ERA

Economics Research Associates

Final Report

Randy Parton Theater Feasibility Study

Prepared for

City of Roanoke Rapids, North Carolina

Submitted by

Economics Research Associates

April 15th 2005

ERA Project No. 15970

ERA

Table of Contents

ERA

General Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible, and they are believed to be reliable. This study is based on estimates, assumptions and other information reviewed and evaluated by Economics Research Associates from its consultations with the client and the client's representatives and within its general knowledge of the industry. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives or any other data source used in preparing or presenting this study.

This report is based on information that was current as of 15 April 2005 or as noted in the report, and Economics Research Associates has not undertaken any update of its research effort since such date.

No warranty or representation is made by Economics Research Associates that any of the projected values or results contained in this study will actually be achieved.

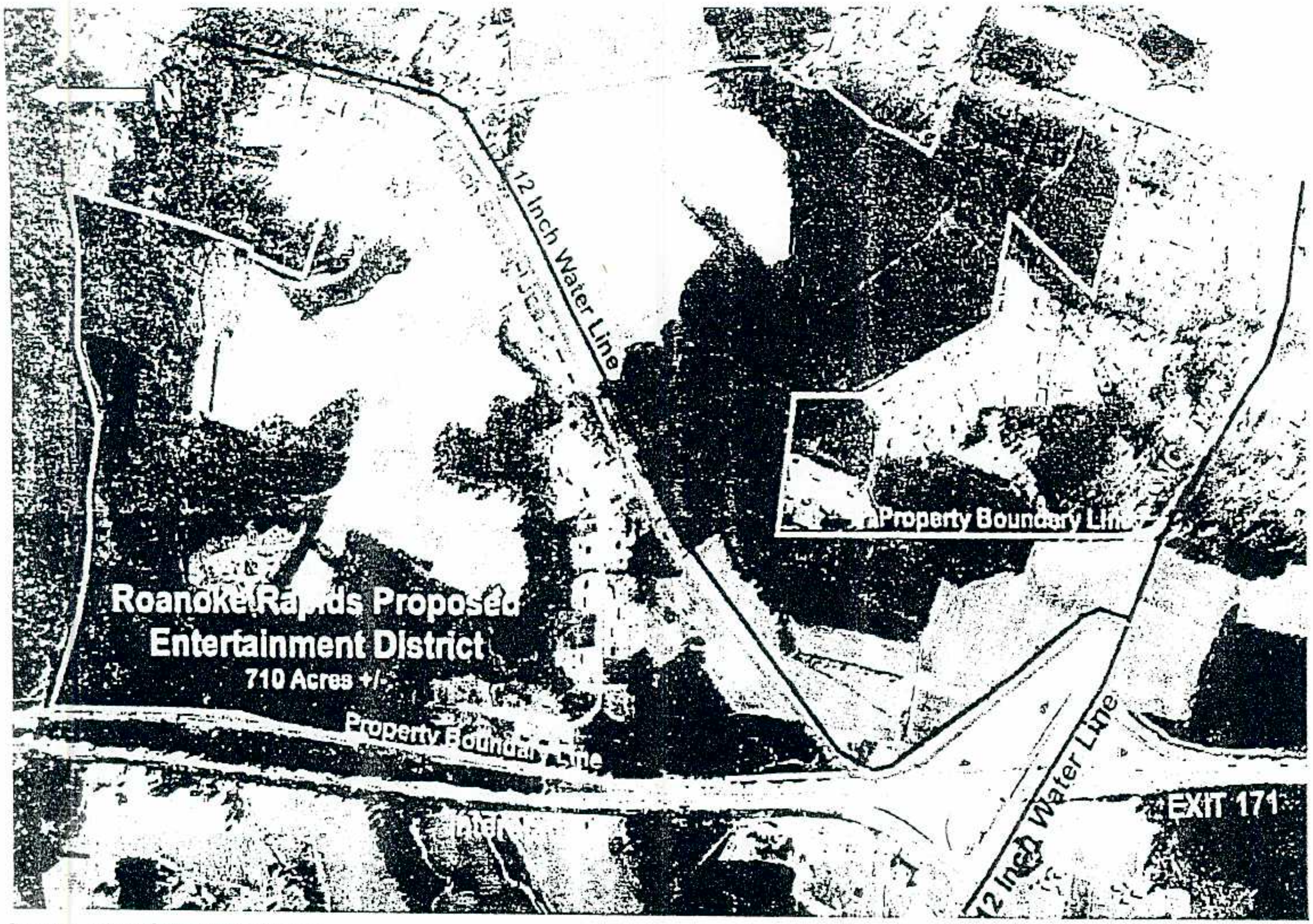
Possession of this study does not carry with it the right of publication thereof or to use the name of "Economics Research Associates" in any manner without first obtaining the prior written consent of Economics Research Associates. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of Economics Research Associates. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of Economics Research Associates. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from Economics Research Associates.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Acknowledgments

This material is based upon work supported in whole or part by the NC Rural Economic Development Center. Any opinions, findings, conclusions or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the views and policies of the NC Rural Economic Development Center.

Figure 1. Roanoke Rapids Entertainment District



Source: City of Roanoke Rapids

Section I. Introduction

Background and Purpose

The City of Roanoke Rapids, North Carolina, is planning to develop what will be known as "The Randy Parton Theater" (referred to in this text as the "Theater"), a 1,500 seat country music theater attraction designed to anchor a proposed mixed-use development project on approximately 710 acres along Interstate Highway 95 (I-95) in Roanoke Rapids, North Carolina. The Theater is envisioned as a signature attraction that will draw from existing resident and visitor markets, as well as inducing significant new markets associated with the I-95 travel corridor. The larger development of which the Theater will be a part, entitled the "Roanoke Rapids Entertainment District," is envisioned to include two hotels, approximately 83,000 square feet of food service space, close to 500,000 square feet of mixed retail, up to three additional theaters, and significant additional entertainment and/or cultural space. Additional information on the proposed Roanoke Rapids Entertainment District development program is provided in the Appendices Section.

ERA was retained to conduct a feasibility study of the Theater concept, to determine whether - given an aggressive marketing approach and a strong management team – the concept could reasonably be expected to succeed in the marketplace. It is important to note that this analysis is designed to evaluate the general market viability of the proposed concept, as opposed to the terms of a specific financial arrangement.

This report documents ERA's research and findings on the Theater concept and plans, available markets, comparable and competitive facilities, attendance potential, and a financial analysis of the proposed Theater.

Site Overview

The proposed Randy Parton Theater will be located in the City of Roanoke Rapids, in Halifax County, North Carolina. The proposed site fronts 1.6 miles of I-95 in Halifax County. Figure 1 presents an aerial map of the site. Roanoke Rapids is approximately 80 miles south of Richmond and 70 miles northeast of Raleigh.

The site is located on relatively flat terrain and highly visible and accessible from I-95 (both for north and south bound traffic). I-95 is a major U.S. artery which connects the heavily-populated northeast corridor with the southeastern states, all the way to Miami, Florida. Regional east-west access is also provided by US Highway 158.

Section II. Summary of Findings

ERA views the proposed Randy Parton Theater as a market-viable attraction concept, given that the following underlying assumptions are met:

- Key elements of the larger proposed development, including two hotels, at least 200,000 square feet of retail, and additional entertainment / amusement opportunities are operational by the time the Theater is opened
- The Theater is competently and proactively managed to maximize earnings and deliver a product that is in tune with the marketplace
- The show(s) associated with the Theater are of high quality, are regularly "refreshed" with new content, and are appropriately targeted to draw from resident and visitor market segments
- Pre- and post-opening marketing efforts are sufficiently funded, and are successfully targeted to generate a healthy mix of resident and visitor market attendance
- The Theater achieves an average, per-attendee ticket price of about $23, which reflects an adult ticket price of about $30 combined with effective discounting and ticket packaging policies designed to encourage repeat and family visitation
- The Theater is able to draw on a range of non-ticket revenues typically to similar venues, for example concessions and gift shop revenues
- The $3 million reserve fund described by the City of Roanoke Rapids is an available resource for covering an expected first-year operating deficit
- No major act of terrorism or war, or other major economic shocks, have significant negative impact on the domestic or local tourism economy during the forecast horizon

Section III. Available Markets

The potential success of an attraction is a function of the markets available to serve it, as well as the relative drawing power of the proposed development. The proposed Randy Parton Theater will draw from both residents of the region and visitors to the area. ERA reviewed the characteristics of each of these markets to evaluate the potential of the proposed Theater.

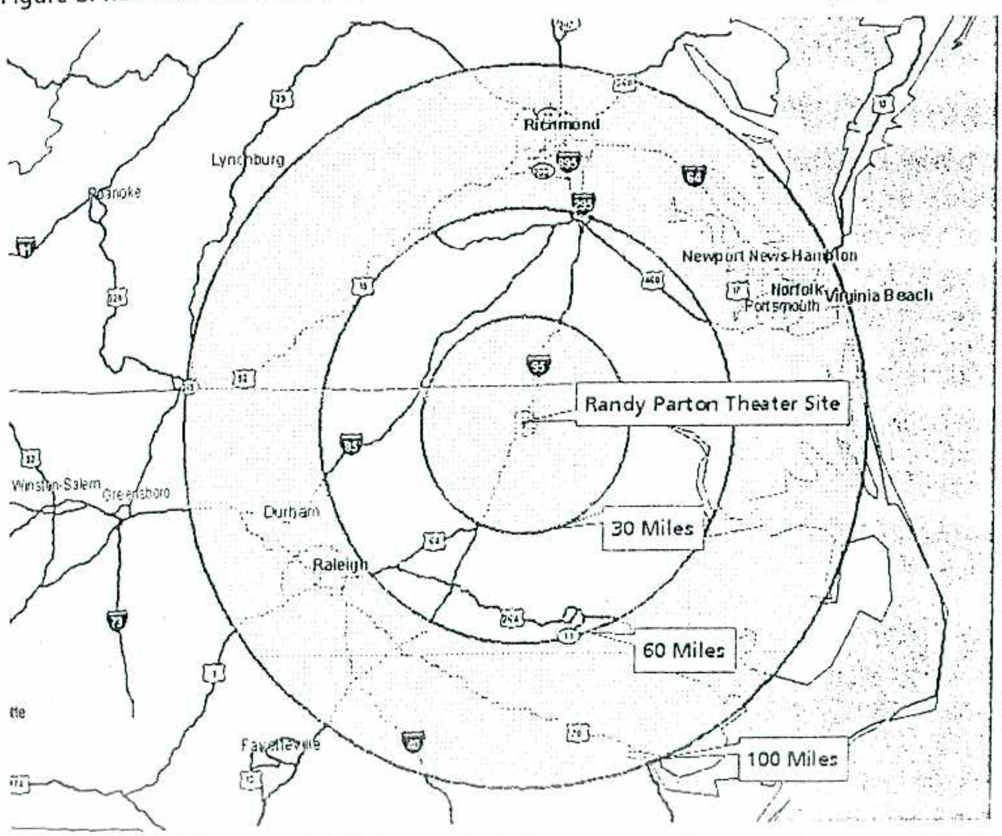
Resident Market

Definition

ERA defined the regional resident market as a 100-mile radius around the Theater site. The regional resident market is segmented into a primary market consisting of those residents living within 30 miles of the site, a secondary market within 30 to 60 miles, and a tertiary market from 60 to 100 miles of the site. Figure 2 presents a map of the resident markets.

The primary market contains or partially contains the counties of Halifax (NC), Northampton (NC), Warren (NC), Greenville (VA), and Brunswick (VA). The 100-mile market includes the cities of Richmond (VA) and Norfolk (VA) to the northeast and Raleigh (NC) and Durham(NC) to the southwest.

Figure 2. Resident Market Area



Source: ESRI Business Solutions, Economics Research Associates

Population

Population in the primary market as reported by ESRI Business Solutions totaled 157,220 in 2004 and is expected to increase to over 161,000 by 2009 (Figure 3). The secondary market contains approximately 793,000 residents; this population is expected to increase to over 848,000 by 2009. The tertiary regional market contains a population of approximately 4.7 million, and is expected to reach over 5.0 million in the next five years.

Compared to the marginal overall growth rate of 1.9 percent expected for the State of North Carolina, the primary and secondary market populations are expected to grow more slowly (0.5 percent in the primary trade area and 1.4 percent in the secondary trade area). For reference, the US population is expected to grow by 1.2 percent per year over the same period.

ERA

Figure 3. Resident Market Demographic Profile – Randy Parton Theater

	0-30 Miles	30-60 Miles	60-100 Miles	North Carolina	USA
Population					
2004	157,220	793,183	4,653,947	8,592,282	293,598,328
2009	161,056	848,667	5,041,903	9,456,817	312,148,834
CAGR 2004 - 2009	0.5%	1.4%	1.6%	1.9%	1.2%
Households					
2004	60,041	306,970	1,796,252	3,389,076	110,803,341
2009	62,753	333,307	1,971,402	3,778,603	118,510,227
CAGR 2004 - 2009	0.9%	1.7%		2.2%	1.4%
Families					
2004	41,338	209,492	1,203,659	2,300,582	74,771,724
2009	42,817	225,388	1,307,860	2,541,361	79,580,737
CAGR 2004 - 2009	0.7%	1.5%	1.7%	2.0%	1.3%
Average Household Size					
2004	2.29	2.36	2.46	2.42	2.56
2009	2.24	2.32	2.43	2.40	2.55
Population by Age (2004)					
0 to 14 Years	29,497	158,182	949,896	1,724,131	61,022,627
15 to 24 Years	20,467	113,689	695,959	1,185,476	42,081,977
25 to 34 Years	19,597	104,935	662,011	1,227,501	39,459,510
35 to 44 Years	23,469	118,642	744,418	1,334,489	44,436,278
45 to 54 Years	23,023	114,655	661,561	1,205,461	41,246,117
55 to 64 Years	17,730	81,114	436,733	870,684	28,652,331
65 to 74 Years	12,472	54,723	268,601	567,021	18,856,309
75 and Over	10,967	47,245	234,770	477,517	17,843,178
Median Age					
2004	36.5	35.2	35.7	35.5	35.8
2009	37.9	36.4	36.7	36.9	36.8
Race (2004)					
White	66,841	435,247	2,972,847	6,113,175	216,263,510
Black	83,965	326,052	1,343,710	1,851,497	36,624,986
Am. Indian, Eskimo, Aleut	3,175	2,475	18,465	106,698	2,631,861
Asian or Pacific Islander	796	5,125	128,140	151,127	12,289,833
Other	2,443	24,285	190,786	369,785	25,788,138
Hispanic Origin	2,424	30,680	218,641	503,553	41,460,110
	159,644	823,864	4,872,589	9,095,835	335,058,438
Income					
Median Household Income					
2004	$31,219	$37,611	$52,812	$43,006	$48,262
2009	$35,791	$43,688	$63,258	$49,802	$57,060
Average Household Income					
2004	$40,981	$48,820	$66,420	$58,180	$67,076
2009	$48,884	$58,874	$83,883	$80,914	$96,318
Median Family Income					
2004	$37,745	$44,701	$60,457	$50,900	$56,972
2009	$43,532	$52,378	$72,931	$59,078	$67,301
Average Family Income					
2004	$47,339	$55,684	$74,427	$66,652	$77,086
2009	$56,014	$67,266	$94,487	$69,485	$83,995
Per Capita Income					
2004	$16,417	$19,365	$26,173	$23,314	$25,675
2009	$56,014	$67,266	$94,487	$28,132	$32,264
Discretionary Income					
Household Income (2004)					
< $15,000	24.3%	19.7%	12.2%	15.8%	13.5%
$15,000 to $24,999	14.6%	13.2%	10.2%	12.7%	11.2%
$25,000 to $ 34,999	13.5%	12.7%	11.4%	13.3%	11.3%
$35,000 to $49,999	17.0%	16.6%	16.2%	12.4%	15.7%
$50,000 to $74,999	16.4%	18.3%	20.2%	20.7%	19.3%
$75,000 to $99,999	7.2%	9.5%	12.4%	11.2%	11.5%
$100,000 +	7.0%	9.9%	17.2%	13.9%	17.4%

Source: ESRI Business Solutions, Economics Research Associates

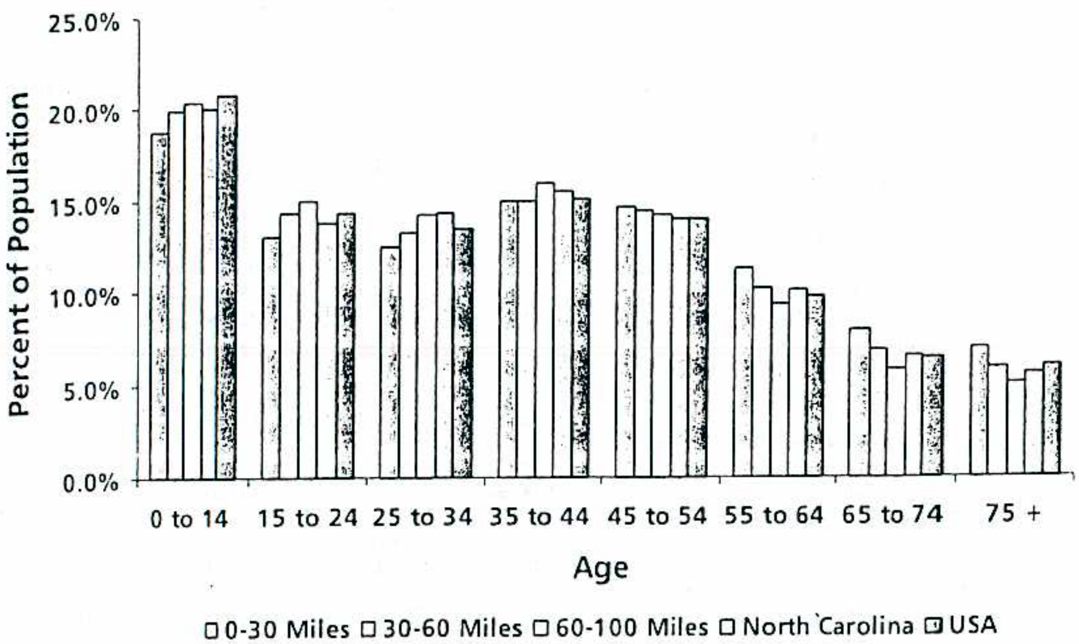
Households

The primary market contains approximately 60,000 households, the secondary market contains 307,000 households, and the tertiary market contains 1,796,000 households. Average household size in the market areas range from 2.3 to 2.5, slightly smaller than the US average household size of 2.6 persons per household.

Age

Median age of the market areas (ranging from 35.2 to 36.5) is relatively comparable to the US population's median age of 35.8. Figure 4 presents the age distribution of the market area population. The age distribution of the primary market population differs from the secondary and tertiary markets in that it has fewer people aged below 44 years, and a higher proportion of residents aged over 45 year. The secondary and tertiary markets are more consistent with state trends.

Figure 4. Age Distribution



Source: ESRI Business Solutions, Economics Research Associates

Ethnicity

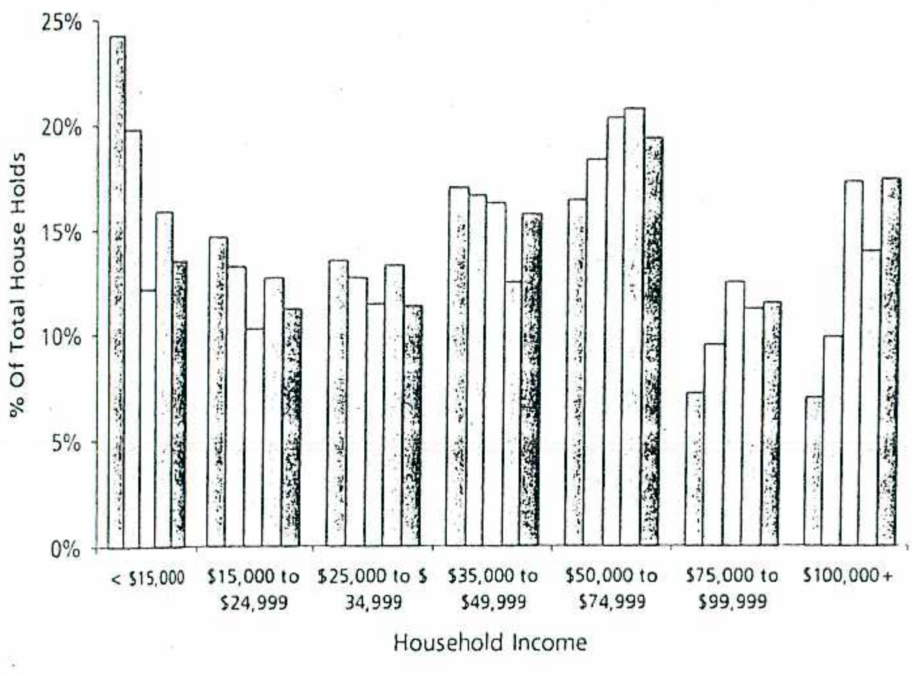
According to ESRI Business Solutions, the largest ethnic group in the primary trade area (representing 53 percent of total primary trade area population) consists of people who were classified as "Black or African American." This is in contrast with the secondary and tertiary trade areas, where the largest ethnic group in 2004 consisted of people classified as

"White." Of the market areas, the tertiary market most closely resembles the statewide ethnicity proportions for North Carolina[1]

Income

Market area income characteristics for the market area are significantly lower than US averages, and lower in the primary and secondary trade areas than the state as a whole. Median household income levels are as follows: $31,219 in the primary market, $37,611 in the secondary market, and over $52,000 in the tertiary market. The median household income in the State of North Carolina is over $43,000, and the US median is $48,000. Median, average, and per capita income levels in the primary market are approximately 65 percent of US levels. Figure 5 presents the household income distribution of the markets.

Figure 5. Household Income Distribution



Source: ESRI Business Solutions, Economics Research Associates

Demographic Summary

The resident market demographic profile presents challenges for an attraction due mainly to relatively low income levels of proximate markets and distance to dense population centers. Accordingly, it will be important to develop a facility with significant drawing power to pull from resident markets beyond a half- to one-hour drive time.

[1] North Carolina ethnicity ratios for 2004 are estimated at about 67 percent "White," 20 percent "Black or African American," and 13 percent from other ethnic groups.

Visitor Market

In addition to trade area residents, the proposed Theater is expected to draw from daytrip and overnight visitors to the region. The overnight visitor market consists of visitors to the region staying in hotels, seasonal homes, or with friends or family. The daytrip visitor market is dominated by I-95 traffic. This section presents summary characteristics related to the size of the visitor market in the study region (within 60 miles of the site).

Hotel Guests

To understand the volume of overnight visitors to the region staying in hotels, ERA considered both existing and proposed hotels in the area. According to Smith Travel Research, there are approximately 1,000 hotel rooms in 14 hotels within 10 miles of the site. In addition to the existing lodging establishments, two new hotels are proposed as part of the development program at the site, each with 200 rooms.

Figure 6. Existing Lodging Inventory

Hotel Name	Rooms	Scale
Hampton Inn	124	Mid w/o F&B
Sleep Inn	117	Mid w/o F&B
Holiday Inn Express	95	Mid w/o F&B
Best Western	100	Mid w/ F&B
Orchard Inn	50	Indep Middle
Interstate Inn	116	Indep Lower
Brookwood Hotel	25	Indep Lower
New Yorker Motel	32	Indep Lower
Carolina Inn	45	Indep Lower
Fairfax Motel	25	Indep Lower
Jameson Inn	40	Economy
Days Inn	101	Economy
Motel 6	98	Economy
Pecan Grove	17	Economy
Total	**985**	

Source: Smith Travel Research, Economics Research Associates

The following table shows selected RV and campground facilities for overnight visitors, which are generally seasonal and do most of their business in the warmer months.

Figure 7. Selected RV/Campground Sites

Name	RV Sites	Camp Sites
KOA Campround	77	60
Interstate Inn	28	
Ponderosa		20

Source: Halifax County Tourism Development Authority, Economics Research Associates

Based on discussions with the various local hotel operators and information obtained from Smith Travel Research, ERA estimated annual occupancy levels for each of the area's hotels. Occupancy levels ranged from approximately 50 percent in older hotels, not located near an I-95 exit, to approximately 75 percent for newer hotels, easily accessed from the highway. The number of overnight hotel guests was calculated on the assumption that there would be on average 2.1 guests per room per night and that the average length of stay would be 1.2 nights (based on state-level averages).

Based on these assumptions, ERA estimates that on an annual basis, over 400,000 hotel guests stay in existing hotels within 10 miles of the site. Also, there are to be two new hotels constructed at the subject site (each with 200 rooms), accounting for a total of over 178,000 additional overnight visitors annually. Because these hotels are to be located within a flagship new development project, including not just the Theater but also additional retail and entertainment opportunities, ERA assumes that hotel guests to the property are net new to the region. Also, ERA notes that on-site hotel visitors are expected to be the most qualified and motivated pool of Theater attendees, because they will have (by definition) selected the property as an overnight destination.

Figure 8. Hotel Visitor Volume

Existing Hotel Visitation

	Annual Rooms Nights	Persons Per Room	Visitor Nights	Average Length of Stay	Total Unique Visitors
Hotel					
I-95 Exits / New	102,930	2.1	216,153	1.2	180,128
I-95 Exits / Older	108,186	2.1	227,191	1.2	189,326
Not at I-95 Exits	25,404	2.1	53,348	1.2	44,457
Total Hotel Guests	236,520		496,692		413,910

Induced Hotel Visitation

	Annual Rooms Nights	Persons Per Room	Visitor Nights	Average Length of Stay	Total Unique Visitors
Phase I					
Hotel A	51,100	2.1	107,310	1.2	89,425
Hotel B	51,100	2.1	107,310	1.2	89,425
Keys / Each	*200*				
Assumed Occupancy	*70%*				
Total Hotel Guests	102,200		214,620		178,850

Source: Smith Travel Research, Economics Research Associates

ERA

Seasonal Visitors

Halifax County and the Counties within 60 miles of the site offer a wide variety of outdoor recreation opportunities, including boating, fishing, hiking, cycling and the like. The area is a popular holiday destination and many non-residents own seasonal homes in the area. According to the US Census, in 2000 there were approximately 7,800 homes used for seasonal or recreational purposes within the Counties located or partially located within 60 miles of the site.

Discussions with local real estate brokers indicate that while the peak season for the use of second homes is between Memorial Day and Labor Day, second homes are by no means left completely vacant over the remainder of the year. Fisherman often rent properties in the fall, and second-home owners often use properties for leisure, maintenance, etc. during weekends throughout the year.

Based on average household size estimates and assumptions[2] regarding occupancy during peak and off peak times of the year, ERA estimates that there are close to 6,700 seasonal residents in the area on an average day. This market is viewed as especially promising, because every day a seasonal resident is in the region (typically for leisure-oriented purposes) represents an opportunity to attract that resident to a show at the Theater. This pool of seasonal residents therefore represents an average of 2.47 million "person-days in the region," or "visitor days," each year. ERA notes that there is a degree of overlap between seasonal and permanent resident market segments, because some second-home owners are also full-time residents of the region. ERA accounted for this overlap through adjustments to the assumed penetration of these market segments.

Figure 9. Seasonal Resident Markets

Second-Resident Visitation	
Inventory Within 30 Miles	2,003
Inventory Within 30 - 60 Miles	5,763
Total Seasonal Homes 0 - 60 Miles	7,766
Average Household Size	2.5
Occupancy	**Rate**
Peak Season (100 days)	90.0%
Mid Season (60 days)	28.0%
Low Season (205 days)	10.0%
Avg. Annual Occupancy	34.9%
Avg. Seasonal Residents Per Day	6,771
Annual Seasonal Resident Visitor Days	**2,471,530**

Source: US Census Bureau, Economics Research Associates

[2] Developed based on conversations with local real estate brokers.

People Visiting Friends and/or Relatives (VFR)

Many visitors to the region (within 60 miles of the site) come to stay with family and friends. To quantify the size of the VFR market, ERA used information from the 1995 American Travel Survey[3] and US Census Bureau. According to this source, approximately 1.48 VFR trips are generated for every person in the resident population. Using this ratio of VFR visitors to residents, applied to the population within 60 miles of the site, ERA estimates that over 1.4 million VFR person trips to the region occur annually.

Figure 10. VFR Market

VFR Visitation		
North Carolina Population 1995	7,304,517	
VFR Person Trips to North Carolina from 100 Miles or More (One-Way), 1995	10,781,000	
VFR Person Trips per Capita	1.48	
Markets	**Resident**	**VFR Person Trips**
Within 60 Miles of The Randy Parton Theatre	950,403	1,402,734

Source: US Census Bureau, American Travel Survey 1995, Economics Research Associates

Interstate Corridor ("Stop-off") Visitors

I-95 serves as the major north-south transportation corridor in the region. The North Carolina Department of Transportation (NC DOT) operates a traffic counting station a short distance north of the Theater site, and it is estimated that some 39,000 vehicles a day travel either up or down I-95 on a daily basis. Based on an average trip party size of 2.1, ERA estimates that on an annual basis there are approximately 14.9 million one-way pass-through visitors.

To understand the portion of this visitor flow that could reasonably be expected to stop at the Entertainment District in which the Theater will be located, ERA considered existing stop-off patterns (visitors stopping off to use amenities etc). Based on data provided by the North Carolina Welcome Center, ERA estimates that, on average, between 2002 and 2003 approximately 6.6 percent of unique visitors on I-95 stopped at this location (to use bathrooms, make use of orientation / vending amenities, etc). ERA assumed that given the high level of amenities proposed at the subject site, at least a similar number of people could be expected to stop at the development property which houses the Theater. ERA estimates this number at about 990,000 annually. It is important to note that this figure represents visitor volume to the Entertainment District property, not the Theater. Of this pool of visitors, only a relatively small share are likely to arrive at the property at a time when they could conveniently attend a show AND be willing to engage in an unplanned time commitment that would keep them off the road for two hours or possibly longer.

[3] The most recent year for which this type of information is currently available.

Figure 11. Estimated Stop-Off Visitation [1]

Stop-off Visitation	
Avg. Daily Traffic Count (two-way)	39,000
Avg. Daily Traffic Count (one-way)	19,500
Avg. Annual Traffic	7,117,500
Avg. Party Size	2.1
Avg. Annual Pass-Through Visitors	14,946,750
NC Welcome Center Avg. Annual Visitation	
Two-Way[2]	1,985,905
One-Way	992,952
NC Welcome Center Stop-off Rate	6.6%
Stop-off Draw Relative to North Carolina Welcome Center	100.0%
Estimated Stop-offs at Project Site	992,952

Notes:

1. Represents stop-off visitation at the project site, as opposed to theater attend
2. 2002 - 2003 average

Source: Halifax County Visitor Center, Economics Research Associates

Section IV. Comparable and Competitive Facilities

ERA reviewed local area attractions (within a 60 mile radius of the site), and comparable country music and other live performance theaters across the country to aid in evaluating the market potential of the proposed Theater as discussed below.

Selected Existing Local Area Attractions

While there are a number of cultural points of interest and attractions surrounding the site, these are generally small theaters showing musicals and plays etc, seasonal festivals (such as the three day Haliwa-Saponi Indian Powwow) or natural physical features attractions (e.g. Lake Gaston). A list of area attractions is shown in Figure 12 below.

Figure 12. Selected Local Area Attractions

Name	County	State
Venues		
Lakeland Cultural Arts Center	Halifax	NC
East Carolina University School of Music	Pitt	NC
The Center at Halifax Community College	Halifax	NC
Dunn Center for Performing Arts	Nash	NC
Edna Brooklyn Cultural Center	Wilson	NC
Flat Rock Playhouse	Flat Rock	NC
Seasonal Events		
Brunswick Auto Auction Barn	Brunswick	VA
Lake Country Music Fest	Mecklenburg	VA
4 June Blue Grass Festival	Wilson	NC
Butterwood Blue Grass Festival	Halifax	NC
Concert in Park	Halifax	NC
Harvest Days Festival	Halifax	NC
First for Freedom	Hailfax	NC
Lake Gaston Festival	Halifax	NC
Haliwa-Saponi Indian Powwow	Halifax	NC
Area Attractions		
Lake Gaston (and other near by lakes)	Halifax	NC
Roanoke Canal Trail and Museum	Halifax	NC
Historic Halifax	Halifax	NC
Medoc Mountain State Park	Halifax	NC

Source: Economic Research Associates

ERA is not aware of a year-round country music related attraction, comparable to the proposed Theater, in the Roanoke Rapids area. The Randy Parton Theater will be unique in the area, and is likely to face little pre-existing, direct competition.

Comparable Venues

ERA conducted a survey of country music and other performing art venues around the country, to help evaluate potential performance of the proposed Theater. Comparable venues tended to be concentrated in visitor destinations such as Pigeon Forge, Tennessee and Branson, Missouri, as well as various locations around the southern U.S. The following paragraphs present a brief description of each highlighted venue. Pricing for ticketed performing art or concert venues in the region range from free for children to $54 for adults.

Attendance and other proprietary information were given to ERA by comparables on the basis that they would used to assist the analysis but not publicly disclosed.

The Louise Mandrell Theater

Opened in 1997 in Pigeon Forge, Tennessee, the Louise Mandrell Theater is a 1,400-seat performing arts facility offering visitors a diverse set of country music-oriented attractions and programming. The theater is open from Aril through December and regularly hosts concert performances by Louise Mandrell, "The Triumphant Quartet," and several other acts. In addition, church services are held at the facility each Sunday. In 2004, 275 performances took place at the theater.

The theater's attendee base mostly consists of tourists and visitors—a condition largely due to its proximity to several notable regional entertainment attractions (e.g. Dollywood), natural landmarks (e.g. Smoky Mountains), wildlife reserves and archaeological sites. An estimated 12 million visitors come to the Pigeon Forge region annually.

Ticket prices at the venue range from $15 to $27.

The Smith Family Theater

Opened in 2004 in Pigeon Forge, Tennessee, the Smith Family Theater is a 600-seat venue that hosts a variety of shows throughout the year, ranging from country and bluegrass musical performances to comedy shows. Like the Louise Mandrell and Country Tonite theaters, the Smith Family Theater is located near the Dollywood complex and thus has access to the large visitor population that comes to the region. A large volume of family-oriented program has helped position the Smith Family Theater as an attractive regional entertainment destination for parents and kids. According to facility managers, although much of the visitor traffic at the theater is a result of general visitation to Pigeon Forge, local residents do patronize the facility regularly.

Ticket prices at the venue range from $22 to $24.

Country Tonite Theater

Opened in 2004 in Pigeon Forge, Tennessee, the Country Tonite Theater is a 1,500-seat theater offering a variety of both in-house and visiting country music-oriented performances. Unlike some of the other theaters located in Pigeon Forge, the Country Tonight Theater only operates between March and December, largely due to seasonal depressions in attendance levels during the first quarter of the calendar year. According to facility managers, although local residents are granted free admission to concerts at the theater, those residents that do take advantage of the discount program tend to be people employed in the regional hospitality and entertainment industry and thus represent a relatively small portion of the overall attendee base. For 2005, approximately 328 performances have been scheduled.

Ticket prices at the venue range from free for kids to $23 for adults.

Asheville Community Theater

Located along US Route 25 in North Carolina, the Asheville community theater is a 500-seat performing and visual arts facility that offers a diverse programming mix ranging from vaudeville performances to classic play productions such as "The Glass Menagerie." In addition to offering more mainstream options, the theater's programming schedule also features an array of specialty performances, such as an annual production of Casablanca on Valentine's Day and several multimedia exhibits exploring international themes. The theater also offers several other amenities, including dance, acting and production classes. Opened in 1946, the facility operates year-round and typically hosts two shows per month.

Ticket prices at the venue range from $20 to $40.

Birthplace of Country Music

Located along the Gate City Highway in Bristol, Virginia, the Birthplace of Country Music is a 300-seat performing arts venue that leverages the Country/Blue Grass heritage of the surrounding region. Opened in 1994, the facility regularly hosts country and blue grass performances. In 2004, a total of 60 shows took place at the venue, many of which were simulcast on local radio stations.

In terms of market draw, out-of-town visitors to any of the numerous country music venues along the "crooked road" music trail represent a substantial share of the facility's non-resident attendee base. NASCAR events at the Bristol Motor speedway, which attracted 2.1 million visitors in 2004, also draw a substantial visitor population to the region. In addition to achieving strong attendance volume from out-of-towners, the facility also enjoys a substantial local draw as well.

Ticket prices at the venue range from $6 to $12.

Renfro Valley

Located off of Interstate-75 in Kentucky, Renfro Valley is a full-service country music entertainment destination, complete with access to on-site lodging, RV parking, restaurants, sound studios and live stage performances that are simulcast on local radio stations. The 580-seat "Old Barn" and 1,554-seat "New Barn" are the primary performance spaces. Opened in 1940, Renfro Valley offers attendees a combination of regular in-house programming as well as weekly one-time headliner performances. In a typical year, there are 33 performances held at the venue as well as 6 festivals, two of which run for a month.

Ticket prices at the venue range from $5 to $19.

14 Karat Country

Located off of State Highway 165 in Branson, Missouri, the 600-seat Wildwood Flower Showroom (which changed its name from the "Ain't Misbehavin' Theater" in 2000) is the current home of "14 Karat County", a live medley show featuring renditions of classic country music hits. In 2004, the annual program featured 195 shows, with each show typically taking place on a weekday afternoon. Due to its location in Branson, which boasts a diverse and nationally known set of country music and non-country-music entertainment options drawing close to 7.2 million visitors annually, the show attracts a large visitor population. Although local residents do attend the show, they do not attend with nearly the same frequency or for the same duration as does the visitor population. In 2004, the facility was open from April 11th to December 9th and hosted 195 performances during that time period.

Ticket prices at the venue range from free for kids to $23.

Mountain Arts Center

Located along the famous US Route 23 ("The Country Highway") in Prestonsburg, Kentucky, the Mountain Arts Center is a 1,050-seat, publicly owned performing arts venue. Opened in 1996 as the year-round home of the Kentucky Opry, the 43,000 square-foot facility is outfitted with state-of-the art digital sound, videoconferencing capabilities and a recording studio. In addition to the Kentucky Opry, which draws most of its attendees from the visitor population, there are several one-time shows offered regularly throughout the year that both residents and visitors attend. Much like many of the other locations along the "Country Music Highway," the center draws a substantial share of its attendees from the large pool of tourists to the region. Between September 2004 and August 2005 (the typical boundaries of the theater's operating calendar), a total of 48 performances have taken or are scheduled to take place.

Ticket prices at the venue range from $15 to $45.

Capitol Music Hall

Located in Wheeling, West Virginia, the Capitol Music Hall is 2,500-seat facility owned and operated by Clearchannel Communications. Since 1933, the theater has been the primary home of the weekly "Jamboree USA" country music show. the second-oldest live radio show in the country behind the "Grand Ole Opry." "Jamboree USA" is also affiliated with "Jamboree in the Hills," a four-day outdoor country music festival held annually since 1977 in Belmont County, Ohio (the average annual attendance at the "Jamboree in the Hills" is around 100,000). Both of these events are co-marketed across both venues.

Besides the "Jamboree USA," which is performed and simulcast on radio each Saturday night, the Capitol Music Hall is also the home of the Wheeling Symphony. The theater also plays host to a variety of musical, dance and theater productions, including; national touring Broadway shows such as "Phantom of the Opera," "Jesus Christ Superstar," and "Cats". Built in 1928, the Capitol Theater is the oldest theater in West Virginia, and has very distinct architectural features as well as a rich history. The theater recently underwent a $100,000 renovation that added two 10-foot projection screens, as well as improved sound and lighting. For 2005, apart from the Jamboree USA, there are 13 shows occupying 17 event days currently scheduled.

Ticket prices at the venue range from $12 to $33.

Tennessee Theater

Located in Knoxville, Tennessee, the Tennessee Theater is a 1,629-seat performing arts theater owned since 1996 by the Historic Tennessee Theater Foundation (HTTF), which designated AC Entertainment, a concert promotions agency, to operate the facility. Although the actual building had been a cinema since the 1920's, the theater was not configured for general performance art uses until 1982. Since that time, the theater has closed and subsequently reopened on several occasions, often due to a lack of capital funding necessary to restore and preserve the historic structure. Since taking over in 1996, the HTTF has pursued an aggressive capital campaign to restore the facility and has received substantial financial support from both the City of Knoxville and the State of Tennessee.

Catering primarily to a more affluent market, the theater offers a diverse, year-round range of programs that explores various musical and artistic genres outside of country music, ranging from organic rock to classical jazz and symphony standards. In 2004, 200 performances took place at the theater. In 2005, the list of scheduled performances includes Alison Krauss, Dave Brubeck, Wyntan Marsalis, the Preservation Hall Jazz Band and many other renown groups and individuals.

Ticket prices at the venue range from free for kids to $20.

Barter Theater

Located in Abingdon, Virginia near the Tennessee-Virginia border, the Barter Theater is 507-seat performing arts venue. Located directly across the street is the historic Barter Stage II, a 141-seat theater formerly used, at various points, as a storage facility, gym, and church. Since both buildings are operated together under the Barter Theater name, event bookings and listings are advertised and managed jointly. Each facility has a rich and distinct history dating back to the 1800's, although the two were not affiliated with one another until the owner of the Barter Theater first reconfigured Stage II for theater use in 1961. Both facilities underwent major renovations in 1985.

Like the Tennessee Theater, Barter Theater features programming primarily targeted towards a more affluent and educated clientele, with productions ranging from classical (e.g. William Shakespeare's "As You Like It") to contemporary play productions (e.g. the Appalachian Festival of Plays and Playwrights). Touring groups typically perform three days a week, twice a day and are in residence at the theater anywhere from a week to five months, depending on the production. Between April 2004 and December 2005, the peak season, there were 559 performances scheduled, an average of 60 per month.

Ticket prices at the venue range from $21 to $42.

Celebrity Theater

Located in Phoenix, Arizona, the Celebrity Theater is a 2,651-seat theater located in close proximity to downtown Phoenix, Tempe, and the Sky Harbor airport. Originally designed as a multi-purpose conference center in 1963, the facility now hosts a variety of speakers, concerts and exhibits for a multitude of different musical and artistic genres. The theater does not feature any in-house or resident artists/groups. In 2004, there were 120 live performances held at the facility, most of which were one-time performances by national headliners.

Ticket prices at the venue range from $14 to $54.

Loretta Lynn's Ranch

Located in Hurricane Mills, Tennessee, Loretta Lynn's Ranch is a 3,000-acre ranch located in the hills of middle Tennessee. Owned by Loretta Lynn, the ranch offers visitors access to on-site lodging and RV parking as well as several outdoor-oriented amenities, such as camping space, horseback riding, and canoeing. Opened from April 1st to October 30th, the ranch features several key attractions, such as the 18,000 square foot Coal Miner's Daughter theater (opened in 2002), a simulated coal mine, a recording studio and a concert pavilion. In 2005, 22 events occupying 49 event days are currently scheduled. Of these events, three are Loretta Lynn concerts (held typically in May, June and October). four are concerts featuring regional and national acts, and the remainder consists of outdoor fairs and talent searches.

Concert ticket prices at the venue range from $27.50 to $37.50.

Wohlfahrt Haus Dinner Theater

Located in Appalachian Mountains of Wytheville Virginia, the Wohlfahrt Haus Dinner Theater is a state-of-art German-themed dinner theater accessible via Interstates 81 and 77. Performances featured at this 200-seat facility include various plays. as well as classic and contemporary musical performances from country, rock and roll, and other genres. Opened year-round, the theater hosts four weekly shows plus a special group performance, all of which typically occur in the second half of the week. Additional amenities at the theater include the Matterhorn Restaurant and the outdoor "Bier Garten."

Ticket prices at the venue range from $22 for children under 12 to $38 for general admission.

Alabama Theater

Sited in North Myrtle Beach, the 2,000 seat Alabama Theater is home to "One The Show", featuring Country, Broadway, bluegrass, and gospel. In addition to the regular show, the Alabama Theater hosts numerous celebrity concerts (28 programmed for 2005), headlining talent such as Billy Ray Cyrus, Loretta Lynn, and Kenny Rogers. With over 330 shows a year the Alabama Theater is open all year round, tickets range in price from $15.80 for children and between $30 – $35 for adults (depending on proximity to the stage).

Figure 13: Summary of Selected Comparable Venues

Venue	Location	Year Opened	Capacity	Number of Shows	Major Shows
Louise Mandrell Theatre	Tennessee	1997	1,400	275 performances	Louise Mandrell and sub-acts including "The Triumphant Quartet"; Sunday church service
Asheville Community Theatre	North Carolina	1946	200	2 shows / month	Art house theatre featuring specialty cinema + mainstream theatre
Birth Place of Country Music	Tennessee	1994	300	60 performances	Country, bluegrass
Renfro Valley	Kentucky	1940	Old Barn 580 seats, New Barn 1,554	93 performances, additional headliner performances (weekly). 6 events/festivals annually (two festivals run for a month)	Regular shows and festivals + headliner performances
Loretta Lynn's Ranch	Tennessee	2002	NA*	For 2005, 22 events occupying 49 event days are scheduled;	Loretta Lynn concerts; concerts by other national /regional acts (e.g. Exile, George Jones, Ricochet, T. Graham Brown); talent searches and equestrian events
The Smith Family Theatre	Tennessee	2004	600	362 performances	Smith Family, sub-acts include lots of guest performers
Country Tonite Theatre	Tennessee	1997	1,500	328 performances	Special concerts, magic shows, guest performers
14 Karat Country	Missouri	2000	600	195 performances, over 275 days	25 Artists, 60 songs
Mountain Arts Center	Kentucky	1996	1,050	Between Sept '04 & August '05, 48 event days	Kentucky Opry; "best family entertainment north of Nashville"
Capitol Music Hall	West Virginia	NA*	2,500	April '05-Dec '05:18 event days, median of 2.5 event days per month, avg of 2.25 days	Jamboree USA, the Wheeling Symphony; Broadway shows (e.g. "Phantom of the Opera", "Cats")
Barter Theatre / Barter Stage II	Virginia	1933	648	April '05-Dec '05: 559 performances, average of 60 event days/month	Classical and contemporary theater performances ("As You Like It," "A Higher Place," "Gigi")
The Tennessee Theatre	Tennessee	1982	1,629	200 performances	2005: Alison Krauss, Dave Brubeck, Wynton Marsalis, Preservation Hall Jazz Band, and other nationally known acts
Celebrity Theatre	Arizona	1963	2,651	120 event days	One-time touring shows and concerts
Alabama Theater	North Carolina	1993	2,000	336 performances in 2004	"One - The Show" Country music, bluegrass, gospel, Broadway Musical style, variety of acts, new songs programmed into the show each year
Wohlfahrt Haus Dinner Theater	Virginia	NA*	200	4 shows per week plus group performances	Country Music featuring Patsy Cline, 50's Rock & Roll, Broadway musicals ("South Pacific," "Crazy for You," "Damn Yankees"), and a Wohlfahrt Haus Christmas celebration

Notes:
* "NA" indicates that data was not available

Source: Facility websites and Sales/Marketing Directors

ERA

Market Penetration

Market penetration measures the propensity of available market segments to visit an attraction and is generally defined as the ratio of attendees from a market to total market size.

Resident market penetration rates among the comparables ranged from 0.5 percent to about 10 percent. The variance within this range is largely due to the fact that different venues in the competitive set target resident markets to varying degrees. For example, venues in locations with especially large visitor markets (e.g. Pigeon Forge and Branson) tended to focus almost exclusively on this dominant, visitor market segment. In contrast, venues outside of well-known destination areas tended to focus more heavily on resident markets.

Visitor market penetration rates for most venues ranged from approximately 1 percent to 8 percent. The variance within this range is largely due to the same dynamic described in the previous paragraph.

Section V. Attendance Analysis

Underlying Assumptions

Estimates of attendance for the proposed Theater are based upon the known markets and the estimated potential of the proposed Theater to capture the markets with respect to the factors discussed above. Key assumptions underlying this attendance analysis include:

- Key elements of the larger proposed development, including two hotels, at least 200,000 square feet of retail, and additional entertainment / amusement opportunities are operational by the time the Theater is opened
- The Theater is competently and proactively managed to maximize earnings and deliver a product that is in tune with the marketplace
- The show(s) associated with the Theater are of high quality, are regularly "refreshed" with new content, and are appropriately targeted to draw from resident and visitor market segments
- Pre- and post-opening marketing efforts are sufficiently funded, and are successfully targeted to generate a healthy mix of resident and visitor market attendance
- The Theater achieves an average, per-attendee ticket price of about $23, which reflects an adult ticket price of about $30 combined with effective discounting and ticket packaging policies designed to encourage repeat and family visitation
- No major act of terrorism or war, or other major economic shocks, have significant negative impact on the domestic or local tourism economy during the forecast horizon

Further discussion of underlying assumptions is provided in the following paragraphs.

Concept and Programming

The Theater is assumed to be physically and thematically tied in well to the larger development program, including the two hotels, retail space and other complimentary entertainment venues. It is assumed that performances will be compelling and that the shows will be programmed with a variety of acts to have strong appeal to resident and visitor market segments.

Critical Mass

It is also assumed that the major development components for the larger property, including two hotels, at least 200,000 square feet of retail space, and significant entertainment/amusement development, will be operational at the same time as the Theater. If the Theater were to open prior to the other major development components, achievable attendance could be reduced significantly due to reduced drawing power.

Access to Markets

The proposed Theater site has superior north-south and east-west access to national and regional markets. Although the site benefits from its location on I-95 (by providing exposure to residents and visitors utilizing this major highway), the area is not known as an entertainment destination. Initially it is anticipated that the Theater will draw more heavily from resident and seasonal visitor markets than other potential markets.

Comparable Venues

Attendance at comparable venues varies widely, but is generally related to resident and visitor market size and quality, as well as the frequency and quality of programming.

Reflecting the market populations from which the surveyed venues draw, many comparable venues in areas with large tourist markets (e.g. Branson and Pigeon Forge) did not draw heavily on residents. Conversely, in markets with small tourist markets and few other attractions, comparable venues drew more heavily from resident markets and typically had fewer attendees. The Theater is assumed to be a hybrid of these two models, in that it will be part of a new visitor destination – perhaps relatively modest in scale when compared with Pigeon Forge or Branson – but will also serve a resident market that currently offers little in the way of competitive supply.

Management and Marketing

The performance of leisure-based attractions is highly sensitive to effective marketing and management. It is assumed that the Theater will be professionally managed and marketed to attain a strong mix of local and regional resident and visitor markets. This would include aggressive marketing along the I-95 corridor, as well as concentrated efforts to leverage initial and repeat visitation among seasonal and permanent residents.

Attendance Projections

Stabilized Year

In addressing the market potential of the Randy Parton Theater, ERA developed market penetration rate assumptions, reflecting both the experience of comparable entertainment venues across the nation, as well as the perceived drawing power of the project in the context of the market segments as discussed in this report. Separate market penetration assumptions were applied to the population of each of the available market segments to estimate the attendance potential of the project.

Attendance projections, as shown below, were developed for a stabilized year of operation.

Figure 14. Attendance Estimate – Stabilized Year of Operation

Stabilized-Year Attendance Estimate

	Estimated Attendees		
Market Segment	Conservative	Baseline	Optimistic
Resident Markets			
Within 30 Miles	14,100	14,900	15,700
30 - 60 Miles	47,600	51,600	55,500
60 - 100 Miles	27,900	31,400	34,900
Total Residents	89,700	97,900	106,100
Seasonal Resident Markets (60-Mile Radius)			
Seasonal Resident Visitor Days	86,500	92,700	98,900
Existing Visitor Markets			
Hotel Visitors	4,100	6,200	8,300
Overnight VFR (60-Mile Radius)	63,100	70,100	77,200
Total Existing Visitors	67,300	76,300	85,400
Induced Visitor Markets			
New Hotel Visitors	30,400	31,300	32,200
Induced Stopoff Visitors	3,000	5,500	7,900
Total Induced Visitors	33,400	36,800	40,100
Total	276,800	303,700	330,600

Source: Economics Research Associates

Projected annual visitation scenarios for a stabilized year of operation ranged from approximately 277,000 to 331,000, with the majority of attendees (63 percent) expected to originate from the resident and seasonal resident markets. Note that expected attendance within each category generally corresponds with the penetration rate ranges observed among comparable venues. One notable exception is the New Hotel Visitor category, which represents hotel guests staying on the development property. This segment is considered to be an especially captive market, because visitors staying on the property are considered especially likely to have both interest and availability for attending a show.

Seasonal Attendance Patterns

Many of the market segments display strong seasonal attendance trends. Seasonal resident activity and stop-off traffic, for example, tend to peak during holiday travel seasons. People from northern states often travel to Florida to avoid the cold winter temperatures. It is considered that this group of travelers will contribute significantly to stop-off and overnight visitor segments. Permanent resident markets can exhibit seasonality as well, as attendance peaks would tend to coincide with holiday occasions, visits from family and friends, etc. Based on these market factors, available travel data, and conversations with local travel and real estate experts, ERA estimated a typical seasonal breakdown of stabilized annual attendance.

As Figure 15 below shows, the peak month is expected to be July, with approximately 39,500 attendees expected. The summer period, between May and August are expected to be busy as well. The December holidays are also expected to be busy, with over 26,100 attendees expected that month. Not surprisingly, the quietest months of the year are expected over winter, from January through to April.

Figure 15. Estimated Attendee Potential by Month

Stabilized-Year Seasonality Attendance Trends	Total	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Full-Time Residents													
Attendees	97,900	7,245	7,245	7,245	7,245	8,419	8,615	8,615	7,245	7,245	7,245	9,790	11,748
Seasonal Residents													
Attendees	92,700	2,257	2,039	2,257	2,185	20,317	19,661	20,317	9,933	6,117	3,175	2,185	2,257
Existing and Induced Hotel Visitors													
Attendees	37,500	2,825	2,609	2,946	2,978	2,937	3,351	3,836	3,814	2,584	3,334	3,064	3,221
VFR Visitors													
Attendees	70,100	5,187	5,187	5,187	5,187	6,029	6,169	6,169	5,187	5,187	5,187	7,010	8,412
Induced Stopoff Visitors													
Attendees	5,500	414	383	432	437	431	492	563	559	379	489	449	472
Total													
Total Attendance	303,700	17,928	17,462	18,068	18,032	38,133	38,288	39,499	26,738	21,512	19,430	22,498	26,111

Source: Economics Research Associates

Attendance / Occupancy Growth

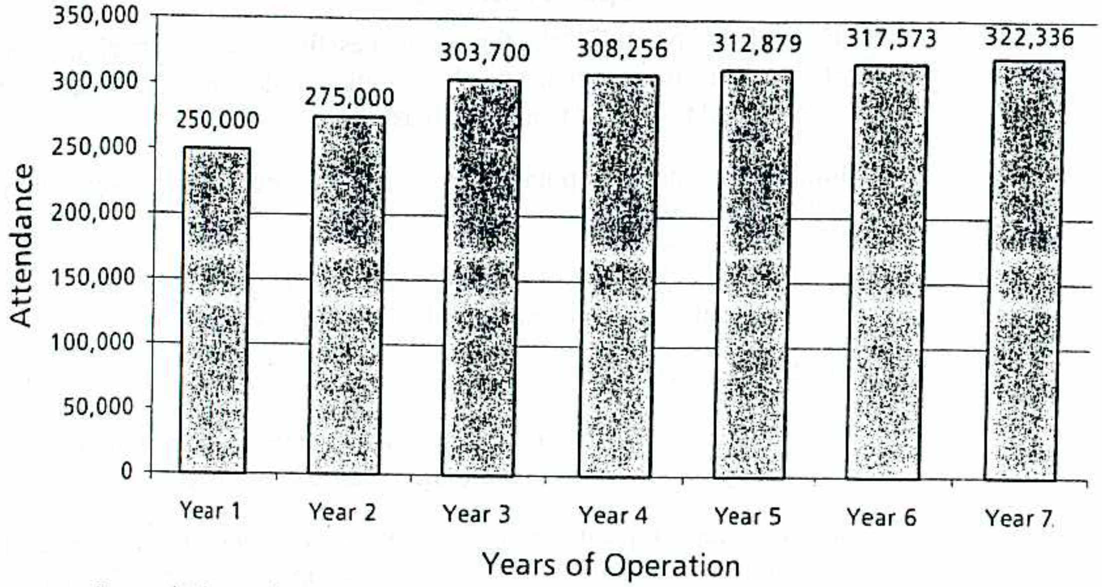
Marketing efforts typically take time to successfully reach out to all portions of the various market segments from which attendees could be drawn. The success of marketing the show is expected to rely on factors such as:

- Building the show's reputation as a delightful performance, set within a high-quality, well-maintained venue
- Building the reputation of the overall site including retail offerings, hotels, and other entertainment venues surrounding the Randy Parton Theater
- Word-of-mouth advertising
- Stop-off traffic learning of the show and complimentary surrounding land uses, and then planning trips which incorporate a destination / overnight visit

New theater venues typically require a few years of sustained and successful operation in order to achieve stabilized occupancy. This occupancy "ramp-up" period can vary greatly in length, and in many cases can take 3 to 5 years or longer. The City of Roanoke Rapids reports that the Theater is expected to enjoy especially strong levels of pre- and post-opening marketing support including $500,000 in initial marketing and advertising, an appropriation of $800,000 from the North Carolina General Assembly, $200,000 from the State of North Carolina, and $500,000 from Governor Easley.

Due to this especially strong level of initial marketing support, ERA assumes that occupancy will stabilize in Year 3 of operations, and that opening year attendance will be over 80 percent of stabilized attendance, or about 250,000. Attendance is expected to reach approximately 275,000 in Year 2, and stabilize in Year 3 at about 303,700 visitors. Stabilized attendance growth, while difficult to predict, is forecast to grow on average at an annual rate of 1.5 percent, reflecting projected growth rates for the wider region and United States.

Figure 16. Attendance Leading Up To The First Stabilized Year of Operation



Source: Economics Research Associates