

# Exhibit 15



**ARK**  
ENCOUNTER

# **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:

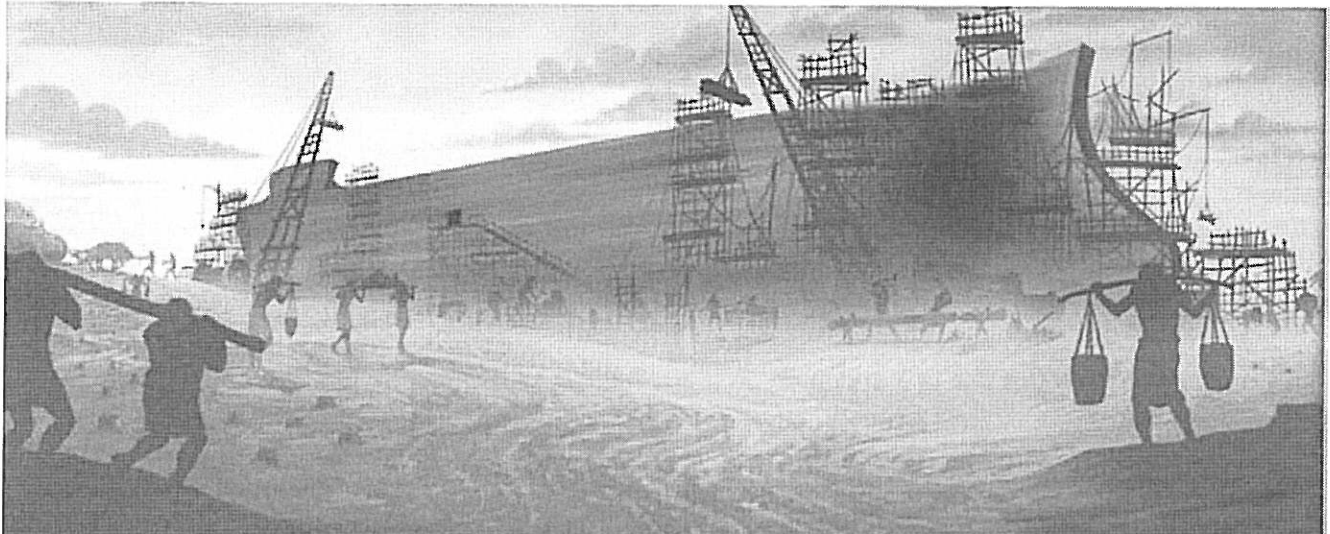
In accordance with our agreement on September 12, 2013, we have assembled a seamless, cohesive feasibility report from the ARG Feasibility Study, Nehemiah Group's financial projections and other documents provided to us. We acknowledge that this report is to be used in connection with the marketing and 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



**ARK**  
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# **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

Source: Nehemiah Group, Cary Summers



## **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.

Ark Encounter Other Income			
Other Income	% of Total	Price/Unit	Revenue
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>

*Source: Nehemiah Group, Cary Summers*

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