may rely on financial statements prepared by an Authorized Borrower Representative for such year; or

(ii) A certificate of an Accountant certifying that the Debt Service Coverage Ratio for each of the two most recent Fiscal Years preceding the date of delivery of such certificate was not less than 1.50:1, provided that if audited financial statements are not available for the most recent Fiscal Year during the

period that ends 180 days after such Fiscal Year, the Accountant may rely on financial statements prepared by an Authorized Borrower Representative for such year; and

(iii) A report of a Consultant setting forth his estimate that the Projected Debt Service Coverage Ratio for each of the first two Fiscal Years of operation of the Project after the expected completion of the Project for which such Additional Bonds are to be issued will not be less than 1.50:1.

(d) Evidence satisfactory to the Trustee that the balances in the Operating Reserve Fund and the Capital Replacement Fund are equal to no less than the Operating Reserve Requirement and Capital Replacement Fund Requirement, respectively.

(e) a certificate of the Borrower that no Event of Default under the Indenture has occurred and is continuing;

(f) a statement from the Inspecting Architect stating that the signer is of the opinion that the Issuer or the Borrower, as appropriate, has obtained all necessary building and zoning permits and approvals for the acquisition and construction then obtainable, of the improvements to the Project;

(g) a statement of the Inspecting Architect stating that the signer is of the opinion that all appropriate federal, state and local approvals for the acquisition and construction of the improvements to the Project then obtainable have been obtained;

(h) a fully executed counterpart of a supplemental indenture, duly executed by the Issuer and the Trustee, describing the improvements to the Project to be constructed, acquired or provided with the proceeds of Additional Bonds delivered for authentication under the Indenture and making the revenues, rentals, income or other moneys derived from such improvements subject to the lien and provisions of the Indenture.

(i) a fully executed counterpart of a supplemental loan agreement providing for loan payments sufficient to make the necessary payments of principal of and any premium and interest on Additional Bonds together with such additional payments as may be required into the Reserve Fund to raise its balance to the Reserve Fund Requirement by the ordinance mentioned in paragraph (a) above, and a copy, certified by the Clerk of the Issuing Authority, of an ordinance of the Issuing Authority, and a copy, certified by an officer of the Borrower, of a resolution adopted or other required official action of approval to be taken by the Borrower authorizing the execution and delivery of such supplemental loan agreement.

When the documents mentioned in clauses (a) to (i), inclusive, shall have been filed with the Trustee and when the Additional Bonds described in the Ordinance mentioned in clause (a) and in the resolution mentioned in clause (i) above shall have been executed and authenticated as required by the Indenture, the Trustee shall deliver the Additional Bonds at one time to or upon the order of the purchasers named in the ordinance mentioned in said clause (a), but only upon payment to the Trustee of the purchase price of such Additional Bonds. The Trustee shall be

entitled to rely upon such ordinance as to the names of the purchasers, the interest rate of each of such Additional Bonds and the amount of such purchase price.

The proceeds of the Additional Bonds issued under the provisions hereof at any one time shall be deposited with the Trustee to the credit of a special construction fund appropriately designated and held in trust for the purpose of paying the cost of the improvements to the Project to be acquired or constructed except that (i) the accrued interest, if any, received on all Additional Bonds issued under the provisions hereof shall be deposited to the credit of the Principal and Interest Fund, (ii) the amount, if any, authorized therefor under the ordinance mentioned in clause (a) above for the payment of interest during the period of construction and, for a reasonable period thereafter shall be deposited to the credit of the Principal and Interest Fund and (iii) the amount necessary to bring the Reserve Fund to the Reserve Fund Requirement from bond proceeds or Borrower funds shall be deposited to the credit of the Reserve Fund.

Subject to the provisions set forth in the Indenture, Additional Bonds of the Issuer may further be issued under and secured by the Indenture, at any time or times, for the purpose of providing funds for refunding all or any part of the Outstanding Bonds or Parity Obligations, including the payment of any redemption premium thereon and interest which will accrue on such Outstanding Bonds or Parity Obligations to the redemption date or stated payment date or dates and any expenses in connection with such refunding.

Before any Additional Bonds for the purpose of paying the cost of refunding Outstanding Bonds or Parity Obligations shall be issued under the provisions hereof, the Issuing Authority shall adopt an ordinance authorizing the issuance of Additional Bonds, fixing the amount and the details thereof, describing the Outstanding Bonds or Parity Obligations to be refunded thereby, and estimating the cost thereof. Such ordinance shall also provide for such increased deposits, if any, to the credit of the Reserve Fund, either from bond proceeds or from the Borrower to bring the Reserve Fund to the Reserve Fund Requirement. Additional Bonds shall have the same designation as the Outstanding Bonds except for an identifying series designation, shall be dated as stated in said ordinance, shall bear interest at a rate or rates not exceeding any maximum rate then permitted by law, shall be stated to be payable by their terms, subject to the right of prior redemption as set forth in the Indenture, and may be made redeemable at such terms and prices, all as may be provided by said ordinance of the Issuing Authority and not inconsistent with the Indenture.

Such Additional Bonds to be issued to refund Outstanding Bonds or Parity Obligations shall be executed substantially in the form and manner hereinabove set forth for the Bonds with such changes as may be necessary or appropriate to conform to the provisions of the ordinance authorizing the issuance of such Additional Bonds, and shall be delivered to the Trustee for authentication, but before such Additional Bonds shall be authenticated and delivered by the Trustee there shall be filed with the Trustee documents, relating to the Additional Bonds issued under the Indenture, similar to those mentioned in clauses (a), (e), (h) and (i) above and, in case such Additional Bonds are to be issued for the purpose of redeeming Outstanding Bonds or Parity Obligations prior to their stated maturity or maturities or the date selected for their redemption as above mentioned, such additional documents (including a certificate of an Accountant) as shall be required by the Trustee to show that provision has been duly made in

accordance with the provisions of the Indenture or the Parity Instrument for the redemption of the Outstanding Bonds or Parity Obligations to be refunded.

When the documents referred to above shall have been filed with the Trustee and when the Additional Bonds to be issued under the provisions hereof and described in the ordinance included in such documents shall have been executed and authenticated as required by the Indenture, the Trustee shall deliver such Additional Bonds to or upon the order of the purchasers named in such ordinance, but only upon payment to the Trustee of the purchase price of such Additional Bonds. The Trustee shall be entitled to rely upon such ordinance as to the names of such purchasers, the interest rate of each of such Additional Bonds and the amount of such purchase price. But the Trustee shall not authenticate and deliver such Additional Bonds to refund Outstanding Bonds or Parity Obligations unless (i) the proceeds (excluding accrued interest) of such Additional Bonds, plus any moneys to be withdrawn from the Principal and Interest Fund by the Trustee for such purpose, as provided in the Indenture, together with any other funds available to the Issuer for such purpose, together with the interest that shall accrue upon any Defeasance Obligations acquired pursuant to paragraph (2) below, shall be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Outstanding Bonds and Parity Obligations to be refunded and the interest which will accrue thereon to the redemption date or maturity dates occurring prior thereto and the expenses incident to such financing; and (ii) either the maximum amount required in any subsequent Fiscal Year to provide for the payment of the interest and of the principal on all Outstanding Bonds and Parity Obligations to be outstanding after the issuance of such Additional Bonds and the redemption of the Outstanding Bonds and Parity Obligations to be refunded shall not exceed the maximum amount of such requirements for any Fiscal Year on account of all the Outstanding Bonds and Parity Obligations prior to the issuance of such Additional Bonds and the redemption of the Outstanding Bonds and Parity Obligations to be refunded, or the Additional Bonds so issued must comply with the requirements set forth in clause (c)(i) above.

Simultaneously with the delivery of such Additional Bonds, the Trustee shall apply, after payment of the expenses incident to such financing, the proceeds of such Additional Bonds (including accrued interest, if any) and any other moneys provided for such purpose, as follows:

- (1) the accrued interest received as part of the proceeds of such revenue refunding bonds shall be deposited to the credit of the Principal and Interest Bond Fund;
- (2) an amount, which, together with interest that shall accrue on such amount invested in Defeasance Obligations, is sufficient to pay principal, redemption premium and interest on the Outstanding Bonds or Parity Obligations to be refunded under the Indenture shall be deposited by the Trustee to the credit of a special redemption fund appropriately designated, to be held in trust for the sole and exclusive purpose of paying such principal, redemption premium and interest. Moneys held for the credit of such redemption fund shall, as nearly as may be practicable and reasonable, be invested and reinvested in Defeasance Obligations, which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys held for the credit of such redemption fund will be required for the purposes intended; and

(3) any balance of such proceeds shall be deposited to the credit of the Principal and Interest Fund.

Parity Obligations. So long as no event of default under the Indenture has occurred and is continuing, the Borrower shall have the right to issue Parity Obligations which shall rank pari passu with the Bonds with respect to the pledge of Gross Receipts under the Loan Agreement (but not as to any moneys on deposit in any fund or account created by the Indenture), subject, however, to each of the following conditions:

(a) Parity Obligations may be issued for the purpose of providing funds to pay any one or more of the following: (a) the cost of acquiring or completing the construction of the Project; (b) the cost of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation of the Project; (c) the costs of making improvements as the Borrower may deem necessary or desirable and as will not impair the nature of the Project, and as will be located on the real property described in Exhibit A to the Indenture; or (d) to refund any Outstanding Bonds or Parity Obligations; and, in each case, to pay the costs of the issuance and sale of the Parity Obligations, capitalized interest and/or make deposits to the Reserve Fund for such period and other costs reasonably related to the financing as shall be agreed upon by the Borrower.

(b) The Issuer shall be unable or shall have declined to issue Additional Bonds as provided in Section 2.12 of the Indenture for such purpose or purposes or the Borrower shall have determined that the terms or costs of Additional Bonds for such purpose or purposes are less favorable to the Borrower than the issuance of Parity Obligations of like maturity.

(c) The Parity Instruments under which such Parity Obligations are incurred shall include cross default provisions with the Loan Agreement.

(d) The Borrower shall satisfy the financial condition set forth in clause (c) of Section 2.12 of the Indenture determined as if the proposed Parity Obligations were Additional Bonds issued pursuant to Section 2.12.

(e) Any collateral given or to be given to secure Parity Obligations shall also secure the Bonds then Outstanding on a pari passu basis and the Parity Instruments under which the Parity Obligations are incurred shall contain provisions that all Parity Obligations and all Bonds then Outstanding shall be secured equally and ratably by all security provided for any or all of such Parity Obligations; except that the holders of Parity Obligations shall have no rights against any moneys on deposit in any fund or account created by the Indenture.

(f) Any other collateral at any time given to secure the Bonds Outstanding shall likewise secure Parity Obligations.

In the event that the Borrower shall issue Parity Obligations, the Borrower, the Issuer and the Trustee shall execute, deliver, and cause to be recorded such instruments, including supplements to the Loan Agreement and the Indenture, as may be required in the opinion of

Bond Counsel to recognize and establish the pari passu status of such Parity Obligations with respect to the pledge of Gross Receipts under the Loan Agreement.

It is the intent of the Indenture that the rights and remedies of the holders of the Outstanding Bonds and Parity Obligations be equal and pari passu with respect to the pledge of Gross Receipts under the Loan Agreement (but not as to any moneys on deposit in any Fund or Account under the Indenture or to any other part of the Trust Estate) and nothing contained therein or in any supplement to the Indenture or in any Parity Instrument shall be deemed to give to the holders of any Outstanding Bonds or Parity Obligations any rights or remedies superior or inferior to the rights and remedies of the Holder or Holders of any other Outstanding Bonds or Parity Obligations, provided, however, that in the event of any disagreement between the Trustee and the Holder or Holders of any Parity Obligations concerning the remedies to be pursued in the event of a default the Trustee under the Indenture shall have the right, subject to the provisions of Article VIII, to direct the remedies to be pursued. Any Parity Instrument shall expressly provide for events of default and remedies therefor identical to those provided for in the Indenture and shall provide that the Trustee under the Indenture shall have the right to direct the remedies to be pursued.

Subordinated Obligations. So long as no event of default under the Indenture has occurred and is continuing, Subordinated Obligations may be issued, subject to the conditions hereinafter provided, for the purpose of providing funds, with any other available funds, for paying the cost of completion of or the cost of any improvements to the Project, or to refund any Outstanding Subordinated Obligations. Such Subordinated Obligations shall rank inferior and subordinate to Bonds Outstanding, with respect to the pledge of Gross Receipts under the Loan Agreement. The issuance of Subordinated Obligations is subject, to each of the following conditions:

(a) Delivery by the Borrower to the Trustee of:

(i) A certificate of an Accountant certifying that the Pro Forma Debt Service Coverage Ratio, taking into account all Outstanding Bonds, Parity Obligations and Outstanding Subordinated Obligations and the Subordinated Obligations then to be issued, for each of the two most recent Fiscal Years preceding the date of delivery of such certificate was not less than 1.10:1, provided that if audited financial statements are not available for the most recent Fiscal Year during the period that ends 180 days after such Fiscal Year, the Accountant may rely on financial statements prepared by an Authorized Borrower Representative for such year; or

(ii) A certificate of an Accountant that the Debt Service Coverage Ratio for each of the two most recent Fiscal Years preceding the date of delivery of such certificate was not less than 1.10:1, provided that if audited financial statements are not available for the most recent Fiscal Year during the period that ends 180 days after such Fiscal Year, the Accountant may rely on financial statements prepared by an Authorized Borrower Representative for such year;

(iii) A report of a Consultant setting forth his estimate that the Projected Debt Service Coverage Ratio for each of the first two Fiscal Years of operation of the Project after the issuance of such Subordinated Obligations will not be less than 1.10:1, and

(iv) If the Subordinated Obligations are being issued to finance the completion or improvement of the Project, a report of a Consultant to the effect that forecasted Debt Service Coverage Ratio, taking the proposed Subordinated Obligations then to be incurred into account, for each Fiscal Year through and including the first Fiscal Year succeeding the date on which the Inspecting Architect projects the completion of the improvements to the Project to occur, is not less than 1.10, as demonstrated by forecast balance sheets, statements of revenue and expense and statements of changes in financial position of the Borrower for that period, accompanied by a statement of the relevant assumptions upon which such pro forma balance sheets and statements are based.

(b) delivery by the Borrower to the Trustee of a certificate of the Borrower that no Event of Default under the Indenture has occurred and is continuing;

(c) if the Subordinated Obligations are being issued to finance the completion or improvement of the Project, delivery by the Borrower to the Trustee of a statement from the Inspecting Architect stating that the signer is of the opinion that the Issuer or the Borrower, as appropriate, has obtained all necessary building and zoning permits and approvals for the acquisition and construction then obtainable, of the improvements to the Project;

(d) if the Subordinated Obligations are being issued to finance the completion or improvement of the Project, delivery by the Borrower to the Trustee of a statement of the Inspecting Architect stating that the signer is of the opinion that all appropriate federal, state and local approvals for the acquisition and construction of the improvements to the Project then obtainable have been obtained;

(e) in the event the Subordinated Obligations are being issued to refund Outstanding Subordinated Obligations, such additional documents as shall be required by the Trustee to show that provision has been duly made in accordance with the provisions of the Indenture or the applicable instrument authorizing the Outstanding Subordinated Obligations to be refunded for the redemption of thereof.

In the event that the Subordinated Obligations are issued, the Borrower, the Issuer and/or the Trustee, as the case may be, shall execute, deliver, and cause to be recorded such additional instruments, including supplements to the Loan Agreement and the Indenture, as may be required in the opinion of Bond Counsel to recognize and establish the priority lien pledge status of the pledge of Gross Receipts under the Loan Agreement to the Outstanding Bonds and any Parity Obligations.

Creation of Funds and Accounts. The following funds are created, and the monies deposited therein shall be held by the Trustee in trust for the purposes set forth in Article IV of the Indenture and paid out by the Trustee as set forth below unless otherwise provided:

(a) The Project Fund, which shall be disbursed to pay the acquisition, construction, equipping, installation and related costs of the Project, as provided in the Indenture.

(b) The Revenue Fund, into which all Project Revenues shall be paid, shall from time to time be credited by the Trustee as provided in Article V of the Indenture.

(c) The Reserve Fund, in which there shall be created a Series 2013 Reserve Account, which shall initially be partially funded with proceeds of the Series 2013 Bonds as set forth in Section 3.02(b) of the Indenture and thereafter shall be funded pursuant to Section 5.02 of the Indenture. Amounts in the Series 2013 Reserve Account shall be applied to pay principal of, and interest on the Series 2013 Bonds in order to forestall an Event of Default, to pay the redemption price of any Series 2013 Bonds called for redemption pursuant to Section 2.02(d) of the Indenture, or to pay principal of and interest on the Series 2013 Bonds on the final Interest Payment Date for the Series 2013 Bonds.

(d) The Principal and Interest Fund, which shall be held by the Trustee for disbursement by the Trustee as provided in Section 5.02 of the Indenture from time to time solely, except as expressly provided in the Indenture, for the purpose of paying the principal of, premium, if any, and interest on the Bonds as the same shall come due and payable.

Moneys in the Principal and Interest Fund shall be used to pay principal and interest with respect to the Bonds and for the redemption of Bonds prior to maturity and as otherwise provided in the Indenture only in the following order:

FIRST: Amounts representing Series 2013 Capitalized Interest;

SECOND: Amounts received by the Trustee from the Borrower under the Notes (in the form of transfers from the Revenue Fund) to pay the principal of (whether by purchase or redemption), premium, if any, and interest on the Bonds;

THIRD: Any other amounts deposited to, and available therefor, the Principal and Interest Fund.

(e) The Capital Replacement Fund, which shall not initially be funded, but shall be funded pursuant to Section 5.02.

(f) The Bond Redemption Fund, which shall be funded to redeem Bonds as provided in the Indenture.

(g) The Operating Reserve Fund, which shall not initially be funded, but shall be funded pursuant to Section 5.02.

(h) The Surplus Fund, which shall not initially be funded, but shall be funded pursuant to Section 5.02.

Project Fund Disbursements. Except for the disbursement of funds to pay costs of issuance of the Series 2013 Bonds as set forth in the Letter of Instructions, which amount shall not exceed the amount set forth under (i) in the definition of Required Borrower Cash Deposit, no funds shall be disbursed from the Project Fund unless the balance on deposit therein on or before March 1, 2014 shall have been at least \$45,520,000. Thereafter, unless the Series 2013 Bonds shall have been called for redemption pursuant to Section 2.02(d) of the Indenture, the Trustee shall make disbursements from said Project Fund, less any retainage specified in a construction contract and confirmed in writing by the Borrower, for Costs of the Project from time to time upon requisition of the Borrower, which requisition shall be in the form attached to the Indenture as Exhibit B and approved by any officer of the Inspecting Architect. Such parties shall not order payment for charges or costs for changes or additions not provided for in the approved plans and specifications until adequate provision for payment thereof is made by the Borrower, provided that the contract price, including the cost of all changes and additions insofar as it exceeds the balance in the Project Fund after initial payments under the Letter of Instructions shall be payable solely and exclusively from amounts received from the Borrower as additions to the construction contract price. For the purposes of the Indenture, the Costs of the Project shall embrace the cost of acquiring and constructing the same, and without intending thereby to limit or restrict any proper definition of such cost, may include the following:

(a) obligations incurred for labor, materials and services and to contractors, builders and others in connection with the construction of the Project, for machinery and equipment, for necessary water and sewer lines and connections, utilities and landscaping, for the restoration or relocation of any property damaged or destroyed in connection with such construction, for the removal or relocation of any structures and for the clearing of lands;

(b) the cost of acquiring by purchase, if such purchase shall be deemed expedient, such other lands, property, rights, rights of way, easements, franchises and other interests as may be deemed necessary or convenient by the Borrower for the construction of the Project and options and partial payments thereon, the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved and the amount of any damages incident to or consequent upon the construction of the Project and the operation, repair and maintenance of the Project;

(c) to the extent not otherwise provided for with the Series 2013 Capitalized Interest, interest payable on Series 2013 Bonds prior to the commencement of and during the construction of the Project or improvements, if any, financed with the proceeds of Additional Bonds and for a reasonable period thereafter, and the reasonable fees of the Trustee and any Paying Agent for the payment of such interest;

(d) the reasonable fees and expenses of the Trustee for its services prior to and during construction, and premiums on builder's risk insurance (if any) in connection with the Project during construction;

(e) the cost of borings and other preliminary investigations to determine foundation or other conditions, expenses necessary or incident to determining the feasibility or practicability of constructing the Project, and fees and expenses of engineers, accountants, architects and consultants for making studies, surveys and estimates of costs and of revenues and other estimates and fees and expenses of engineers and architects for preparing plans and specifications and supervising construction, as well as for the performance of all other duties of engineers and architects set forth in the Indenture in relation to the acquisition and construction of the Project and the issuance of Bonds therefor;

(f) legal expenses and fees, financing charges, expenses of recordation of legal instruments, costs of printing, costs of audits, financial feasibility studies, and the services of rating agencies and of preparing and issuing the Bonds, and all other items of expense not elsewhere herein specified incident to the acquisition, construction and equipment of the Project, the financing thereof and the acquisition of lands, property, rights, rights of way, easements, franchises and interests in or relating to lands, including abstracts of title, title insurance, title guaranty, cost of surveys, tests and inspections, and other professional services and expenses in connection with such acquisition, and expenses of administration properly chargeable to the acquisition, construction and equipment of the Project; and

(g) any obligation or expense incurred or paid by the Issuer or by the Borrower for any of the foregoing purposes.

Before any such payment shall be made, there shall be filed with the Trustee a requisition in the form attached to the Indenture as Exhibit B stating (i) the item number of each such payment, (ii) the name of the person, firm or corporation to whom each such payment is due, (iii) the respective amounts to be paid, and (iv) the purpose by general classification for which each obligation to be paid was incurred, and certifying (A) that obligations in the stated amounts have been incurred for the Project and are presently due and payable and that each item thereof is a proper charge against the Project Fund and has not been paid, (B) that there has not been filed with or served upon the Borrower or the applicable contractor, notice of any lien, right to lien or attachment upon, or claim affecting the right of any such persons, firms or corporations to receive payment of, the respective amounts stated in such requisition which has not been released or will not be released simultaneously with the payment of such obligation, (C) that such requisition contains no item representing payment on account of any retained percentage which the Borrower is at the date of such requisition entitled to retain, and (D) as to obligations payable to contractors or vendors on account of any of the costs, expenses or obligations herein mentioned, that the copy of the contractor's application for payment, or vendor's invoice attached to such requisition is true and correct.

Upon receipt of each requisition and accompanying certification, the Trustee shall pay the obligations set forth in such requisition out of money in the Project Fund. In making such payments the Trustee may rely upon such requisitions and accompanying certification. If for any reason the Borrower should decide prior to the payment of any item in a requisition not to pay such item, the Authorized Borrower Representative shall give written notice of such decision to the Trustee, and thereupon the Trustee shall not make such payment.

If any requisition contains any items for the payment by the Borrower of the purchase price or cost of any lands, real property, rights with respect to real property, rights of way, easements, franchises or interests in or relating to lands other than the Project Site, in addition to obtaining evidence that a supplement to the Mortgage with respect to such real property has been recorded (or an opinion of counsel that no recording is required), there shall be attached to such requisition, in addition to the certificate referenced above, (i) a statement, signed by the Authorized Borrower Representative stating that the signer is of the opinion that such lands, property, rights, rights of way, easements, franchises or interests are being acquired in furtherance of the construction of the Project or operation thereof, and further that payment of the costs thereof will not in the aggregate, increase the construction cost of the Project beyond the Borrower's limit of construction cost for the Project, including equipment; and (ii) a written opinion of counsel for the Borrower stating that the signer is of the opinion that the Borrower is authorized to acquire such lands, property, rights, rights of way, easements, franchises, or interests, and that the Borrower will have upon the payment of such item title in fee simple to, or perpetual easements or title or rights sufficient for the needs and purposes of the Project in, such lands, free from all liens, encumbrances and defects of title except for Permitted Encumbrances which do not have a materially adverse effect upon the Borrower's right to use such lands or properties for the purposes intended or which have been adequately guarded against by a bond or other form of indemnity, or, if such payment is for an option to purchase or for a quitclaim deed or a lease or a release or on a contract to purchase or is otherwise for the acquisition of a right or interest in lands less than fee simple or a perpetual easement, or if such payment is a partial payment for any such purpose, the written approval of the acquisition of such lesser right or interest or as such partial payment signed by the Authorized Borrower Representative, or, in lieu of the opinion required by this clause, a firm undertaking by a reputable title insurance company to issue its title insurance or title guaranty policy to the Trustee for the benefit of the Bondholders and a written opinion of counsel not objected to by the Trustee stating that, in the opinion of the signer, any objections or exceptions to be noted therein are not of a material nature.

Notwithstanding any other provision of Section 4.02 of the Indenture to the contrary, in the event the Series 2013 Bonds shall have been called for redemption pursuant to Section 2.02(d) thereof, the entire balance then on deposit in the Project Fund shall be transferred to the Bond Redemption Fund on March 1, 2014 and applied to the redemption of the Series 2013 Bonds.

Flow of Ordinary Revenues. Earnings on Funds and Accounts shall be deposited as provided in Section 4.06 of the Indenture.

(a) Prior to Completion of Construction, all payments received on the Series 2013 Note shall be deposited to the Principal and Interest Fund and shall be disbursed to pay debt service on the Series 2013 Bonds and to pay the Trustee's Fees and Expenses.

To the extent amounts on deposit in the Principal and Interest Fund are insufficient to pay the principal and interest then due on the Series 2013 Bonds on any Interest Payment Date, the Trustee shall transfer the amount of such shortfall from the

Series 2013 Reserve Account, all as more particularly provided in Section 4.01(c) of the Indenture.

All other revenues received by the Trustee prior to the Completion of Construction, other than those described in the preceding paragraph, shall be deposited to the Revenue Fund and as directed by the Borrower, shall be distributed in the same manner as described below in Section 5.02(b) of the Indenture.

(b) After Completion of Construction, all Project Revenues, including the payments on the Notes (which shall be in the form of transfers from the Revenue Fund), are to be deposited in the Revenue Fund. The Trustee may rely on the amounts received as being the total amounts payable with respect to the Project, as provided in the Budget. Project Revenues, including the payments on the Notes (which shall be in the form of transfers from the Revenue Fund) shall be distributed monthly, on or before the twenty-fifth day of each month by the Trustee from the Revenue Fund as follows:

FIRST: To the Principal and Interest Fund to the extent amounts on deposit therein are insufficient to pay debt service on the Bonds on the following Interest Payment Date, an amount equal to 1/6 of the interest due on the Bonds on the following Interest Payment Date and 1/12 of the principal due on the following principal payment date; provided that the transfer by the Trustee to the Principal and Interest Fund in respect of the first Interest Payment Date following Completion of Construction on which debt service on the Bonds is payable will be made in amounts equal to the respective quotients obtained by dividing the sum of (i) the amount of such debt service by (ii) the respective number of months, including the month of computation, to and including the Interest Payment Date on which such debt service is payable.

SECOND: To or upon the direction of the Borrower, an amount equal to the amount specified in the Budget for the ensuing month's Operating Expenses, together with such additional Operating Expenses requested in writing by an Authorized Borrower Representative pursuant to and after satisfaction of the conditions specified in the Loan Agreement.

THIRD: To the Operating Reserve Fund, (i) commencing on the twenty-fifth day of the month next succeeding the date of the Completion of Construction and continuing through and including the twenty-fifth day of the month on which the Operating Reserve Requirement is initially fully funded; and (ii) thereafter, commencing on the twenty-fifth day of the month following the date on which the balance in the Operating Reserve Fund is again less than the Operating Reserve Requirement, the amount necessary to restore the balance therein to the Operating Reserve Requirement.

FOURTH: To the Capital Replacement Fund, (i) commencing on the twenty-fifth day of the month next succeeding the date of the Completion of Construction and continuing through and including the twenty-fifth day of the month and continuing through and including the twenty-fifth day of the month on

which the Capital Replacement Fund Requirement is initially fully funded; and (ii) thereafter, commencing on the twenty-fifth day of the month following the date on which the balance in the Capital Replacement Fund is again less than the Capital Replacement Fund Requirement, the amount necessary to restore the balance therein to the Capital Replacement Fund Requirement.

FIFTH: To the Series 2013 Reserve Account, the sum necessary to cause the amounts therein to equal the Reserve Fund Requirement for the Series 2013 Bonds.

SIXTH: To the Surplus Fund, all moneys not required to be paid currently into any of the above Funds and Accounts. Monies in the Surplus Fund shall be disbursed at any time by the Trustee to remedy any deficiency in the payments stated above in Paragraphs "FIRST" through "FIFTH" of Section 5.02 of the Indenture. If on any deposit date moneys in the Surplus Fund shall be insufficient to remedy the deficiency in any of said Funds and Accounts, the deficiency shall be made up on the following deposit date or dates after deposits into all other Funds and Accounts enjoying a prior claim shall have been made in full, and if not currently required for those purposes shall be retained therein for such purposes.

Flow of Extraordinary Revenues. Revenues with respect to the Project paid to the Trustee in accordance with the provisions of Articles V and VII of the Loan Agreement shall be deposited as follows:

- (i) Casualty insurance proceeds to be deposited and paid out as further provided in Article VI of the Indenture;
- (ii) The net proceeds of any condemnation award to be deposited and paid out as further provided in Article VI of the Indenture;
- (iii) Title insurance proceeds not required to remedy any title defect with respect to which such proceeds became available (the Borrower not being in default of the Loan Agreement) to the Bond Redemption Fund;
- (iv) Use and occupancy insurance proceeds shall be deposited in the Revenue Fund; and
- (v) Note payments representing premium, if any, on Bonds to be paid upon an optional redemption of the Bonds shall be deposited in the Bond Redemption Fund.

Principal and Interest Fund; Priority of Debt Service Payments. Moneys in the Principal and Interest Fund shall be used solely as a fund for the payment of the principal of, premium, if any, and interest on the Bonds. However, upon an Event of Default, the Trustee may use moneys in the Principal and Interest Fund for the benefit of Bondholders and to pay the Trustee's Fees and Expenses that are payable under Section 8.04 of the Indenture. Notwithstanding any other provision of Section 5.02 of the Indenture to the contrary, the Trustee shall use moneys in any of the Funds and Accounts held under the Indenture for the purpose of paying principal and interest

on the Bonds if no other moneys are available for such purpose and shall transfer to the Principal and Interest Fund on a Bond Payment Date the amount of any deficit in the Principal and Interest Fund from the following Funds and Accounts in the following order of priority: first, from the Surplus Fund, second, from the Reserve Fund, and third from any other monies held pursuant to the Indenture. Upon notice having been given of an extraordinary mandatory redemption of Series 2013 Bonds pursuant to Section 2.02(d) of the Indenture, all amounts on deposit in the Principal and Interest Fund shall be immediately transferred to the Bond Redemption Fund and applied to the payment of the redemption price of the Series 2013 Bonds.

Reserve Fund. The Trustee shall deposit in the Reserve Fund all moneys required to be deposited therein from Project Revenues pursuant to Section 5.02 of the Indenture. The Reserve Fund shall be used solely for the purposes set forth in Section 4.01(c) of the Indenture. Notwithstanding the foregoing, upon notice having been given of an extraordinary mandatory redemption of Series 2013 Bonds pursuant to Section 2.02(d) of the Indenture, all amounts on deposit in the Reserve Fund shall be immediately transferred to the Bond Redemption Fund and applied to the payment of the redemption price of the Series 2013 Bonds.

The Issuer authorizes and directs the Trustee to withdraw funds from the Reserve Fund to pay, first, all installments of interest then due on the Bonds and then all principal then due on the Bonds, if there should be insufficient funds for said purposes in the Principal and Interest Fund on the date such interest, principal, and premium is due, subject to the provisions of Section 5.02 of the Indenture. The Trustee shall give written notice to the Issuer and the Underwriter of any withdrawal from the Reserve Fund and of any diminution in value or net losses from the investment of moneys in the Reserve Fund which reduces the amount deposited therein or credited thereto to less than the Reserve Requirement.

When the amount of principal of, premium, if any, and interest on the Outstanding Bonds is equal to or less than the sum of the balance of the Principal and Interest Fund and the balance of the Reserve Fund, and if all amounts owed under the Loan Agreement and the Indenture have been paid, moneys held in the Reserve Fund shall be deposited by the Trustee in the Principal and Interest Fund. If the Borrower has exercised its option or is obligated to prepay the Loan in whole and not in part pursuant to the terms of the Loan Agreement, and has paid the sums as provided therein, all of the moneys then in the Reserve Fund shall be deposited in the Bond Redemption Fund at the written direction of the Authorized Borrower Representative and applied to the redemption of the Bonds.

Capital Replacement Fund. Upon the written request of the Authorized Borrower Representative, which request shall contain a certification that such request satisfies the requirements of Section 5.08 of the Indenture, to the Trustee, setting forth in reasonable detail the proposed use of moneys contained in the Capital Replacement Fund, amounts in the Capital Replacement Fund may be used to pay the cost of acquiring, constructing, equipping and installing fixtures, machinery, equipment, furniture, real property and additions to or improvements, extensions or enlargements of, the Project, and the cost of extraordinary maintenance or repairs after completion of the Project; provided, however, that such money in the Capital Replacement Fund shall only be used to pay costs of property which maintains the structural integrity of the Project and the operations thereof, including the repair, maintenance and improvement thereof.

Operating Reserve Fund. Amounts on deposit in the Operating Reserve Fund shall be disbursed to or upon the direction of the Borrower for the payment of Operating Expenses to the extent amounts provided to the Borrower pursuant to Section 5.02 SECOND are insufficient for such purpose. The Trustee shall disburse moneys in the Operating Reserve Fund to pay Operating Expenses upon receipt of a written direction of the Borrower which states the purpose for such disbursement and the persons to which such amounts are to be paid. All interest income derived from the investment of amounts on deposit in the Operating Reserve Fund shall be deposited into the Revenue Fund.

Surplus Fund. There shall be deposited into the Surplus Fund from the Revenue Fund the amounts specified in Section 5.02 of the Indenture. Money in the Surplus Fund shall be used first as provided in Section 5.02 of the Indenture and second, as provided in Section 5.10 of the Indenture. After the end of each Fiscal Year of the Borrower, the Trustee, upon (i) receipt by the Trustee of the annual audit evidencing that all Funds and Accounts are fully funded, and the making of any adjustments shown necessary by such audit, (ii) receipt by the Trustee of a report of a Consultant setting forth his estimate that the Projected Debt Service Coverage Ratio for the ensuing Fiscal Year will not be less than 1.50:1, (iii) receipt by the Trustee of a certificate of an Accountant certifying that the Pro Forma Debt Service Coverage Ratio for the two most recent Fiscal Years preceding the date of delivery of such certificate was not less than 1.50:1, and (iv) receipt by the Trustee of a certificate of the Authorized Borrower Representative that no Event of Default has occurred and is continuing under the Indenture, shall distribute the remaining balance in the Surplus Fund to, or to the order of, the Borrower for use as the Borrower deems appropriate, including the payment of the principal of, and interest on, any Subordinated Obligations authorized and issued pursuant to Section 2.14 of the Indenture. Notwithstanding the foregoing, there shall be retained in the Surplus Fund, at the written direction of the Borrower, based on the current Budget and anticipated receipts, such amounts as may be necessary to assure that sufficient funds will be available for any anticipated transfers to the Revenue Fund as may be required by Section 5.02 of the Indenture.

Trust Funds. All Project Revenues received by the Trustee and all monies including interest earnings held by the Trustee under the provisions of the Indenture shall be trust funds under the terms of the Indenture, and shall not be subject to lien or attachment by any creditor of the Issuer or the Borrower. Such monies shall be held in trust and applied in accordance with the provisions of the Indenture.

Priority of Lien of Indenture. The Issuer agrees that it will not create or suffer to be created any lien having priority or preference over the lien of the Indenture upon the Trust Estate of any part thereof, except as otherwise specifically provided in the Indenture.

No Amendment to Notes and Mortgage. The Issuer and the Trustee may make or consent to any amendment, change or modification of the Notes and Mortgage for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in regard to matters or questions arising under the Notes or Mortgage, as the Borrower and the Trustee may deem necessary or desirable and not inconsistent with the Notes, the Mortgage, the Loan Agreement or the Indenture and which shall not adversely affect the interests of the Holders of the Bonds. Except as provided in the preceding sentence, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Mortgage,

the Notes or the other Security Documents without the written approval or consent of the Holders of not less than two-thirds in aggregate principal amount of the Outstanding Bonds.

Events of Default. The happening of one or more of the following events shall constitute an "event of default" under the Indenture:

(a) if default shall be made in the due and punctual payment of the principal of, or interest or premium, if any, on any Bond, when and as the same shall become due and payable, whether at stated maturity, upon tender by the Holders thereof as provided in the Indenture, by redemption, pursuant to any mandatory sinking fund requirements, or otherwise;

(b) if the Issuer shall have breached any of the covenants, agreements or conditions contained in the Indenture other than as set forth in (a) above, and such breach shall have continued for a period of ninety (90) days after written notice thereof, specifying such breach and requiring the same to be remedied, shall have been given to the Issuer and the Borrower by the Trustee;

(c) if the Issuer shall have breached any of the covenants, agreements or conditions contained in the Indenture other than as set forth in (a) above, and such breach shall have continued for a period of ninety (90) days after written notice thereof, specifying such breach and requiring the same to be remedied, shall have been given to the Issuer and the Trustee by the Holders of not less than 25% in aggregate principal amount of the Outstanding Bonds;

(d) the occurrence of an event of default under the Loan Agreement or Mortgage by the Borrower;

(e) the occurrence of default in any payment on Parity Obligations which default has continued beyond any grace period, if any, provided for in the Parity Instruments creating or securing the Parity Obligations; or

(f) the occurrence of an event of default as provided in Section 6.03(c) of the Indenture.

(g) if the Issuer shall (i) admit in writing its inability to pay its debts generally as they come due, (ii) file a petition in bankruptcy or take advantage of any insolvency act, (iii) make an assignment for the benefit of its creditors, or (iv) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property;

(h) if the Issuer shall file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, or if a court of competent jurisdiction shall enter an order, judgment or decree appointing without the consent of the Issuer a receiver of the Issuer, or of the whole or any substantial part of its property, or approving a petition filed against the Issuer under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within ninety (90)

days from the date of the entry thereof; or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or of the whole or any substantial part of its property, and such custody or control shall not be terminated or stayed within ninety (90) days from the date of assumption of such custody or control.

Upon the occurrence of an Event of Default as specified in paragraph (a), (c), (d) or (e) of Section 8.01 of the Indenture, the Trustee shall declare, by a notice in writing delivered to the Borrower, the principal of all Bonds then outstanding (if not then due and payable), together with interest accrued thereon, to be due and payable immediately. Upon the occurrence of any other event of default, the Trustee may, and upon the written direction of the Holders of 51% of the principal amount of all Bonds then Outstanding, shall, declare by a notice in writing delivered to the Borrower the principal of all Bonds then outstanding (if not then due and payable), together with interest accrued thereon, to be due and payable immediately.

Any such declaration shall be by notice in writing to the Issuer and the Borrower, and, upon said declaration, principal and interest on all Bonds shall become and be immediately due and payable. The Trustee immediately upon such declaration shall give notice thereof in the same manner as provided in Section 2.02(g) of the Indenture with respect to the redemption of the Bonds. Such notice shall specify the date on which payment of principal and interest shall be tendered to the Holders of the Bonds. Interest shall accrue to the payment date determined by the Trustee pursuant to such declaration or the actual payment date, if later. Upon any declaration of acceleration under the Indenture, the Trustee shall immediately exercise such rights as it may have under the Loan Agreement to declare all payments thereunder to be immediately due and payable.

Remedies; Rights of Holders. With or without taking action under Section 8.01 of the Indenture, upon the occurrence and continuance of an event of default, and subject to the provisions of Section 8.03 of the Indenture, the Trustee may pursue any other available remedy to enforce the payment of principal of, and interest on, the Bonds or the observance and performance of any other covenant, agreement or obligation under the Indenture, the Loan Agreement, the Notes, the Mortgage, the Assignment of Rents and Leases, or any other instrument providing security, directly or indirectly, for the Bonds.

If upon the occurrence and continuance of an event of default the Trustee is required so to do by the Holders of at least a majority in aggregate principal amount of Bonds outstanding, the Trustee (subject to the provisions of Sections 10.01 and 10.02) shall exercise any rights and powers conferred herein and by Section 8.01 of the Indenture.

No remedy conferred upon or reserved to the Trustee (or to the Holders) by the Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or otherwise to the Trustee or to the Holders now or hereafter existing.

No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or event of default shall impair that remedy, right or power or shall be construed to

be a waiver of any default or event of default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient.

No waiver of any default or event of default under the Indenture, whether by the Trustee or by the Holders, shall extend to or shall affect any subsequent default or event of default or shall impair any remedy, right or power consequent thereon.

As the assignee of all right, title and interest of the Issuer in and to the Loan Agreement and the Mortgage, the Trustee is empowered to enforce each remedy, right and power granted to the Issuer under the Loan Agreement and the Mortgage. In exercising any remedy, right or power thereunder or under the Indenture, the Trustee shall take any action which would best serve the interests of the Holders in the judgment of the Trustee, applying the standards described in Sections 10.01 and 10.02 of the Indenture.

Rights of Holders to Direct Proceedings. Anything to the contrary in the Indenture notwithstanding, the Holders of a majority in aggregate principal amount of Bonds Outstanding shall have the right at any time to direct, by an instrument or document or instruments or documents in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture; provided, that (i) any direction shall not be other than in accordance with the provisions of law and of the Indenture, (ii) the Trustee shall be indemnified as provided in Sections 10.01 and 10.02 of the Indenture and (iii) the Trustee may take any other action which it deems to be proper and which is not inconsistent with the direction.

Supplemental Indentures Without Bondholder's Consent. The Issuer and the Trustee, when authorized by a resolution of the Issuing Authority from time to time, and at any time, subject to the conditions and restrictions of the Indenture, may enter into indentures supplemental thereto, which indentures thereafter shall form a part of the Indenture, for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Issuer under the Indenture or to surrender any right or power therein reserved or conferred upon the Issuer and which shall not adversely affect the interests of the Holders of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Issuer and the Trustee may deem necessary or desirable and not inconsistent with the Indenture and which shall not adversely affect the interests of the Holders of the Bonds;

(c) to subject, describe or redescribe any property subjected or to be subjected to the lien of the Indenture;

(d) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification and thereof under the Trust Indenture Act of 1939, or any similar Federal statute hereafter in effect, or any state securities or blue sky laws of the various jurisdictions and if they so determine, to add to

the Indenture or any indenture supplemental thereto such other terms, conditions and provisions as may be required by said Trust Indenture Act of 1939 or similar Federal statute or any state securities or blue sky laws of the various jurisdictions;

(e) to provide for any amendment or supplement to the Indenture specifically authorized or required by the Indenture;

(f) to provide for Additional Bonds pursuant to Section 2.12 of the Indenture;  
and

(g) to provide for any other amendment or supplement to the Indenture which does not have a material, adverse effect on the Bondholders.

Any supplemental indenture authorized by the provisions of the Indenture may be executed by the Issuer and the Trustee without the consent of the Holders of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of Section 12.02 of the Indenture, but the Trustee shall not be obligated to enter into any such supplemental indentures which affect the Trustee's own rights, duties or immunities under the Indenture or otherwise.

The Trustee shall not be obligated to enter into any supplemental indentures unless it has obtained the consent of the Borrower to such supplemental indentures, which consent may not unreasonably be withheld.

Supplemental Indentures With Bondholder's Consent. With the consent of the Holders of not less than fifty one percent (51%) in aggregate principal amount of Bonds Outstanding, the Issuer, when authorized by a resolution of the Issuing Authority, and the Trustee, may from time to time and at any time enter into an indenture or indentures supplemental thereto for the purpose of adding any provisions or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall (a) extend the fixed maturity of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Holder of each Bond so affected, (b) reduce the aforesaid percentage of Holders of Bonds then Outstanding required to approve any such supplemental indenture, (c) permit the creation of a preference or priority of any Bond or Bonds over any other Bond or Bonds, other than as set forth in the Indenture, or (d) permit the creation of any lien on the Trust Estate prior to or on a parity with the lien of the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture upon said properties, other than as set forth in the Indenture, without, in the case of clauses (b), (c) or (d), the consent of the Holders of all the Bonds then Outstanding. Upon receipt by the Trustee of certified resolutions of the Issuing Authority authorizing the execution of any such supplemental indentures, and upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee shall join with the Issuer in the execution of such supplemental indenture unless such supplemental indenture will affect the Trustee's own rights, duties and immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

The Trustee shall not be obligated to enter into any supplemental indentures unless it has obtained the consent of the Borrower to such supplemental indentures, which consent may not unreasonably be withheld.

It shall not be necessary for the consent of the Bondholders hereunder to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

If at any time the Issuer shall determine to adopt any supplemental indenture for any of the purposes hereof, it shall so notify the Trustee which shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed supplemental indenture to be mailed, postage prepaid, to all registered Holders of such Bonds and all Holders of such Bonds who shall have filed their names and addresses with the Issuer for such purpose. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Holders of such Bonds. The Trustee shall not be subject to any liability to any Holder by reason of the Trustee's failure to mail, or the failure of any Holder to receive, the notice required hereby. Any failure of that nature shall not affect the validity of the Supplemental Indenture when there has been consent thereto as provided herein.

Within one year after the date of the first publication of such notice, the Issuer may adopt such supplemental indenture in substantially the form described in such notice only if there shall have first been filed with the Issuer (a) the written consent of Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding, and (b) the opinion of counsel satisfactory to the Trustee stating that such supplemental indenture is authorized or permitted by the Indenture and complies with its terms, and that upon adoption it will be valid and binding upon the Issuer in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent of the Holders of the Bonds with respect to which such consent is given. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Indenture shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent, or a subsequent Holder thereof by filing such revocation with the Trustee prior to the adoption of such supplemental indenture.

If the Holders of not less than the percentage of Bonds then Outstanding required hereby shall have consented to and approved the execution thereof as provided in the Indenture, no Holder of any Bonds shall have any right to object to the enactment of such supplemental indenture or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Amendments to Loan Agreement Not Requiring Consent of Bondholders. The Issuer and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions of the Loan Agreement and the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, or (iii) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee, or materially adverse to the Holders of the Bonds.

Amendments to Loan Agreement Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 13.01 of the Indenture, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement without notice to and the written approval or consent of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding given and procured as in Section 12.02 provided. If at any time the Issuer or the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Agreement, the Trustee shall, upon being satisfactorily indemnified by the Borrower with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 12.02 of the Indenture with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the corporate trust office of the Trustee for inspection by all Bondholders. The Trustee shall not be subject to any liability to any Holder by reason of the Trustee's failure to mail, or the failure of any Holder to receive, the notice required hereby. Any failure of that nature shall not affect the validity of any such amendment, change or modification to the Loan Agreement when there has been consent thereto as provided herein. If, within sixty days or such longer period as shall be prescribed by the Issuer following the giving of such notice, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding at the time of the execution of such proposed amendment shall have consented to and approved the execution thereof as provided in the Indenture, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from consenting to the execution thereof. Upon the execution of any such amendment as herein permitted and provided, the Loan Agreement shall be and be deemed to be modified and amended in accordance therewith.

## **The Loan Agreement**

Amount and Terms of the Loan; the Series 2013 Note. The Issuer agrees, subject to the terms and conditions in the Agreement, to lend to the Borrower the proceeds from the sale of the Series 2013 Bonds. Such proceeds shall be deposited with the Trustee and disbursed in accordance with the provisions of Section 2.01 for deposit in the Project Fund and the Series 2013 Reserve Account and for payment of costs of issuance and sale of the Series 2013 Bonds.

Concurrently with the issuance of the Series 2013 Bonds, the Borrower agrees to and shall execute and deliver a Note in substantially the form attached to the Agreement as Exhibit A (the "Series 2013 Note"), evidencing the obligation of the Borrower to repay the Loan and make the Required Borrower Cash Deposit. The Series 2013 Note shall be dated as of the date of initial issuance and delivery of the Series 2013 Bonds and payable to the order of the Issuer for

the aggregate principal amount of the Loan, shall provide for monthly Loan Payments (which shall at all times be equal to the principal and interest requirements on the Series 2013 Note less other amounts available for such requirements, such as investment income and bond proceeds as provided in the Indenture) as set forth in Exhibit A to the Agreement, until the principal amount of the Loan is paid in full, the unpaid balance from time to time of such principal amount bearing interest payable as set forth in such Exhibit A. It is understood that the payments on the Series 2013 Note shall only be credited, and the corresponding principal amount of the Loan shall only be reduced, to the extent of the portion of Loan Payments which are deposited by the Trustee in the Principal and Interest Fund created in the Indenture, for payment of principal on the Series 2013 Bonds, whether at maturity or by mandatory sinking fund redemption.

In connection with the issuance of any Additional Bonds, the Borrower shall execute and deliver to the Trustee one or more Additional Notes in a form substantially similar to the form of the Series 2013 Note, as further provided in Section 1.03 of the Agreement.

All Loan Payments made under the Agreement on account of principal and interest and any premium on any Notes shall be made from the Project Revenues directly to the Trustee at its corporate trust office for the account of the Issuer for deposit in the Principal and Interest Fund. The Trustee, its successors and assigns, shall endorse on the reverse side of the Notes an appropriate notation evidencing the date and amount of each principal payment or prepayment made with respect thereto by the Borrower.

The Borrower shall make additional payments from the Project Revenues under the Series 2013 Note (the "Reserve Fund Note Payments") on the Loan Payment Date immediately succeeding the date any amounts are drawn from the Series 2013 Reserve Account by the Trustee to pay principal of, or interest on, the Series 2013 Bonds as and when same shall become due. The Reserve Fund Note Payments due under the Agreement shall be in an amount equal to the amount necessary so that the balance in the Reserve Fund immediately following such Reserve Fund Note Payments shall be the Reserve Fund Requirement.

The Borrower will also pay to the Trustee, to the extent of moneys available in the Revenue Fund amounts sufficient to maintain on deposit in the Operating Reserve Fund an amount equal to the Operating Reserve Requirement, in the Reserve Fund an amount equal to the applicable Reserve Fund Requirement and in the Capital Replacement Fund an amount equal to the Capital Replacement Fund Requirement.

The Borrower may prepay its obligations under the Agreement in the amounts and at the times necessary to cause Bonds to be redeemed pursuant to Section 2.02(b) of the Indenture. The Borrower shall prepay its obligations under the Agreement in the amounts and at the times necessary to cause Bonds to be redeemed if redemption is required to be effected pursuant to Section 2.02(a), or (c) of the Indenture.

As security for its obligations to make the payments required above, the Borrower shall, on the business day next following the Completion of Construction, pay all Project Revenues, upon receipt, to the Trustee for deposit in the Revenue Fund. It is expressly agreed that all Project Revenues collected by the Borrower are pledged as security under the pledge securing the Agreement, the Mortgage and the Indenture. The Borrower covenants to remit the collected

Project Revenues to the Trustee during each operating month, within 3 Business Days of receipt of confirmed good funds in the Borrower's depository account.

On the twentieth Business Day following each calendar quarter (or at such time as the financial statements submitted to the Trustee pursuant to Section 11.04 are complete), the Borrower shall pay to the Trustee for deposit in the Revenue Fund the excess, if any, of amounts paid to the Borrower for Operating Expenses during such quarter over the actual Operating Expenses for such quarter shown on the financial statements submitted to the Trustee pursuant to the Agreement.

In the event the Borrower fails to make any of the payments required herein (except to the extent amounts to be deposited in the Principal and Interest Fund are paid from amounts on deposit in the Reserve Fund), the item or installment not so paid shall continue as an obligation of the Borrower until the amount not so paid shall have been fully paid, and the Borrower agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due at the Interest Rate for Advances. The requirement that interest be paid at the Interest Rate for Advances shall be in addition to and not in lieu of any other remedy that may exist for the failure of the Borrower to make the payments required in Section 2.1 of the Agreement.

In any event, the sum of the Loan Payments payable hereunder shall be sufficient to pay the total amount due with respect to the principal of, premium (if any) and interest on the Bonds as and when due, and if at any time when said payments are due the balance in the Principal and Interest Fund is insufficient to make such payments, the Borrower will forthwith pay to the Trustee, for the account of the Issuer for deposit into the Principal and Interest Fund or the Reserve Fund, any such deficiency; provided that if at any time all the Outstanding Bonds are paid and discharged within the meaning of the Indenture, the Borrower shall not be obligated to make any further Loan Payments hereunder. All payments made pursuant hereto shall be made in such manner and at such times as shall be necessary to assure that the Trustee shall receive such payments in sufficient time to permit payment of the amounts of the principal of, and interest and any premium on the Bonds when the same shall respectively become due and payable.

Obligations Unconditional. The obligations of the Borrower to make payments pursuant to the Agreement and to perform and observe the other agreements on its part contained in the Agreement shall be absolute and unconditional. Until such time as all conditions provided in the Indenture for release of the Indenture are met, the Borrower (a) will not suspend or discontinue any payments pursuant to the Note or Notes or the Agreement, (b) will perform and observe all of its other agreements contained in the Agreement and the Mortgage, and (c) except as provided in Article X of the Agreement, will not terminate the Agreement for any cause including, without limiting the generality of the foregoing, failure to complete the Project, failure of title to the Project or Project Site or any portion thereof, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, or any portion thereof, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative actions by or under authority of the United States of America or of the State or any failure of the Issuer to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Agreement, the Mortgage

or the Indenture. Nothing contained herein shall be construed to release the Issuer from the performance of any of the agreements on its part contained in the Agreement, and in the event the Issuer should fail to perform any such agreement on its part, the Borrower may institute such action against the Issuer as the Borrower may deem necessary to compel performance or recover its damages for nonperformance so long as such action shall not do violence to the agreements on the part of the Borrower contained in the next preceding sentence. The Borrower may, however, at its own cost and expense and in its own name or, to the extent lawful, in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which the Borrower deems reasonably necessary in order to secure or protect its rights under the Agreement, and in such event the Issuer agrees to cooperate fully with the Borrower so far as lawful, but at the Borrower's expense, and to take all action necessary to effect the substitution of the Borrower for the Issuer in any such action or proceeding if the Borrower shall so request, or if the Issuer shall determine such action to be in its interest. This provision shall not be construed to require cooperation by the Issuer with the Borrower in any labor dispute.

Pledge of Gross Receipts. To secure the prompt payment of the Loan Payments reserved in the Agreement and the performance by the Borrower of its other obligations under the Agreement, the Borrower pledges to the Issuer and grants to the Issuer and the Issuer shall have and shall continue to have a first security interest in the Borrower's Gross Receipts. The Issuer and the Trustee are authorized to record, at the expense of the Borrower, UCC financing statements to perfect the security interest created by the Agreement to the extent required by law or as otherwise deemed appropriate by the Issuer or the Trustee.

Liens and Encumbrances. The Borrower covenants and agrees that it will not create or suffer to be created or exist upon any Property now owned or hereafter acquired by it, any Lien, other than Permitted Encumbrances.

Covenant to Maintain Ratios; Annual Certificate. The Borrower covenants to maintain the following Debt Service Coverage Ratio, and shall deliver to the Trustee, within 180 days after the end of each Fiscal Year, commencing with the Fiscal Year following the Completion of Construction, a written statement signed by an Authorized Borrower Representative that no default exists under the Agreement or the Mortgage (or if a default exists, the nature of the default), and stating the Borrower is in compliance with the following:

(a) The Borrower covenants that it shall set rates and charges for its facilities so as to, and shall maintain a Debt Service Coverage Ratio of at least 1.50:1. Compliance with the Debt Service Coverage Ratio covenant shall be demonstrated annually, concurrently with the delivery of the Borrower's financial statements for each Fiscal Year on the basis of the financial statements, for the preceding Fiscal Year, and upon the incurrence of additional Indebtedness pursuant to Section 8.04(a) of the Agreement constituting Additional Bonds or Parity Obligations.

(b) If the Debt Service Coverage Ratio is less than 1.50:1 but at least 1.10:1, (calculated for the purposes of (a) above), then the Borrower shall, within 120 days of receipt of the Authorized Borrower Representative's certificate showing such deficiency, obtain and deliver to the Trustee a report prepared by a Consultant setting forth the reasons for such deficiency and a plan to achieve such compliance. The Borrower shall

adopt a plan setting forth the steps designed to achieve the required compliance within two Fiscal Years. Such report and plan shall be prepared and implemented pursuant to (e) below; provided that, if compliance is not achieved by the end of such second Fiscal Year, the Borrower shall retain another Consultant.

(c) Failure to maintain a Debt Service Coverage Ratio of at least 1.10:1 or (calculated for the purposes of (a) above) shall in all events be an event of default under the Agreement. If the Debt Service Coverage Ratio is less than 1.50:1 but at least 1.10:1, the failure to maintain the covenant set forth in (a) above shall not constitute an event of default under the Agreement, so long as the Borrower takes all action within its control to comply with the procedures set forth herein for preparing and implementing a report and plan for correcting such deficiency; provided that, it shall constitute an event of default under the Agreement if at the end of the third Fiscal Year following the first failure to maintain compliance, the Debt Service Coverage Ratio is less than 1.50:1.

(d) Whenever the Borrower is required pursuant hereto to deliver a report and plan for correcting a deficiency hereunder, the Governing Board shall, within 60 days of the occurrence of the event requiring a report of a Consultant, retain a Consultant, shall cause such report and plan to be prepared by such Consultant, and shall adopt such plan within the applicable time limit prescribed hereby. Each such report and plan must be in writing and contain sufficient detail to support the conclusions made concerning the reasons for the deficiency and the steps to be taken for its correction. Each such report and plan shall be implemented immediately upon its adoption, except to the extent limited by law. Copies of each such report and plan shall be sent to the Trustee within 30 days of completion.

The annual written statement required by Section 3.13 of the Agreement shall also certify that the Borrower has provided to the Trustee all insurance policies required by Section 5.02 of the Agreement and is otherwise in compliance with the insurance requirements under the Agreement.

Annual Certificate; Financial Statements. Crosswater covenants that it will deliver to the Trustee and the Issuer, within 180 days after the end of each Fiscal Year, a written statement signed by the Authorized Borrower Representative, stating, as to the signer thereof, that

(a) a review of the activities of the Borrower relating to the Project during such year and of performance under the Agreement, the Mortgage, the Assignment of Rents and Leases and the Collateral Assignment has been made under his supervision; and

(b) to the best of his knowledge, based on such review, the Borrower has fulfilled all its obligations under the Agreement, the Mortgage, the Assignment of Rents and Leases, and the Collateral Assignment throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to him and the nature and status thereof.

Crosswater agrees that it will submit to the Trustee and any rating agency then rating the Bonds no later than 60 days past the end of each fiscal quarter while any Bonds are Outstanding, interim quarterly financial statements of Crosswater. Such interim financial statements shall not be required to be audited but may be prepared by the staff of Crosswater and signed by the Authorized Borrower Representative or financial officer.

Annual Budgets. At least sixty (60) days prior to the first day of each Fiscal Year, the Borrower shall prepare and file with the Trustee (i) the Budget of anticipated Project Revenues and Operating Expenses for the Project for the next succeeding Fiscal Year and (ii) an updated five (5) year capital expenditures budget accompanied by a certificate of a Consultant that the budgeted capital expenditures are adequate to allow the Borrower to maintain the Project as required by the Agreement. If the Borrower fails to prepare a Budget for any Fiscal Year, the Budget for the preceding Fiscal Year shall continue in effect until a Budget is prepared for the remainder of the applicable Fiscal Year.

The Budget shall include a certification by an Authorized Borrower Representative whether the Debt Service Coverage Ratio is anticipated to be met for the Fiscal Year to which such Budget relates. If the Budget indicates that the required Debt Service Coverage Ratio set forth in Section 3.13 of the Agreement will not be met, a Consultant shall be employed by the Borrower to review the Budget for the Project prepared by the Borrower and shall certify to the Trustee, at least fifteen (15) days prior to the commencement of such Fiscal Year, that the Budget of the Borrower, revised to reflect such recommendations or variations as may be presented in writing by the Consultant, is reasonable, and that the required Debt Service Coverage Ratio for the Fiscal Year to which such revised Budget relates will be met based on the rates, fees, and charges recommended and the operating expenses projected by the Consultant.

Sale, Lease or Other Disposition of Property.

(a) The Borrower agrees that it will not in any Fiscal Year sell, lease or otherwise dispose of Property, including Property voluntarily contributed by the Borrower to fund any loss relating to any present pension fund investments, (other than pursuant to executed leases, contracts or options in effect on the date of the Agreement) which when aggregated with all other Property of the Borrower transferred previously during such Fiscal Year by the Borrower, other than pursuant to the exceptions set forth in the Agreement, aggregates more than 5% of its Property (calculated, at the option of the Borrower, on the basis of the Book Value of the assets shown on the assets side of the balance sheet in the most recent financial statements of the transferor which have been reported on by an Accountant or Current Value) except in the ordinary course of business and except for transfers of Property:

(i) Which are replaced with Property of equal or greater value; or

(ii) To any person, if prior to such sale, lease or other disposition there is delivered to the Trustee a certificate of an Authorized Borrower Representative stating that, in the judgment of the signer, such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become, inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other

disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property; or

(iii) Upon fair and reasonable terms no less favorable to the Borrower than would be obtained in a comparable arm's-length transaction, if following such transfer the proceeds received by the transferor are applied to acquire additional Property or are supplied to repay the principal of Funded Indebtedness of the transferor; or

(iv) Upon delivery to the Trustee of:

(A) a certificate of an Authorized Borrower Representative (accompanied by the independent certified public accountant's reports mentioned below) certifying that during the Fiscal Year immediately preceding the proposed disposition for which financial statements have been reported upon by independent certified public accountants, the Pro Forma Debt Service Coverage Ratio, taking into account such disposition, would not have been reduced by more than ten percent (10%), the unrestricted fund balance of the Borrower would not have been reduced by more than ten percent (10%) and the test for the issuance of one dollar of additional Funded Indebtedness would have been satisfied, or

(B) the written report of a consultant stating that for each of the next two full succeeding fiscal years immediately following the date of such report, taking into account such disposition, (a) the Projected Debt Service Coverage Ratio would not be reduced more than 10% from the Projected Debt Service Coverage Ratio which would have been estimated or forecasted if it were assumed that such disposition would not occur, (b) the projected unrestricted fund balance of the Borrower would not be reduced more than 10% from the projected unrestricted fund balance which would have been estimated or forecasted if it were assumed that such disposition would not occur, and (c) the test for the incurrence of one dollar of additional Funded Indebtedness under Section 8.04(a)(i) would be satisfied; or

(v) To one or more Affiliates without limitation so long as each such Affiliate:

(A) unconditionally guaranties the obligations of the Borrower under the Agreement,

(B) grants the Trustee a first priority lien on its gross receipts as security for its obligations under such guarantee,

(C) agrees that it will not create or suffer to be created or exist upon its property then owned or thereafter acquired, any Lien other than Permitted Encumbrances, and

(D) agrees that it will comply with the financial and operating covenants set forth in the Agreement, including, without limitation, the covenants set forth in Articles III, V and VIII of the Agreement.

(b) Notwithstanding the provisions of paragraph (a) above, the Borrower agrees that it will not transfer or dispose of any cash or marketable securities (except upon fair and reasonable terms no less favorable to the Borrower than would obtain in a comparable arm's length transaction) unless after such transfer or disposition the Borrower would remain in compliance with the requirements of Section 8.04(a)(i)(B) of the Agreement.

Insurance. The Borrower shall procure on or before the date of commencement of construction of the Project, and thereafter maintain continuously in effect throughout the term of the Agreement, policies of insurance with respect to the Project insuring against such hazards and risks and in such amounts as are customary for a prudent owner of properties comparable to those comprising the Project. Without limiting the generality of the foregoing, the Borrower shall maintain the following insurance with one or more insurance companies (including, but not limited to, in the Borrower's discretion, insurance through an owner controlled insurance program or a contractor controlled insurance program, or a combination of such programs, based on the recommendation of its selected insurance broker) meeting the requirements set forth in Section 5.02 of the Agreement with respect to the Project:

(a) insurance against loss or damage to the Project by fire and any of the risks covered by insurance of the type now known as "fire and extended coverage" in an amount not less than the greater of (i) the full replacement cost of the Project or (ii) the outstanding principal amount of the Bonds, and with a deductible from the loss payable for any casualty recommended by the Insurance Consultant; the policies of insurance carried in accordance with this subparagraph (a) shall contain the "Replacement Cost Endorsement;"

(b) business interruption or loss of rent insurance in an amount equal to the greater of: (A) an amount equal to the maximum scheduled principal and interest payments on the Bonds and Parity Obligations during any twelve month period, or (B) the gross amount of annual rentals projected (or, if greater, actual) for the Project based upon the projected (or, if greater, actual) occupancy of the Project; provided that such coverage shall be increased annually on each anniversary date of the policy to comply with the provisions with Section 5.01(b) of the Agreement.

(c) comprehensive general liability insurance (including coverage for elevators and escalators, if any, on the Project and, if any construction of new improvements occurs after execution of the Agreement, completed operations coverage for two years after construction of any improvements has been completed) on an "occurrence basis" against claims for "personal injury," including, without limitation, bodily injury, death or property damage occurring on, in or about the Project and the adjoining streets, sidewalks and passageways, such insurance to afford immediate minimum protection to a limit in no event less than \$1,000,000 with respect to personal injury or death to any one or more persons or damage to property;

(d) workers' compensation insurance including employer's liability insurance for all employees of the Borrower and contractors engaged on or with respect to the Project in such amount as is required by law;

(e) during the course of any construction or repair of the Project, builder's completed value risk insurance against "all risks of physical loss" during construction or repair, with

deductibles as are common in similar policies obtained by prudent owners of property similar in use to the Project and located in the same area in which the Project is located, in non-reporting form, at the Borrower's option covering the total value of work performed and equipment, supplies and materials furnished; such policy of insurance shall contain the "permission to occupy upon completion of work or occupancy" endorsement;

(f) boiler and machinery insurance covering pressure vessels, air tanks, boilers, machinery, pressure piping, heating, air conditioning and elevator equipment and escalator equipment, provided any improvements contain equipment of such nature, and insurance against loss of occupancy or use arising from any breakdown of the same, in such amounts as are commonly obtained by prudent owners of property similar in use to the Project and located in the same area in which the Project is located;

(g) flood insurance if the Project is in an area identified as a special flood hazard area pursuant to the Flood Disaster Protection Act of 1973, as amended, or other applicable law, unless the Project has been removed from the area by application, with such insurance to be at least the amount available under the National Flood Insurance Act of 1968 and, if available under other policies issued by other sources, then in such additional amounts as the Insurance Consultant shall recommend; and

(h) such other insurance as is commonly obtained by prudent owners of property similar in use to the Project and located in the same area in which the Project is located.

All policies of insurance required by the terms of the Agreement shall contain an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policy, notwithstanding any act or negligence of the Borrower which might otherwise result in forfeiture of said insurance and the further agreement of the insurer waiving all rights of setoff, counterclaim or deductions against the Borrower.

The Borrower shall designate at least once every two years commencing with the Fiscal Year ending June 30, 2014, an Insurance Consultant, who may be an insurance broker or an insurance agent with whom the Borrower or the Issuer transacts business. The Borrower shall give the Trustee written notice of such designation, including a certification by an Authorized Borrower Representative that such Insurance Consultant meets the requirements set forth in the definition thereof; and, unless within a ten day period commencing with receipt of such notice, the Trustee shall give the Borrower written notice of objection to such appointment, which notice shall state the reasonable grounds upon which it bases such objection, the Insurance Consultant named in such written notice shall be considered to be acceptable. The Insurance Consultant shall file an annual report with the Trustee, as provided in Section 11.04 of the Agreement, setting forth the kinds and amounts of insurance being carried, whether such coverage satisfies the requirements hereof, and recommendations as to changes in insurance or coverage which he deems advisable. The Borrower agrees that if such report indicates that it is not in compliance with the requirements hereof, it will promptly take steps to bring about compliance.

The Borrower shall have the sole and absolute discretion to modify, adopt or terminate its insurance coverage, self-insurance coverage, or combination thereof, so long as the conditions set forth above have been met.

The Borrower further agrees that all property which it may own which is not a part of the Project shall be covered by a program of insurance. If such property is covered by insurance, such insurance shall have such limits and deductible provisions as are customary for similar facilities and as are recommended by the Insurance Consultant.

Merger, Consolidation, Sale or Conveyance. The Borrower agrees that it will not merge into, or consolidate with, one or more corporations or sell or convey all or substantially all of its Property to any person unless:

(a) such successor corporation is a corporation organized and existing under the laws of the United States of America or a state thereof and if the successor corporation is a successor corporation to the Borrower, then the Borrower and such successor corporation shall execute and deliver to the Trustee an appropriate instrument, satisfactory to the Trustee, containing the agreement of such successor corporation to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Indebtedness the Borrower incurred pursuant to the Agreement according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Agreement to be kept and performed by the Borrower accompanied by an opinion of counsel as to the validity and enforceability of such assumption (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof are acceptable to the Trustee);

(b) immediately after such merger or consolidation, or such sale or conveyance, (i) the successor corporation in question would not be in default in the performance or observance of any covenant or condition of the Agreement and (ii) the conditions described in Section 8.04(a)(i)(B) would be met for the incurrence of one dollar of Funded Indebtedness, assuming that any indebtedness of the successor corporation is indebtedness of the Borrower and that the revenues and expenses of the Borrower for the most recent Fiscal Year include the revenues and expenses of the successor corporation;

(c) the unrestricted balance of the current unrestricted fund balances of the successor corporation would not be less than 90% of such balance of the Borrower immediately prior to such consolidation or merger; and

(d) there shall have been delivered to the Trustee an opinion of nationally recognized bond counsel, in form and substance satisfactory to the Trustee, to the effect that under the existing law the consummation of such merger, consolidation, sale or conveyance would not adversely affect the validity of the Bonds or the exemption of the interest on the bond and ad valorem taxation of the Bonds by the State.

In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named in the Agreement as the Borrower.

Leases and Operating Contracts. The Borrower may lease any part of the Project or contract for the performance by others of operations or services on or in connection with the Project, or any part thereof, for any lawful purpose, provided that (a) each such lease or contract shall not be inconsistent with the provisions of the Indenture, the Mortgage, the Assignment of Rents and Leases or the Agreement, including provisions requiring compliance with certain limitations set forth in the Code applicable to Crosswater, (b) the Borrower shall remain fully obligated and responsible under the Agreement to the same extent as if such lease or contract had not been executed, (c) after entering into any such lease or contract, neither Crosswater's status as a tax-exempt organization nor the exceptions applicable to the Series 2013 Bonds and the Series 2013 Note from registration under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended, shall be adversely affected by any such lease or contract.

Permitted Indebtedness. (a) The Borrower shall not incur any Indebtedness other than:

(i) Funded Indebtedness (including such Guaranties as are hereinafter provided to be included in the definition of Funded Indebtedness), if prior to incurrence thereof or, if such Funded Indebtedness was incurred in accordance with another subsection of Section 8.04 of the Agreement and the Borrower wishes to have such Indebtedness classified as having been issued under this Subsection (i) prior to such classification, there is delivered to the Trustee:

(A) A certificate of an Accountant certifying that the Pro Forma Debt Service Coverage Ratio for each of the two most recent Fiscal Years preceding the date of delivery of such certificate was not less than 1.75:1 provided that if audited financial statements are not available for the most recent Fiscal Year during the period that ends 180 days after such Fiscal Year, the Accountant may rely on financial statements prepared by an Authorized Borrower Representative for such year; or

(B) A certificate of an Accountant that the Debt Service Coverage Ratio for each of the two most recent Fiscal Years preceding the date of delivery of such certificate was not less than 1.75:1, provided that if audited financial statements are not available for the most recent Fiscal Year during the period that ends 180 days after such Fiscal Year, the Accountant may rely on financial statements prepared by an Authorized Borrower Representative for such year; and

(C) A report of a Consultant setting forth his estimate that the Projected Debt Service Coverage Ratio for each of the first two Fiscal Years of operation of the Project after the expected completion of the project for which such Indebtedness is to be incurred will not be less than 1.75:1.

Provided, however, that the Debt Service Coverage Ratios set forth in paragraphs (A), (B) and (C) may be reduced below the level set forth above but not below 1.50:1 if (1) governmental or licensing agencies, adopt rules or regulations or legislation is enacted prohibiting the Borrower from establishing rates and charges sufficient to meet a Debt Service Coverage Ratio of 1.75:1, (2) the Funded Indebtedness is being incurred to finance facilities which are required by governmental or licensing agencies and failure to comply would (i) jeopardize the ability of the

Borrower to pay debt service or (ii) result in Crosswater losing its tax-exempt status, or (3) the Funded Indebtedness to be incurred constitute Subordinated Obligations within the meaning of Section 2.14 of the Indenture.

(ii) Completion Funded Indebtedness, subject to the limitations set forth in Sections 2.12, 2.13 or 2.14 of the Indenture.

(iii) Funded Indebtedness for the purpose of refunding (whether in advance or otherwise) any outstanding Funded Indebtedness so as to render it no longer outstanding if prior to the incurrence thereof:

(A) Either (1) a certificate of an Authorized Borrower Representative is delivered to the Trustee stating that taking the issuance of the proposed Funded Indebtedness and the refunding of the existing Funded Indebtedness into account, the Maximum Annual Debt Service Requirement will not be increased, (2) the conditions described in subsection (i) above are met with respect to such proposed Funded Indebtedness, taking the refunding of the Funded Indebtedness to be refunded into account or (3) such Funded Indebtedness to be incurred for the purpose of refunding is issued or incurred subject to the limitations set forth in Sections 2.12, 2.13 or 2.14 of the Indenture; and

(B) There is delivered to the Trustee an opinion of Independent Counsel stating that upon the incurrence of such proposed Funded Indebtedness and application of the proceeds thereof, the outstanding Funded Indebtedness to be refunded thereby will no longer be outstanding.

(iv) Short-Term Indebtedness in a principal amount which at the time incurred does not, together with the principal amount of all other such Short-Term Indebtedness then outstanding, but excluding the current portion of all Funded Indebtedness, exceed 15% of Revenues for the most recent Fiscal Year for which financial statements reported upon by an Accountant are available; provided, however, that for a period of twenty (20) consecutive calendar days in each Fiscal Year the total amount of such Short-Term Indebtedness incurred under this clause (iv) and remaining outstanding shall be no more than 5% of Revenues during the preceding Fiscal Year. For the purpose of this subsection Short-Term Indebtedness shall not include overdrafts to banks to the extent there are immediately available funds of the Borrower sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business.

(v) Non-Recourse Indebtedness in an aggregate principal amount not exceeding at any time 10% of the Revenues for the most recent Fiscal Year for which financial statements reported upon by an Accountant are available so long as such Indebtedness is secured solely by the property financed by such Indebtedness (or the revenues of such property) and such property does not constitute an essential facility of the Borrower.

(vi) Balloon Indebtedness, Put Indebtedness and Interim Indebtedness if the conditions described in Subsection (i) above are met with respect to such Balloon

Indebtedness, Put Indebtedness and Interim Indebtedness assuming such Indebtedness is amortized over a period equal to:

(A) with regard to Balloon Indebtedness (1) 20 years, if such debt matures 20 years or later from the date of calculation, (2) the remaining term to maturity, if such term is less than 20 years from the date of calculation or (3) if a binding commitment has been provided for the refinancing of such Indebtedness by a commercial bank or insurance company whose long-term, unsecured debt is rated at least BBB+ by S&P or Baa1 by Moody's, the term of such refinancing, provided that Balloon Indebtedness shall not exceed twenty-five percent (25%) of all Indebtedness;

(B) with regard to Interim Indebtedness and Put Indebtedness (1) if a binding commitment from a commercial bank or insurance company whose long-term, unsecured debt is rated at least BBB+ by S&P or Baa1 by Moody's has been provided for the refinancing of such Indebtedness, the term of such refinancing or (2) 20 years, if no such binding commitment has been provided, in which case the aggregate amount of such Put Indebtedness or Interim Indebtedness, as the case may be, shall not exceed 10% of Revenues.

(vii) Liabilities for contributions to self-insurance programs permitted to be maintained under the Loan Agreement, if any.

(viii) Liabilities (other than those of the type described in subsection (i) through (vii) above) incurred in the ordinary course of the business.

(ix) Commitment Indebtedness without limit.

(x) Existing obligations identified in Exhibit C.

(xi) Indebtedness the principal of which at the time incurred, together with the aggregate principal amount of all other Indebtedness then outstanding which was issued without meeting any of the requirements of Subsections (i) through (x) hereof, does not exceed 5% of the Revenues of the Borrower, for the latest Fiscal Year for which financial statements reported upon by an Accountant are available.

The Borrower covenants that liabilities of the type permitted to be incurred under (viii) above will not be allowed to become overdue for a period in excess of that which is ordinary for similar Borrowers without being contested in good faith and by appropriate proceedings. In addition, the parties to the Agreement agree that the amount of any Indebtedness consisting of contracts for the acquisition or construction of Property not incurred in the ordinary course of business shall be reduced by the amount of any Permitted Indebtedness for borrowed money incurred by the Borrower to finance such acquisition or construction.

(b) For purposes of determining whether Guaranties constitute Funded Indebtedness, Guaranties shall be excluded from Funded Indebtedness in the percentages, and to the extent Guaranties of the payment by a person of a sum certain, based on the ratio of net income available for debt service (determined substantially in the same manner as Income Available for

Debt Service) of the person whose debt is guaranteed, over the maximum annual debt service (determined substantially in the same manner as Maximum Annual Debt Service) of such person (the "Ratio") having a Ratio, as follows:

<u>Ratio</u>	<u>Percentage Excluded</u>
2.00x or more	80%
At least 1.75x but less than 2.00x	75%
At least 1.50x but less than 1.75x	50%
At least 1.25x but less than 1.50x	25%
Less than 1.25x	0%;

provided that if the Borrower has made any payments with respect to the Guarantee at any time none of the Guarantee or debt service shall be so excluded unless the Borrower has been reimbursed and no further obligations have been payable under such Guaranty for at least two years after such reimbursement; provided further that Guarantees of obligations of or by any Affiliates whose gross receipts constitute Gross Receipts shall be excluded.

(c) For purposes of determining compliance with the coverage required by Section 3.13 and the incurrence tests contained herein, the interest rate borne by Variable Rate Indebtedness shall be assumed to be equal to (i) if such Indebtedness was incurred at least twenty-four (24) months prior to the date of calculation, 120% of the average rate borne by such Indebtedness for the most recent twenty-four (24) month period; and (ii) if incurred within such twenty-four (24) month period (a) in the case of tax-exempt Indebtedness, 120% of the BMA Index or (b) in the case of taxable Indebtedness, 120% of the average prime rate for the most recent twenty-four (24) month period as published in the Wall Street Journal (or a comparable rate or source acceptable to the Trustee if the prime rate is no longer published or is not published in the Wall Street Journal), all as of the date such calculation is made.

(d) No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the Commitment which gave rise to such Commitment Indebtedness. From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto.

(e) No Additional Bonds may be issued by the Issuer and no Parity Obligations or Subordinated Obligations may be issued by the Borrower unless the Borrower files with the Issuer, and the Trustee necessary reports and independent financial forecasts to evidence that the conditions for the issuance of such Additional Bonds, Parity Obligations or Subordinated Obligations pursuant to Sections 2.12, 2.13 or 2.14, as applicable, of the Indenture have been met.

(f) Variable Rate Indebtedness shall not exceed twenty-five percent (25%) of Funded Indebtedness.

All Parity Obligations and all Outstanding Additional Bonds and Series 2013 Bonds under the Indenture shall be of equal rank and be entitled to share pari passu in all security of the Indenture and the pledge of Gross Receipts. The Trustee, Issuer, and Borrower shall take such

actions (including amendment or supplementation of the Agreement and the Indenture) and execute, deliver, file and record such instruments of security as necessary or appropriate to secure for the holders of the Parity Obligations an interest in the Gross Receipts equivalent to that of the holders of the Outstanding Additional Bonds and Series 2013 Bonds, and the Borrower shall as a condition of securing such Parity Obligations execute, deliver, file and record, and cause to be executed, delivered, filed and recorded by the lender, necessary and appropriate documents to secure for the Borrower and Trustee an interest in any security granted to the holders of the Parity Obligations.

Remedies for defaults of Parity Obligations shall be governed by Article VIII of the Indenture. Any Parity Instrument shall include provisions parallel to or incorporating the terms and conditions of the Agreement with respect to defaults under the Agreement, and shall also include provisions parallel to or incorporating the provisions of the Indenture with respect to the time, place and manner of payments required under the Indenture. Except as otherwise provided herein, any Parity Instrument shall expressly provide for security, sources of payment, events of default, and remedies therefor identical to those provided for in the Agreement and the Indenture, and that the Trustee shall have the right to direct the remedies to be pursued.

Events of Default. The following shall constitute events of default under the Agreement:

(a) if the Borrower shall fail to make, when due and payable, any installment of the Loan Payments;

(b) if the Borrower shall fail to pay, when due and payable, any Additional Payments and such failure shall continue for a period of thirty (30) days after written notice thereof shall have been given to the Borrower by the Issuer or the Trustee;

(c) if the Borrower shall fail to perform, observe or comply with any other of the terms, covenants, conditions or provisions contained in the Agreement or the Mortgage binding upon the Borrower, and any such failure shall continue for a period of thirty (30) days after written notice thereof shall have been given to the Borrower by the Issuer or the Trustee; provided, however, that if the Borrower shall proceed to make any repair, restoration or replacement which, if begun and prosecuted with due diligence, cannot be completed within a period of thirty (30) days, then such period shall be increased to such extent as shall be necessary to enable the Borrower to begin and complete such repair, restoration or replacement through the exercise of due diligence, and provided further that if the performance, observation or compliance with any of the terms, covenants, conditions or provisions contained in the Agreement or the Mortgage, other than the obligation to make Loan Payments, shall be prevented by the application of wage and price controls or other forms of economic stabilization imposed by governmental authorities and the Borrower shall have complied in full with its obligation contained in Section 3.13 of the Agreement, and shall make in full all Loan Payments, the inability to perform, observe or comply with any such term, covenant, condition or provisions shall not constitute an event of default under the Agreement;

(d) if the Borrower shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or other pleading seeking

any reorganization, composition, readjustment, liquidation or similar relief for itself under any present or future law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of it or of all or any substantial part of its assets or of the Project, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(e) if a petition or other pleading shall be filed against the Borrower seeking an adjudication of bankruptcy, reorganization, composition, readjustment, liquidation or similar relief under any present or future law or regulation, and shall remain undismissed or unstayed for an aggregate of ninety (90) days (whether or not consecutive), or if, by an order or decree of a court of competent jurisdiction, the Borrower shall be adjudicated a bankrupt or insolvent or relief shall be granted under or pursuant to any such petition or other pleading, or if, by order or decree of such court, there shall be appointed without the consent or acquiescence of the Borrower, a trustee in bankruptcy or reorganization or a receiver or liquidator of it or of all or any substantial part of its property or of the Project, and any such order or decree shall have continued unvacated, or unstayed on appeal or otherwise and in effect for a period of ninety (90) days, or if the Borrower shall be dissolved or liquidated;

(f) loss by Crosswater of its status as a federally tax-exempt organization; or

(g) default by the Borrower in the payment of any Indebtedness for borrowed money (i) in an aggregate amount equal to less than five percent (5%) of Revenues for the most recent Fiscal Year if such Indebtedness has been accelerated by its terms or (ii) in an aggregate amount equal to five percent (5%) or more of Revenues for the most recent Fiscal Year.

The provisions of paragraph (c) above are subject to the following limitations: If by reason of acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the Commonwealth of Kentucky or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; acts of terrorists; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms, floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Borrower, the Borrower is unable in whole or in part to carry out its agreements on its part contained in the Agreement, the Borrower shall not be deemed in default during the continuance of such inability, so long as the Loan Payments are made in full. The Borrower agrees, however, to use its best efforts to remedy with all reasonable dispatch the cause or causes preventing the Borrower from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Borrower, unfavorable to the Borrower, shall not be required.

## **The Mortgage**

Recording, Filing, Etc. The Borrowers shall cause the Mortgage and instruments supplemental thereto (or notices, memoranda or financing statements as may be recorded or filed to place third parties on notice thereof) to be promptly recorded and filed and re-recorded and re-filed in such manner and in such places, as may be required by law in order fully to preserve and protect the security of the Holders of the Bonds and all rights of the Trustee and to perfect and maintain the perfection of any security interest granted to the Trustee thereunder. The Trustee shall not be responsible for perfecting or maintaining the perfection of any security interest granted to it thereunder or for filing, re-filing, recording or re-recording any notice or other document in any public office at any time or times.

Taxes and Other Charges. Borrowers shall pay or cause to be paid when due and payable and before interest or penalties are due thereon, without any deduction, defalcation or abatement, all taxes, assessments, water and sewer rents, charges and claims which may be assessed, levied, or filed at any time against Borrowers, the Mortgaged Property or any part thereof or against the interest of Trustee therein (including without limitation any taxes, assessments or other charges with respect to land over which easements for the benefit of the Project Site have been granted), or which by any present or future law may have priority over the indebtedness secured by the Mortgage either in lien or in distribution out of the proceeds of any judicial sale; and Borrowers shall produce to Trustee not later than such dates receipts for the payment thereof; provided, however, that if, pursuant to the Mortgage or otherwise, Borrowers shall have deposited with Trustee before the due date thereof sums sufficient to pay any such taxes, assessments, water and sewer rents, charges and claims, and Borrowers are not otherwise in default, they shall be paid by Trustee; and provided further, that if Borrowers in good faith and by appropriate legal action shall contest the validity of any such item, or the amount thereof, and shall have established by deposit of cash with Trustee a reserve for the payment thereof in the full amount being assessed, levied, charged or claimed, then Borrowers shall not be required to pay the item or to produce the required receipts while the reserve is maintained and so long as the contest operates to prevent collection, is maintained and prosecuted with diligence, and shall not have been terminated or discontinued adversely to Borrowers. Further, Borrowers will not apply for or claim any deduction, by reason of the Mortgage, from the taxable value of all or any part of the Mortgaged Property. It is expressly agreed that no credit shall be claimed or allowed on the interest payable on the Notes because of any taxes or other charges paid.

Insurance. The Borrowers covenant and agree that they will procure, on or before the date of commencement of construction of the Project, and thereafter maintain continuously in effect so long as any Bonds and the interest thereon remain Outstanding, policies of insurance with respect to the Mortgaged Property insuring against such hazards and risks and in such amounts as are customary for a prudent owner of properties comparable to those comprising the Project. Without limiting the generality of the foregoing, the Borrowers shall maintain (including, but not limited to, in the Borrower's discretion, through an owner controlled insurance program or a contractor controlled insurance program, or a combination of such programs, based on the recommendation of its selected insurance broker) the following insurance with one or more insurance companies rated at least "A" by A.M. Best Company, Inc. and of recognized standing, and otherwise meeting the requirements of Section 5.02 of the Loan Agreement, with respect to the Mortgaged Property:

(a) insurance against loss or damage to the Mortgaged Property by fire and any of the risks covered by insurance of the type now known as "fire and extended coverage" in an amount not less than the greater of (i) the full replacement cost of the Mortgaged Property or (ii) the outstanding principal amount of the Bonds, and with a deductible from the loss payable for any casualty recommended by the Insurance Consultant; the policies of insurance carried in accordance with this subparagraph (a) shall contain the "Replacement Cost Endorsement;"

(b) business interruption or loss of rent insurance in an amount equal to the greater of: (A) an amount equal to the maximum scheduled principal and interest payments on the Bonds and Parity Obligations during any twelve month period, or (B) the gross amount of annual rentals projected (or, if greater, actual) for the Mortgaged Property based upon the projected (or, if greater, actual) occupancy of the Mortgaged Property; provided that such coverage shall be increased annually on each anniversary date of the policy to comply with the provisions with this paragraph (b).

(c) comprehensive general liability insurance (including coverage for elevators and escalators, if any, on the Mortgaged Property and, if any construction of new improvements occurs after execution of the Mortgage, completed operations coverage for two years after construction of any improvements has been completed) on an "occurrence basis" against claims for "personal injury," including, without limitation, bodily injury, death or property damage occurring on, in or about the Mortgaged Property and the adjoining streets, sidewalks and passageways, such insurance to afford immediate minimum protection to a limit in no event less than \$1,000,000 with respect to personal injury or death to any one or more persons or damage to property;

(d) workers' compensation insurance including employer's liability insurance for all employees of the Borrowers engaged on or with respect to the Mortgaged Property in such amount as is required by law;

(e) during the course of any construction or repair of the Mortgaged Property, builder's completed value risk insurance against "all risks of physical loss" during construction or repair, with deductibles as are common in similar policies obtained by prudent owners of property similar in use to the Project and located in the same area in which the Project is located, in non-reporting form, at the Borrowers' option covering the total value of work performed and equipment, supplies and materials furnished; such policy of insurance shall contain the "permission to occupy upon completion of work or occupancy" endorsement;

(f) boiler and machinery insurance covering pressure vessels, air tanks, boilers, machinery, pressure piping, heating, air conditioning and elevator equipment and escalator equipment, provided any improvements contain equipment of such nature, and insurance against loss of occupancy or use arising from any breakdown of the same, in such amounts as are commonly obtained by prudent owners of property similar in use to the Mortgaged Property and located in the same area in which the Mortgaged Property is located;

(g) flood insurance if the Mortgaged Property is in an area identified as a special flood hazard area pursuant to the Flood Disaster Protection Act of 1973, as amended, or other applicable law, unless the Project has been removed from the area by application, with such

insurance to be at least the amount available under the National Flood Insurance Act of 1968 and, if available under other policies issued by other sources, then in such additional amounts as the Insurance Consultant shall recommend; and

(h) such other insurance as is commonly obtained by prudent owners of property similar in use to the Mortgaged Property and located in the same area in which the Mortgaged Property is located.

All policies of insurance required by the Mortgage shall contain an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policy, notwithstanding any act or negligence of the Borrowers which might otherwise result in forfeiture of said insurance and the further agreement of the insurer waiving all rights of setoff, counterclaim or deductions against the Borrowers.

The Borrowers shall designate at least once every two years commencing with the Fiscal Year ending June 30, 2014, an Insurance Consultant, who may be an insurance broker or an insurance agent with whom the Borrowers or the Issuer transacts business. The Borrowers shall give the Trustee written notice of such designation; and, unless within a ten day period commencing with receipt of such notice, the Trustee shall give the Borrowers written notice of objection to such appointment, which notice shall state the reasonable grounds upon which it bases such objection, the Insurance Consultant named in such written notice shall be considered to be acceptable. The Insurance Consultant shall file an annual report with the Trustee, setting forth the kinds and amounts of insurance being carried, whether such coverage satisfies the requirements hereof, and recommendations as to changes in insurance or coverage which he deems advisable. The Borrowers agree that if such report indicates that it is not in compliance with the requirements hereof, they will promptly take steps to bring about compliance.

The Borrowers shall have the sole and absolute discretion to modify, adopt or terminate its insurance coverage, self-insurance coverage, or combination thereof, so long as the conditions set forth above have been met.

The Borrowers further agree that all property which it may own which is not a part of the Mortgaged Property shall be covered by a program of insurance. If such property is covered by insurance, such insurance shall have such limits and deductible provisions as are customary for similar facilities and as are recommended by the Insurance Consultant.

Each insurance policy provided for in the preceding and following paragraphs shall contain a provision to the effect that the insurance company shall not cancel the same without first giving written notice thereof to Trustee and the Issuer at least thirty (30) days in advance of such cancellation, and Borrowers shall deliver to Trustee the original policies of insurance, except in the case of blanket policies, in which case Borrowers shall deliver to Trustee evidence of such blanket insurance and agree to keep such evidence up to date and accurate.

Each insurer is authorized and directed to make payment under the insurance described herein (except liability insurance), including return of unearned premiums, directly to Trustee instead of to Borrowers and Trustee jointly, and Borrowers appoint Trustee, irrevocably, as Borrowers' attorney-in-fact to endorse any draft therefor.

Throughout the term of the Loan Agreement, Borrowers shall comply, or cause compliance, with applicable workers' compensation laws.

Maintenance of Mortgaged Property. Borrowers shall keep and maintain or cause to be kept and maintained the Mortgaged Property and the sidewalks and curbs abutting same, in good order and condition (including operating condition) and in rentable and tenantable state of repair, and will make or cause to be made, as and when necessary, all repairs, renewals and replacements, structural and nonstructural, exterior and interior, ordinary and extraordinary, foreseen and unforeseen. Borrowers shall abstain from and shall not permit the commission of waste in, of or about the Mortgaged Property; shall not remove or demolish any building erected at any time on the Mortgaged Property without the prior written consent of Trustee; and shall not permit the Mortgaged Property to become vacant, deserted or unguarded.

Trustee and the Issuer shall have the right to enter upon the Mortgaged Property at any reasonable hour for the purpose of inspecting the order, condition and repair of the Mortgaged Property.

So long as Borrowers shall not be in default under the Mortgage or under the Loan Agreement, and provided there is continued compliance with applicable laws and the regulations of governmental jurisdictions, Borrowers shall have the right to remodel the Project or make additions, modifications and improvements thereto, from time to time as they, in their discretion, may deem to be desirable for their uses and purposes, the cost of which remodeling, additions, modifications and improvements shall be paid by Borrowers, and the same shall, when made, become a part of the Mortgaged Property except for additional machinery, equipment, furniture, furnishings and other personal property, which shall (unless installed in replacement of Project components or as an accession thereto) remain the property of Borrowers in which the Trustee shall have no interest and may be removed from the Project Site at any time provided that Borrowers shall repair any damage to the Project resulting from such removal. No such remodeling, addition, modification or improvement of the Project shall materially adversely affect the value of the Mortgaged Property.

Substitutions for Portions of the Project. Borrowers shall have the right from time to time to substitute personal property or fixtures for any portions of the Project, provided that the personal property or fixtures so substituted shall not impair the use of the Project for its intended use and shall not impair the value of the Mortgaged Property. Any such substituted property or fixtures shall become part of the Mortgaged Property.

Damage and Destruction. If the Mortgaged Property is damaged or destroyed by fire or other casualty, unless Borrowers prepay the Loan Agreement in accordance with the provisions of the Loan Agreement, (i) Borrowers will promptly repair, replace, rebuild or restore the property damaged or destroyed to such extent as Borrowers deem appropriate for its uses and purposes, provided that, at a minimum, the Mortgaged Property as so repaired, replaced, rebuilt or restored shall have a value sufficient to fully secure the then outstanding principal amount of the Bonds, and (ii) Borrowers and Trustee will apply for such purpose so much as may be necessary of any Net Proceeds of insurance resulting from claims for losses, under the insurance policies required to be carried in the Mortgage, resulting from such damage.

All Net Proceeds of insurance resulting from such claims for losses in excess of \$250,000 shall be paid to and held by Trustee in a separate disbursement account, and Trustee will apply so much as may be necessary of the Net Proceeds of such insurance to payment of the costs incurred by Borrowers for the repair, replacement, rebuilding or restoration of the Mortgaged Property, either on completion thereof or as the work progresses in accordance with the terms of the Indenture. In the event any Net Proceeds of insurance will be insufficient to pay in full the costs of repair, replacement, rebuilding or restoration hereunder, Borrowers will nonetheless perform such repair, replacement, rebuilding or restoration and will, prior to the commencement thereof, deposit the deficiency with Trustee in such separate disbursement account, which deposit shall first be exhausted before any disbursement of the Net Proceeds of insurance. Borrowers shall not, by reason of the payment of any excess costs of repair, replacement, rebuilding or restoration, be entitled to any reimbursement from Trustee or the Issuer or any abatement or diminution of payments under the Loan Agreement. Notwithstanding the foregoing, Trustee shall not release such Net Proceeds unless Borrowers have certified to Trustee that such amount, together with any other monies available for such purpose, including such other amounts as the Borrower may add, will be sufficient to pay the cost of such repairs or reconstruction necessary to restore the Project within one year to the condition of suitability for occupancy which existed prior to such damage or destruction, and that such changes will not materially reduce the Borrower's obligations or alter the design or materially reduce the quality or amenities of the Project, all as required pursuant to the terms of the Indenture.

Any moneys held by Trustee in the separate disbursement account under the provisions of the preceding paragraph shall, at the written request of the Authorized Borrower Representative, be invested by Trustee in Government Obligations; provided however that Borrowers shall be solely responsible for any losses resulting from any such investments.

Any balance of such Net Proceeds remaining after payment of all the costs of repair, replacement, rebuilding or restoration hereunder shall be paid to Borrowers.

If upon any damage to or destruction of the Mortgaged Property, Borrowers elect pursuant to the provisions of the Loan Agreement to prepay the Loan Agreement and Bonds rather than repair, replace, rebuild or restore the property damaged or destroyed, all Net Proceeds of insurance shall be applied to such prepayment of the Bonds and any balance remaining after such prepayment shall be paid to Borrowers.

Notwithstanding anything in the Mortgage to the contrary, upon the occurrence and during the continuance of an event of default under the Mortgage, Trustee may apply any Net Proceeds of insurance received by it pursuant to the provisions of the Mortgage to partial or full prepayment of the Loan Agreement and Bonds, or to costs of repair, replacement, rebuilding or restoration of the Mortgaged Property, or to any combination of the foregoing, as Trustee may elect.

Condemnation. Unless the Borrowers shall exercise their option to terminate the Loan Agreement pursuant to the provisions of Section 10.01 of the Loan Agreement, in the event that title to or the temporary use of the Mortgaged Property or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, there shall be no abatement or reduction in

the Loan Payments owing by the Borrowers under the Loan Agreement. The Borrowers shall cause the Net Proceeds received by them and the Trustee or any of them from any award made in such eminent domain proceedings to be deposited in the Casualty and Condemnation Account established pursuant to the Loan Agreement and applied in one or more of the following ways as shall be directed in writing by the Borrowers:

(a) the restoration of the remaining portion of the Mortgaged Property within a period of one year to substantially the same condition as it existed prior to the exercise of said power of eminent domain;

(b) the acquisition, by construction or otherwise, by the Borrowers of other land or improvements suitable for the Borrowers' operation of the Project (which land or improvements shall be deemed a part of the Mortgaged Property and available for use and occupancy by the Borrowers without the payment of any Loan Payments owing other than provided in the Mortgage , to the same extent as if such land or other improvements were specifically described in the Mortgage and demised thereby) within a period of one year; or

(c) redemption of the principal of any of the Bonds, together with accrued interest thereon to the date of redemption pursuant to Section 2.02 and Article VI of the Indenture, or provision for the payment thereof in accordance with Article XI of the Indenture; provided, that no part of any such condemnation award may be applied for such purposes unless (1) all of the Bonds are to be redeemed or funded in accordance with the Indenture upon exercise of the option to terminate authorized by Section 10.01 of the Loan Agreement, or (2) in the event that less than all of the Bonds are to be redeemed, the Borrowers shall furnish, or cause to be furnished to the Issuer and the Trustee a certificate of an architect, independent engineer, Consultant or other expert not objected to by the Trustee, selected by the Borrowers, stating (i) that the property forming a part of the Mortgaged Property that was taken by such condemnation is not essential to the Borrowers' use or occupancy of the Mortgaged Property, or (ii) that the Mortgaged Property has been restored to a condition substantially equivalent to its condition prior to the taking by such condemnation proceedings, or (iii) that land or improvements have been acquired which are suitable for the Borrowers' operation of the Mortgaged Property as contemplated by the foregoing subsection (b).

Unless the Borrowers shall have elected to exercise their option to terminate pursuant to the provisions of Section 10.01 of the Loan Agreement, within 30 days from the date of entry of a final order in any eminent domain proceedings granting condemnation, the Borrowers shall direct the Issuer and the Trustee in writing as to which of the ways specified herein the Borrowers elect to have the Net Proceeds applied.

The Borrowers shall in connection with its written determination to proceed in accordance with (a) or (b) above certify to the Trustee (i) that the restoration will be completed within one year and (ii) the amount, if any, by which it is anticipated that Project Revenues will be increased after the occurrence of the event resulting in the condemnation award by the subsequent restoration of the Mortgaged Property; provided, however, that if such anticipated increase shall be less than the annual earnings which can

then be realized by investing the Net Proceeds in investments permitted by Section 4.06 of the Indenture, then such Net Proceeds shall be deposited by the Trustee in the Bond Redemption Fund. If (i) the Borrowers fail to commence and diligently pursue restoration within thirty (30) days after receipt by the Trustee of the written direction of the Borrowers to proceed or (ii) the Borrowers fail to provide the certification to the Trustee provided for in this paragraph within thirty (30) from the date of entry of a final order in any eminent domain proceedings granting condemnation, an event of default shall be deemed to have occurred under Section 3.1 of the Mortgage

Any balance of the Net Proceeds of the award in such eminent domain proceedings required to be invested to maintain Project Revenues under subsection (c) above shall be paid into the Bond Redemption Fund. If the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), all Net Proceeds will be paid to the Borrowers. In the event proceedings shall be instituted for the exercise of the power of eminent domain, the Issuer, the Borrowers and the Trustee shall be made parties thereto, and if not made parties thereto by the condemnor, shall be brought into the proceedings by appropriate proceedings so that adjudication may be made of such damages, if any, as are to be paid to them as compensation for loss of their rights in the Mortgaged Property.

Events of Default. The following shall be "events of default" under the Mortgage:

(a) The occurrence of an Event of Default as defined in Section 9.01 of the Loan Agreement (giving effect to any notice periods provided therein).

(b) Failure by Borrowers to observe and perform any other covenant, warranty, condition or agreement on their part to be observed or performed under the Mortgage, for a period of 30 days (unless the Trustee shall agree in writing to an extension of such time prior to its expiration) after notice of such failure requesting such failure to be remedied, given to Borrowers by Trustee.

The provisions of paragraph (b) above are subject to the following limitations: If by reason of acts of God; winds; fires; epidemics; landslides; floods; droughts; famines; strikes; lockouts or other industrial disturbances; acts of public enemies; acts or orders of any kind of any governmental authority; insurrection; military action; war, whether or not declared; sabotage; riots; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any cause or event not reasonably within the control of Borrowers, Borrowers is unable in whole or in part to carry out the agreements on its part contained in the Mortgage, other than obligations on the part of the Borrowers to make the payments required under the Notes and the Loan Agreement, to carry insurance, to pay any ad valorem property taxes, and to make other payments or deposits pursuant to the terms of the Agreement, Borrowers shall not be deemed in default during the continuance of such inability. Borrowers shall, however, use their best efforts to remedy with all reasonable dispatch the cause or causes preventing Borrowers from carrying out its agreements; provided, that Borrowers shall in no event be required to settle strikes, lockouts or other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of Borrowers, not in the interest of the Borrowers.

Other Remedies. In addition to any other remedy available to Trustee, as provided in the Mortgage or otherwise, Trustee may exercise any remedy available to it under the Loan Agreement, or under any applicable law, including, the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the Commonwealth of Kentucky.

Acceleration. Upon the occurrence of an event of default, Trustee may by notice in writing delivered to Borrowers declare the principal, interest and all other sums secured by the Mortgage to be due and payable immediately and, upon said declaration, such principal, interest and other sums shall become and be immediately due and payable.

Surrender of Possession; Rights and Duties of Trustee in Possession. Upon the occurrence of an Event of Default, Borrowers, upon demand of Trustee, shall forthwith, to the extent possible, assemble the Mortgaged Property and proceeds and make them available to the Trustee at the Project Site or some other place to be designated by the Trustee which is convenient to both parties, and Borrowers shall forthwith surrender the possession of, and it shall be lawful for the Trustee to take possession of, all or any part of the Mortgaged Property together with the books, papers and accounts of Borrowers pertaining thereto, and to hold, operate and manage the same, and from time to time to make all needful repairs, replacements and improvements; and Trustee may lease or license the use of the Mortgaged Property or any part thereof in the name and for the account of Borrowers and collect, receive and sequester the rents, license fees, revenues and other income, charges and moneys therefrom, and out of the same and any moneys received from any receiver of any part thereof, after deducting all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to Trustee, its agents and counsel, pay and/or set up proper reserves for the payment of any or all of the following in such order and amounts as Trustee, in Trustee's sole discretion, may elect: the payment of any sums due under any prior lien, taxes, water and sewer rents, charges and claims, insurance premiums and all other carrying charges, costs of maintenance, repair, replacement or restoration of the Mortgaged Property, and on account and in reduction of the principal or interest, or both, on the indebtedness secured by the Mortgage. For the aforesaid purpose, Borrowers have, pursuant to the Assignment of Rents and Leases, assigned to Trustee all rentals and license fees due and to become due under any leases or rights or licenses to use and occupation of the Mortgaged Property now or hereafter created, as well as all rights and remedies provided in such leases, rights or licenses. In the event that all events of default have been made good and Trustee shall have surrendered possession to Borrowers, the right of entry provided herein shall again exist upon any subsequent event of default.

Actions to Recover Amounts Due. Trustee shall have the right, from time to time, to bring an appropriate action to recover any sums required to be paid by Borrowers under the terms of the Mortgage or the Loan Agreement, as they become due, without regard to whether or not the principal indebtedness or any other sums secured by the Loan Agreement and the Mortgage shall be due, and without prejudice to the right of Trustee thereafter to institute foreclosure or otherwise dispose of the Mortgaged Property or any part thereof, or any other action, for any default by Borrowers existing at the time the earlier action was commenced.

Foreclosure. Upon the occurrence of an Event of Default, the lien on the Mortgaged Property created and vested by the Mortgage may be foreclosed and Trustee may sell or otherwise dispose of the Mortgaged Property in the manner provided by law, and Trustee, if the

highest bidder, may become the purchaser of the Mortgaged Property at any such sale. In the event of foreclosure of the lien of the Mortgage, the Mortgaged Property may be sold in one or more parcels, or as an entirety, as Trustee may elect.

Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of Trustee under the Mortgage, Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Mortgaged Property and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that Trustee may, with or without action hereunder, pursue any available remedy to enforce the payment of principal and interest and premium, if any, or to remedy any Event of Default.

Application of Moneys. All moneys received by Trustee or a receiver pursuant to any right given or action taken under the provisions of Article III of the Mortgage shall, after the payment of the costs, expenses, liabilities and advances incurred by Trustee or receiver be applied in the manner provided in Section 3.4 of the Agreement if, such moneys are received other than as a result of foreclosure or any other disposition of the Mortgaged Property, and if received as a result of foreclosure or any other disposition of the Mortgaged Property shall be applied first to the payment of the costs, expenses, liabilities and advances incurred by Trustee or receiver, then to the payment of accrued interest on the Bonds, then to the payment of the principal of the Bonds, and the balance, if any, shall be paid to Borrowers.

Rights and Remedies Cumulative; No Waiver or Release of Obligation. The rights and remedies of Trustee as provided in the Mortgage or the Loan Agreement, and in the warranties contained therein shall be cumulative and concurrent, may be pursued separately, successively or together against Borrowers or against the Mortgaged Property, or both, at the sole discretion of Trustee, and may be exercised as often as occasion therefor shall arise. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

Any failure by Trustee to insist upon strict performance by Borrowers of any of the terms and provisions of the Mortgage or the Loan Agreement shall not be deemed to be a waiver of any of the terms or provisions thereof, and Trustee shall have the right thereafter to insist upon strict performance by Borrowers of any and all of them.

No delay or omission to exercise any right or power accruing upon any failure or event of default shall impair any right or power or shall be construed to be a waiver of any such failure or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any failure or event of default under the Mortgage by Trustee shall extend to or shall affect any subsequent failure or event of default or shall impair any rights or remedies consequent thereon.

Neither Borrowers nor any other person now or hereafter obligated for payment of all or any part of the sums now or hereafter secured by the Mortgage shall be relieved of such obligation by reason of the failure of Trustee to comply with any request of Borrowers or of any

other person so obligated to take action to foreclose on the Mortgage or otherwise enforce any provisions of the Mortgage or the Loan Agreement, or by reason of the release, regardless of consideration, of all or any part of the security held for the indebtedness secured by the Mortgage, or by reason of any agreement or stipulation between any subsequent owner of the Mortgaged Property and Trustee extending the time of payment or modifying the terms of the Mortgage, without first having obtained the consent of Borrowers or such other person; and in the latter event Borrowers and all such other persons shall continue to be liable to make payments according to the terms of any such extension or modification agreement, unless expressly released and discharged in writing by Trustee.

Trustee may release, regardless of consideration, any part of the security held for the indebtedness secured by the Mortgage without, as to the remainder of the security, in any way impairing or affecting the lien of the Mortgage or its priority over any subordinate lien.

Termination of Proceedings. If Trustee shall have proceeded to enforce any right under the Mortgage by the appointment of a receiver, by entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case Borrowers and Trustee shall be restored to their former positions and rights under the Mortgage, respectively, and all rights, remedies and powers of Trustee shall continue unimpaired as before.

Right to Remedy Default. In the event that Borrowers should fail to carry the insurance required in the Mortgage or pursuant thereto, or to pay or cause to be paid real estate or other taxes, assessments, water and sewer rents, charges and claims (unless and only for so long as, in strict compliance with the provisions of Section 2.2 of the Agreement, Borrowers are contesting the validity of any such item or the amount thereof), corporate taxes, sums due under any prior lien or approved prior lien, or insurance premiums, or fail to make necessary repairs, or permit waste, or fail to cure any default under any prior lien or approved prior lien, or fail to comply with any other obligation on its part contained in the Mortgage or in the Loan Agreement, Trustee, at its election and without notice to Borrowers, shall have the right to make any payment or expenditure and to take any action which Borrowers should have made or taken, or which Trustee deems advisable to protect the security of the Mortgage or the Mortgaged Property, without prejudice to any of Trustee's rights or remedies available under the Mortgage or otherwise, at law or in equity. All such sums, as well as costs, advanced by Trustee or due the Issuer pursuant to the Mortgage or the Loan Agreement shall be due immediately from Borrowers to Trustee or to the Issuer, as the case may be, and, shall be secured by the Mortgage.

Amendments, Changes and Modifications. Except as may otherwise be provided in the Loan Agreement, the Mortgage may not be effectively amended, changed, modified or altered without the prior written consent of the party against whom enforcement of such amendment, change, modification or alteration is sought.

Effect of Mortgage; Mortgage to Constitute Security Agreement.

(a) Insofar as the Project is concerned, the Mortgage is made and declared to be a security agreement, encumbering each and every item of the Mortgaged Property

(the "Collateral"), in compliance with the provisions of the U.C.C., including, but not limited to the following:

(i) the machinery, equipment, furnishings, or other property at any time installed or located on the Project Site, and substitutions or replacements therefor, all machinery, equipment, or other property which under the terms of the Mortgage is to become the property of the Borrowers or is to be subjected to the lien of the Mortgage, and, without limiting the foregoing, all of the property of the Borrowers at any time installed or located on the Project Site attached to the Mortgage together with all machinery, apparatus, equipment, fittings, fixtures, whether actually or constructively attached to said property and including all trade, domestic, and ornamental fixtures and articles of personal property of every kind and nature whatsoever now or hereafter located in, upon, or under said property or any part thereof and used or usable in connection with any present or future operations of said property, including, without limiting the generality of the foregoing, all heating, air-conditioning, freezing, lighting, laundry, incinerating, and power equipment, gas and electric fixtures, engines, machinery, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigerating, ventilating, and communications apparatus, safety equipment, boilers, ranges, furnaces, oil burners, or units thereof, appliances, air-cooling and air-conditioning apparatus, washers, dryers, water heaters, mirrors, mantels, vacuum cleaning systems, elevators, escalators, shades, awnings, screens, storm doors, and windows, stoves, wall beds, refrigerating plants, refrigerators, attached cabinets, partitions, ducts, and compressors, rugs and carpets and other floor coverings, draperies, furniture and furnishings, together with all building materials and equipment now or hereafter delivered to the property and intended to be installed therein, including but not limited to, lumber, plaster, cement, shingles, roofing, plumbing, fixtures, pipe, lath, wallboard, cabinets, nails, sinks, toilets, furnaces, heaters, brick, tile, water heaters, screens, window frames, glass, doors, flooring, paint, lighting fixtures and unattached refrigerating, and cooking, heating, and ventilating appliances and equipment, together with all additions and accessions thereto and replacements thereof;

(ii) All of the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Borrower's ownership and operation of the Project;

(iii) All of the inventory now or hereafter located at the Project in all of its forms, including, without limitation, all goods, materials, and supplies now or hereafter held for sale and use or consumption, whether by the Borrowers or by another person pursuant to a service contract, at the Project, together with all documents, documents of title, dock warrants, dock receipts, warehouse receipts, bills of lading, or orders for the delivery of all or any portion of the foregoing, all goods in which the Borrowers have an interest in mass or a joint or other interest or right of any kind, all goods which are returned to or repossessed by the Borrowers, and all accessions thereto and products thereof; and

(iv) All proceeds of any or all of the foregoing, including, without limiting the generality of the foregoing, all inventory, accounts, chattel paper, documents, equipment, instruments, farm products, consumer goods, and general intangibles constituting proceeds acquired with cash proceeds of any or all of the Collateral and, to the extent not otherwise included, all payments of insurance (whether or not the Trustee is the loss payee thereof) and any indemnity, condemnation award, performance, labor, and material payment bond, warranty, or guaranty payable by reason of loss or damage to, or otherwise with respect to, any of the Collateral.

Upon the issuance of the Series 2013 Bonds, a financing statement or statements (the "Financing Statements"), affecting all of the Mortgaged Property, shall be filed. The Borrowers shall cause to be delivered to the Trustee an opinion of counsel stating that such Financing Statements have been appropriately filed. The remedies for any violation of the Loan Agreement, terms and conditions of the security agreement contained in the Mortgage shall be (i) as prescribed in the Mortgage, (ii) as prescribed by general law in the Commonwealth of Kentucky, and/or (iii) as prescribed by the specific statutory consequences now or hereafter enacted and specified in the U.C.C., all at the Trustee's sole election. The Borrowers and the Trustee agree that the filing of such Financing Statement(s) in the records normally having to do with personal property shall never be construed as in any way derogating from or impairing the declaration and stated intention of the Borrower and the Trustee that all portions of the Project are, and at all times and for all purposes and in all proceedings both legal or equitable shall be, regarded as part of the Mortgaged Property irrespective of whether (1) any such item is physically attached to the improvements thereon, (2) serial numbers are used for the better identification of certain items capable of being thus identified in a recital contained in the Mortgage, or (3) any such item is referred to or reflected in any such Financing Statement(s) so filed at any time. The Borrowers further agree that all of the personal property portions of the Project shall be owned by the Borrowers; and the Borrowers shall not create or cause to be created any security interest covering any such property, other than the security interests created in the Mortgage, Permitted Encumbrances and the occupancy rights of tenants lawfully occupying the Mortgaged Property.

(b) The Borrowers agree that the Borrowers will promptly execute any Financing Statement(s) or other instruments necessary to prevent any filed Financing Statement from becoming misleading or losing its perfected status and also authorizes the Trustee to file any such Financing Statement(s) or other instruments without execution by the Borrowers.

(c) The Borrowers irrevocably authorize the Trustee at any time and from time to time, to file in any Uniform Commercial Code jurisdiction any initial Financing Statements and amendments thereto that (a) indicate the Collateral (i) as all assets of the Borrowers or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the Commonwealth of Kentucky or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the Uniform Commercial Code of the Commonwealth of Kentucky for the sufficiency or filing office acceptance of any financing statement or amendment,

including (i) whether the Borrowers are organizations, the types of organizations and any organization identification numbers issued to the Borrowers and, (ii) in the case of a Financing Statement filed as a fixture filing or indicating Collateral as extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. The Trustee agrees to furnish any such information to the Borrowers promptly upon request. The Borrowers also ratify the authorization for the Trustee to have filed in any Uniform Commercial Code jurisdiction any like initial Financing Statements or amendments thereto if filed prior to the date of the Agreement.

(d) Further to insure the attachment, perfection and first priority of, and the ability of the Trustee to enforce, the Trustee's security interest in the Collateral, the Borrowers agree, in each case at the Borrowers' own expense, to take the following actions with respect to the following Collateral:

(i) If the Borrowers shall at any time hold or acquire any promissory notes or tangible chattel paper, the Borrowers shall forthwith endorse, assign and deliver the same to the Trustee, accompanied by such instruments of transfer or assignment duly executed in blank as the Trustee may from time to time specify.

(ii) For each deposit account that the Borrowers at any time open or maintain, the Borrowers shall, pursuant to an agreement in form and substance satisfactory to the Trustee, either (a) cause the depository bank to agree to comply at any time with instructions from the Trustee to such depository bank directing the disposition of funds from time to time credited to such deposit account, without further consent of the Borrowers, or (b) arrange for the Trustee to become the customer of the depository bank with respect to the deposit account, with the Borrowers being permitted, only with the consent of the Trustee, to exercise rights to withdraw funds from such deposit account. The Trustee agrees with the Borrowers that the Trustee shall not give any such instructions or withhold any withdrawal rights from the Borrowers, unless a default has occurred and is continuing under the Mortgage, or, after giving effect to any withdrawal not otherwise permitted by the Loan Agreement, would occur. The provisions of this paragraph shall not apply to (i) any deposit account for which the Borrowers, the depository bank and the Trustee have entered into a cash collateral agreement specially for the specific purpose set forth therein, (ii) deposit accounts created under the Indenture and (iii) deposit accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of the Borrowers' salaried employees.

(iii) If the Borrowers shall at any time hold or acquire any certificated securities, the Borrowers shall forthwith endorse, assign and deliver the same to the Trustee, accompanied by such instruments of transfer or assignment duly executed in blank as the Trustee may from time to time specify. If any securities now or hereafter acquired by the Borrowers are uncertificated and are issued to the Borrowers or their nominee directly by the issuer thereof, the Borrowers shall immediately notify the Trustee and, pursuant to an agreement in form and substance satisfactory to the Trustee, either (a) cause the issuer of such securities

to agree to comply with instructions from the Trustee as to such securities, without further consent of the Borrowers or such nominee, or (b) arrange for the Trustee to become the registered owner of the securities. If any securities, whether certificated or uncertificated, or other investment property now or hereafter acquired by the Borrowers is held by the Borrowers or their nominee through a securities intermediary or commodity intermediary, the Borrowers shall immediately notify the Trustee and, pursuant to an agreement in form and substance satisfactory to the Trustee, either (i) cause such securities intermediary or (as the case may be) commodity intermediary to agree to comply with entitlement orders or other instructions from the Trustee to such securities intermediary as to such securities or other investment property, or (as the case may be) to apply any value distributed on account of any commodity contract as directed by the Trustee to such commodity intermediary, in each case without further consent of the Borrowers or such nominee, or (ii) in the case of financial assets or other investment property held through a securities intermediary, arrange for the Trustee to become the entitlement holder with respect to such investment property, with the Borrowers being permitted, only with the consent of the Trustee, to exercise rights to withdraw or otherwise deal with such investment property. The Trustee agrees with the Borrowers that the Trustee shall not give any such entitlement orders or instructions or directions to any such securities intermediary or commodity intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by the Borrowers, unless a default has occurred and is continuing under the Mortgage, or, after giving effect to any such investment and withdrawal rights not otherwise permitted by the Loan Agreement, would occur. The provisions of this paragraph shall not apply to any financial assets credited to a securities account for which the Trustee is the securities intermediary.

(iv) If any goods are at any time in the possession of a bailee, the Borrowers shall promptly obtain an acknowledgement from the bailee, in form and substance satisfactory to the Trustee, that the bailee holds such Collateral for the benefit of the Trustee and shall act upon the instructions of the Trustee, without the further consent of the Borrowers. The Trustee agrees with the Borrowers that the Trustee shall not give any such instructions unless a default has occurred and is continuing under the Mortgage or would occur after taking into account any action by the Borrowers with respect to the bailee.

(v) If the Borrowers at any time hold or acquire an interest in any electronic chattel paper or any "transferable record," as that term is defined in Section 201 of the federal Electronic Signatures in Global and National Commerce Act, or in §16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, the Borrowers shall promptly notify the Trustee and shall take such action as the Trustee may reasonably request to vest in the Trustee control of such electronic chattel paper under UCC §9-105 or under Section 201 of the federal Electronic Signatures in Global and National Commerce Act or §16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction. The Trustee agrees with the Borrowers that the Trustee will arrange, pursuant to

procedures satisfactory to the Trustee and so long as such procedures will not result in the Trustee's loss of control, for the Borrowers to make alterations to the electronic chattel paper or transferable record permitted under UCC §9-105 or Section 201 of the federal Electronic Signatures in Global and National Commerce Act or §16 of the Uniform Electronic Transactions Act, unless a default has occurred and is continuing under the Mortgage or would occur after taking into account any action by the Borrowers with respect to such electronic chattel paper or transferable record.

(iv) If the Borrowers shall at any time hold or acquire a commercial tort claim, the Borrowers shall immediately notify the Trustee in a writing signed by the Borrowers of the details thereof and grant to the Trustee in such writing a security interest therein and in the proceeds thereof, all upon the terms of the Mortgage, with such writing to be in form and substance satisfactory to the Trustee.

(e) The Borrowers further agree to take any other action reasonably requested by the Trustee to insure the attachment, perfection and first priority of, and the ability of the Trustee to enforce, the Trustee's security interest in any and all of the Collateral including, without limitation, (a) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the Uniform Commercial Code, to the extent, if any, that the Borrowers' signatures thereon is required therefor, (b) causing the Trustee's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of the Trustee to enforce, the Trustee's security interest in such Collateral, (c) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of the Trustee to enforce, the Trustee's security interest in such Collateral, (d) obtaining governmental and other third party consents and approvals, including without limitation any consent of any licensor, lessor or other person obligated on Collateral, (e) obtaining waivers from mortgagees and landlords in form and substance satisfactory to the Trustee and (f) taking all actions required by any earlier versions of the Uniform Commercial Code or by other law, as applicable in any relevant Uniform Commercial Code jurisdiction, or by other law as applicable in any foreign jurisdiction.

(f) Notwithstanding any release of any or all of that property included in the Mortgaged Property which is deemed "real property", any proceedings to foreclose the Mortgage, or its satisfaction of record, the terms of the Agreement shall survive as a security agreement with respect to the security interest created by the Mortgage and referred to above until the repayment or satisfaction in full of the obligations of Borrowers as are now or hereafter evidenced by the Loan Agreement or otherwise secured by the Mortgage. Nothing in the Mortgage shall preclude Trustee from proceeding as to both real and personal property in accordance with Trustee's rights and remedies in respect of real property, as provided in Article 9 of the Uniform Commercial Code as adopted in the Commonwealth of Kentucky.

Indenture Provisions Control. In the event of any inconsistency between the provisions of the Mortgage and those in the Indenture, the provisions in the Indenture will control.

### **Assignment of Rents and Leases**

Purpose. The Assignment is made for the purposes of securing: (a) the payment of the indebtedness (including any amendments, extensions, modifications or renewals thereof) evidenced by the Bonds, (b) the payment of all other sums, with interest thereon, becoming due and payable to Trustee under the provisions of the Mortgage, the Loan Agreement and the Indenture, and (c) the performance and discharge of each and every term, covenant and condition of Borrower contained in the Bond Documents.

Assignment Absolute. The Assignment is absolute and is effective immediately. Notwithstanding the foregoing, until an Event of Default has occurred, and has not been cured, under the terms and conditions of the Bond Documents or any other instrument constituting additional security for the Bonds, Borrower may receive, collect and enjoy the rents, income and profits accruing from the Property.

Event of Default. In the event of any Event of Default at any time in the Bond Documents, Trustee may, at its option, without notice to Borrower, receive and collect all such rents, income and profits as they become due, from the Property and the leasehold interest therein and under any and all Borrower Leases of all or any part of the Property. Trustee shall thereafter continue to receive and collect all such rents, income and profits, as long as such default or defaults shall exist, and during the pendency of any foreclosure proceedings, and if there is a deficiency, during any redemption period.

From and after an Event of Default, Borrower irrevocably appoints Trustee its true and lawful attorney with full power of substitution and with full power for Trustee in its own name and capacity or in the name and capacity of Borrower, from and after any default not having been cured, to demand, collect, receive and give complete acquittances for any and all rents, income and profits accruing from the Property or the leasehold interest therein, and at Trustee's discretion to file any claim or take any other action or proceeding and make any settlement of any claims, in its own name or otherwise, which Trustee may deem necessary or desirable in order to collect and enforce the payment of the rents, income and profits. Lessees of the Property are expressly authorized and directed to pay any and all amounts due Borrower pursuant to the Borrower Leases directly to Trustee or such nominee as Trustee may designate in writing delivered to and received by such lessees who are expressly relieved of any and all duty, liability or obligation to Borrower in respect of all payments so made.

From and after any default that has not been cured, Trustee is vested with full power to use all measures, legal and equitable, deemed by it necessary or proper to enforce the Assignment and to collect the rents, income and profits assigned under the Assignment, including the right of Trustee or its designee to enter upon the Property, or any part thereof, with or without force and with process of law, and take possession of all or any part of the Property together with all personal property, fixtures, documents, books, records, papers and accounts of Borrower relating thereto, and may exclude the Borrower, its agents and servants, wholly therefrom. Borrower grants full power and authority to Trustee to exercise all rights, power and

authority granted in the Assignment at any and all times after any default that has not been cured, without further notice to Borrower, with full power to use and apply all of the rents and other income therein assigned to the payment of the costs of managing and operating the Property and the leasehold interest therein and of any indebtedness or liability of Borrower to Trustee, including but not limited to the payment of taxes, special assessments, insurance premiums, damage claims, the cost of maintaining, repairing, rebuilding and restoring the improvements on the Property or of making the same rentable, attorneys' fees incurred in connection with the enforcement of the Assignment, and of principal and interest payments due from Borrower to Trustee under the Agreement of Lease and other Bond Documents, all in such order as Trustee may determine according to provisions of the Bonds and the other Bond Documents executed in connection therewith. Trustee shall be under no obligation to exercise or prosecute any of the rights or claims assigned to it under the Assignment or to perform or carry out any of the obligations of the lessor under any of the Borrower Leases and does not assume any of the liabilities in connection with or growing out of the covenants and agreements of Borrower in the Borrower Leases. It is further understood that the Assignment shall not operate to place responsibility for the control, care, management or repair of the Property or leasehold interest therein, or parts thereof, upon Trustee, nor shall it operate to make Trustee liable for the performance of any waste of the Property by any lessee under any of the Borrower Leases or any other person, or for any dangerous or defective condition of the Property, or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any lessee, licensee, employee or stranger, or for any environmental hazard on the Property.

Waiver. Waiver of or acquiescence by Trustee in any default by the Borrower, or failure of the Trustee to insist upon strict performance by the Borrower of any covenants, conditions or agreements in the Assignment, shall not constitute a waiver of any subsequent or other default or failure, whether similar or dissimilar.

Remedies Cumulative. The rights and remedies of Trustee under the Assignment are cumulative and are not in lieu of, but are in addition to any other rights or remedies which Trustee shall have under the Bond Documents, or at law or in equity.

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**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

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December 23, 2013

City of Williamstown, Kentucky  
Williamstown, Kentucky

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the issue of \$62,000,000 Taxable Industrial Building Revenue Bonds, Series 2013 (Crosswater Canyon, Inc. Project), dated the date hereof (the "Series 2013 Bonds"), of the City of Williamstown, Kentucky (the "Issuer"). The Bonds are initially issuable as fully registered bonds without coupons in integral multiples of \$5,000, as provided in the Indenture referred to below. The Series 2013 Bonds mature, bear interest and are redeemable all as provided in the Trust Indenture (the "Indenture") dated as of December 1, 2013, by and between the Issuer and U.S. Bank National Association, Cincinnati, Ohio, as Trustee (the "Trustee").

The Series 2013 Bonds are being issued to (i) pay for certain costs of acquiring, constructing, installing and equipping the Project, as defined in the Indenture; (ii) pay capitalized interest on the Series 2013 Bonds for a period through and including the estimated date of completion of construction of the Project, (iii) fund an initial deposit to the Reserve Fund, as defined in the Indenture, and (iv) pay certain expenses incurred in connection with the issuance of the Series 2013 Bonds.

The Series 2013 Bonds are authorized pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, particularly Chapter 103 of the Kentucky Revised Statutes, and an ordinance of the Issuer.

The Issuer has entered into a Loan Agreement dated as of December 1, 2013 (the "Loan Agreement") with Crosswater Canyon, Inc., a Kentucky nonprofit corporation ("Crosswater") and Ark Encounters, LLC, a Missouri limited liability company ("Ark, LLC," and together with Crosswater, the "Borrowers"), under the provisions of which Loan Agreement the Issuer has loaned the proceeds of the Series 2013 Bonds to the Borrowers. Under the Loan Agreement the Borrowers have executed a promissory note (the "Series 2013 Note"), which provides for the payment by the Borrowers of amounts sufficient to pay the principal of and the interest on the Series 2013 Bonds as the same shall become due and payable.

The Series 2013 Bonds are further secured, in part, by an Open-End Mortgage and Security Agreement dated as of December 1, 2013 (the "Mortgage") from the Borrowers to the Trustee and by an Assignment of Rents and Leases dated as of December 1, 2013 (the "Assignment of Rents") from the Borrowers to the Trustee.

We have examined a specimen Series 2013 Bond of this issue and approve its form.

Based on the foregoing, we are of the opinion that:

1. The Issuer is a municipal corporation and political subdivision of the Commonwealth of Kentucky with full power and authority to issue the Series 2013 Bonds under the Act for the purposes set forth above.
2. The Indenture and the Loan Agreement are valid and binding obligations of the parties thereto enforceable in accordance with the terms and tenor thereof.

3. The Series 2013 Bonds are valid and legally binding special and limited obligations of the Issuer payable in accordance with their terms solely from revenues and other moneys pledged and assigned by the Indenture and constitute a valid claim of the respective holders thereof only against the funds and accounts created under the Indenture and other moneys held by the Trustee and amounts derived from the Indenture.

4. The Series 2013 Bonds constitute only special and limited obligations of the Issuer as therein and in the Indenture provided and do not constitute a debt or general obligation or pledge of faith and credit of the Commonwealth of Kentucky or of any political subdivision or independent agency thereof, including the Issuer. Neither the Commonwealth of Kentucky nor any political subdivision or independent agency thereof, including the Issuer, shall be obligated to pay the Series 2013 Bonds or the interest or premium thereon except from the sources pledged therefor under the Indenture, and neither the faith and credit nor the taxing power of the Commonwealth of Kentucky or any political subdivision or independent agency thereof is pledged to the payment of the principal of or interest or premium, if any, on the Series 2013 Bonds.

5. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Series 2013 Bonds is includable in gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Series 2013 Bonds.

6. Under existing law, interest on the Series 2013 Bonds is exempt from income taxation by the Commonwealth of Kentucky, and the Series 2013 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof.

This opinion is based upon laws, regulations, rulings and decisions in effect on the date hereof. In giving this opinion, we have relied upon covenants and certifications of facts, estimates and expectations made by the Issuer, the Borrowers and others which we have not independently verified and upon the opinion of John E. Pence, Esq., counsel to the Borrowers, as to the due authorization, execution and delivery by the Borrowers of the Loan Agreement, the Series 2013 Note, the Mortgage and the Assignment of Rents. It is to be understood that the enforceability of the Loan Agreement, the Series 2013 Note, the Mortgage, the Assignment of Rents and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications and representations of facts, estimates and expectations by the Issuer and the Borrowers contained in the Transcript, which we have not independently verified.

Very truly yours,



# ARK

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