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MEMORANDUM

To: Mr. Allan Vella
From: John Kaatz / Vince Puzak / Tyler Othen
Date: February 9, 2016
Subject: Research Findings

CSL has completed research regarding the impact that a casino/entertainment complex can have on various performing arts venues within their market. As part of our analysis, we have conducted in-depth telephone surveys with nearly 20 comparable performing arts venues in markets throughout the country. A summary of interview notes by venue is included in Appendix A.

The following memo describes the key findings from our research, and provides commentary regarding the various elements of competition between casino entertainment facilities and traditional performing arts centers/theatres.

1. Acts That Casino Entertainment Facilities Typically Seek

Casino entertainment facilities generally exist to bring people to the casino's primary revenue generating area—the gaming floor. For this reason, casino entertainment centers focus on booking entertainers that can draw large crowds that can generate desired gaming profits — principally popular musicians and comedians. Casino booking agents often target acts that draw people age 40 and over given their tendencies for higher disposable income. Casinos will pay premium prices to book these acts, leveraging their other sources of revenue (from food service, gambling, hotel room nights, etc.) to out price the competition in their markets.

Casinos do not typically seek acts in the cultural arts segment of the market due to their adverse gaming profile and the longer show durations. This segment includes opera, classical music, dance performances and Broadway musicals.



2. The Effects of Casino Entertainment on Theatres

The actual impact of casino entertainment venues on a local performing arts theater can vary depending on a variety of factors such as:

- Size of the market.
- Size of the theatre.
- Size of the casino's entertainment center.
- Desired casino gaming profile.

The nuances introduced in the casino/theater relationship as a result of these factors are described throughout this memo, along with comment on potential impacts on the Fox Theatre.

2.1 Market Size

The effects of casino entertainment on theatres can vary greatly depending on the population of the market. Theatres in smaller markets (Easton, PA and New London, CT, for example) experienced significant competition from casinos, oftentimes resulting in a forced exit from segments of the entertainment market including popular concerts and comedy acts.

- Management described booking fees increasing substantially and promoters selling tickets at exceedingly competitive prices. Further, casinos often included gambling credits in their tickets prices.
- One venue hosted 45 to 50 acts per year, a figure that was reduced to 20 acts per year after the construction of a nearby casino venue. Another hosted 100 acts per year, lost over 90 of them to the casino, and had to bring in 70 new lesser known artists.
- This competition has significantly reduced revenues at theatres reviewed, and one resorted to laying off workers to cut expenses. These theatres responded by re-focusing on the cultural arts segment as well as showcasing local musicians. However, these small markets do not have the population base to easily support a standalone culturally focused venue.
- Cultural arts shows and local performers require higher levels of promotion per dollar of revenue. Thus, the theatre managers found themselves squeezed on both sides—declining revenues due to fewer viewers and growing costs because the additional advertising that is required.

Theatres in larger markets reported facing somewhat less casino competition, being at least partially insulated from this pressure due to larger population bases that can support theatres that host music, entertainment and cultural events that casinos do not typically compete for. However, the larger theater venues, comparable to the Fox Theater, did see an erosion of business in particular segments.

- Theatres in Boston, Providence, and New York have all faced competition for bookings from the massive Foxwoods and Mohegan Sun casinos located in eastern Connecticut. Even Madison Square Garden has seen a competitive impact from the large casinos.
- Minneapolis Orpheum Theater: The various casinos in the market compete heavily for older country, 1970's/80's popular music, and comedic acts. There are an average of six to ten acts annually that the downtown theaters would welcome that the casinos are able to book given their ability to pay significantly higher prices for talent. Conversely, there are acts/agents that are

reluctant to be labeled “casino acts”, and tend to prefer theater venues (Harry Connick, Brian Selter, Lyle Lovett, Punch Brothers, Chris Cornell, Isley Brothers, Mark Knopfler, Alton Brown, etc.).

- Music Hall Performing Arts Center, Detroit: Operates in the cultural arts segment—had hosted various popular entertainment acts, but lost this market segment to the casinos. The Music Hall successfully altered its business model to focus completely on cultural arts events, and by occasionally serving more as a presenting theater.
- Boston Opera House: The BOH (2,677 seats) hosts ballet and Broadway events only. Since these acts tend to draw smaller crowds with poor gaming profiles, casinos do not generally compete for them. The BOH has therefore not had to change its business model due to casino competition.

2.2 Venue Size

A given performing arts venue’s seating capacity can also greatly influence the level of competition with casino properties. Within large markets, small theatres (typically with between 800 to 1,500 seats) reported minimal competition from the casino. Managers reported that they focus on the cultural arts segment, rather than the mass-market/popular culture segment. Their venues do not have the seating capacity to attract larger commercial entertainment typically sought after by casinos. They often rent out their venue to business groups or special events that bring in their own entertainment. This is not a segment casinos typically compete for.

- Armstrong Auditorium, Oklahoma City: Hosting mainly cultural arts entertainment in an 800-seat theatre, it does not lose bookings to the nearby casino. The casino entertainment facility nearby seats twice as many and searches for popular entertainment that Armstrong does not pursue.
- Stadium Theatre, near Providence RI: The theatre targets family entertainment demographic, casino seeks mass-market commercial entertainment.
- Boston Center for the Arts: BCA typically operates as a presenting house and does not face casino competition for large, popular acts.

Conversely, larger theatres reported heavier competition from casinos. Prior to local casino operations, these large theaters were the primary venues for hosting popular entertainment.

- Music Hall, Detroit, MI: Music Hall previously booked occasional popular entertainment to supplement its cultural arts programming. When casino entertainment facilities opened in Detroit, the casinos took the popular entertainment programming by outbidding Music Hall.
- Providence Performing Arts Center, Providence, RI: The Rhode Island legislature passed regulations specifying that PPAC must approve all event bookings at the Twin Rivers Casino north of Providence in order to control the level of casino competition. However, the Mohegan Sun and Foxwood Casinos, located in Connecticut, have bid up the price of popular entertainment bookings, and popular entertainers now often skip performing in Providence and head straight to the Connecticut casinos.

2.3 Size of Casino Entertainment Venue

The size of an entertainment facility within a casino can also determine the degree of competition it will have in a given market. Casinos with large entertainment centers have significant market power and can book the most popular artists and draw audiences from a significant geographical radius.

- Providence Performing Arts Center and the Veterans Memorial Auditorium (PPAC), Providence, RI: As previously noted, Rhode Island state law protects PPAC from competition by RI casinos. However, the massive entertainment facilities at the Foxwood and Mohegan Sun casinos fifty miles away have still raised booking prices by fifty to one hundred percent. The total supply of acts has not changed, but many have decided to completely skip performing in Providence and simply perform at the large casinos.
- Madison Square Garden, New York, NY: The Foxwood and Mohegan Sun casinos have been able to compete with Madison Square Garden for bookings by offering vast amounts of money to performers.
- Civic Center Music Hall, OKC: The nearby casino entertainment facilities seat only 1,500 people, so the Civic Center, with 2,400 seats, can earn more money on tickets and thus offer a more competitive price.

Casinos also compete for entertainment dollars in general. Local residents may take their entertainment spending to casinos because they generally offer more entertainment options—slots, table games, and performances—than performing arts centers. As a result, theatres may experience declining audiences even for the events that the casinos have not taken. In other cases, a casino may book an event of a particular genre over the same dates that the local theater has booked, reducing the theater event’s attendance.

3. Risk Matrices: Fox Theatre and Small-Market Theatres

As summarized herein, there are a variety of factors that can influence how a casino entertainment venue can impact other public performance venues in a market. The Fox Theater provides a relatively large seating capacity (4,678), and operates in a large metropolitan area. A new casino entertainment venue in the market could have the effect of creating downward pressure on some popular music and comedic acts, and potentially reducing attendance levels due to an increases saturation of entertainment within the market.

We have reviewed the past booking history of the Fox, and have categorized various past events in terms of safe (low likelihood of loss to casino), moderate risk (of loss to casino), and high risk.

Safe bookings	Moderate Risk bookings	High risk bookings
<p><i>Broadway:</i></p> <ul style="list-style-type: none"> • Wicked • The Book of Mormon • The Phantom of the Opera <p><i>Classical Music</i></p> <ul style="list-style-type: none"> • Orchestras • Soloists <p><i>Dance Companies</i></p> <ul style="list-style-type: none"> • American Ballet Theatre • Rockettes 	<p><i>Popular Music</i></p> <ul style="list-style-type: none"> • Yanni • Moody Blues • Toby Keith <p><i>Performances</i></p> <ul style="list-style-type: none"> • A Prairie Home Companion • Blue Man Group 	<p><i>Popular Music</i></p> <ul style="list-style-type: none"> • Boyz II Men • Santana • Foreigner • Rascal Flatts <p><i>Comedic Acts</i></p> <ul style="list-style-type: none"> • Bill Burr • Gabriel Iglesias • Martin Lawrence

As shown, events that prefer or require significant back of house facilities, rigging capabilities, and/or venue prestige such as Broadway or ballet acts are generally unaffected by the addition of a casino to a market. However, casino entertainment venues primarily seek popular music acts and comedic acts, often from particular genres, that would represent key losses of business for the Fox Theatre.

As previously noted, given the population base within the market, there will be opportunities to replace these bookings, however many of the replacement bookings would lack the attendance potential of the lost events. Also, the seating capacity at any casino entertainment venue developed in the market will influence the level of competition with the Fox and other Atlanta area entertainment venues.

For informational purposes, we have reviewed the calendars and tour stops of several nationally touring acts, highlighting their propensity to use casino venues.

Yanni:

- 3 out of 55 appearances on 2016 tour will be at casino entertainment facilities.
- Reno, NV: Grand Sierra Resort and Casino Grand Theatre
- Atlantic City, NJ: Borgata Hotel Casino & Spa
- Prior Lake, MN: Mystic Lake Casino

Moody Blues:

- 3 out of 23 appearances on 2016 tour will be at casino entertainment facilities.
- Hollywood, FL: Hard Rock Live Seminole Casino
- Cherokee, NC: Harrah's Casino
- Robinsonville, MS: Horseshoe Casino

Boys II Men:

- 30 of 34 appearances scheduled in 2016 are at casino entertainment centers.
- Mirage Casino in Las Vegas has 24 scheduled Boys II Men concerts
- Washington, DC: Kennedy Center
- Birmingham, AL: Birmingham-Jefferson Convention Complex Concert Hall
- Norfolk VA: Virginia Arts Festival
- Nashville, TN: Ascend Amphitheatre

Kenny Rogers:

- 3 out of 5 announced locations on farewell tour are at casinos.
- Tulsa, OK: The Joint at Hard Rock Casino Tulsa
- Lincoln, CA: Thunder Valley Casino Resort
- Manhomen, MN: Shooting Star Casino

Appendix A
Conversation Notes by Market

1. Providence, RI

a. Casinos:

i. Twin River Casino

1. Entertainment facility expanded in 2007.
2. Features 3,200 seats.
3. Located 15 minutes outside of Providence.
4. Commercial property (not Native-owned).
5. Must get approval of Providence Performing Arts Center (see information for theatre below) to book any entertainment acts.

ii. Mohegan Sun Casino

1. Can hold approximately 10,000 patrons in entertainment center
2. Tribal-owned
3. Located in Uncasville, Connecticut

iii. Foxwoods Resort Casino

1. Has 3,600-seat performing arts center
2. Tribal-owned
3. Located in Mashantucket, Connecticut

b. Providence Performing Arts Center and Veterans Memorial Theatre

- i. Both operated by Professional Facilities Management, Inc.
- ii. PPAC seats 3,100 people while Veterans seats 1,900.
- iii. Both feature proscenium stages.
- iv. PPAC hosts Broadway, pop concerts and comedy.
- v. Number of performances is unchanged since Twin Rivers opened.
- vi. However, booking prices have risen significantly due to Foxwood and Mohegan Sun.
 1. Radius clauses increasingly unfriendly to PPAC and Vets.
 - a. Acts that PPAC books demand shorter radii.
 - b. Casinos can demand longer radii.
- vii. Providence is a “fill-in” stop—scheduled around the casino bookings that performers make first.
- viii. Many performers skip Providence altogether for casinos.

- ix. Casinos seek entertainers based on profile of desirable audience:
 - 1. Entertainers who draw large audiences—all A-level acts
 - 2. 40+ age group has disposable income for gaming and leisure
 - 3. Hip-hop does not attract gaming audience with only limited casino bookings.
 - x. RI legislation requires that Twin Rivers get approval from PPAC before booking an event.
- c. Stadium Theatre:
- i. Non-profit theatre about 45 minutes outside Providence and 20 minutes from the Twin River Casino.
 - ii. The theatre seats 1,058 people.
 - iii. Hosts tribute bands, comedy acts, and musical theatre.
 - iv. The theatre books nationally-travelling shows, presenting about 175 per year.
 - v. Bookings have grown in previous years, and the theatre expects them to keep growing.
 - vi. The Stadium Theatre targets a family entertainment market that casinos do not serve.
 - vii. The cost of talent has risen due to changes in the entertainment market.
 - viii. Demand for entertainment has also risen due to natural economic changes.
 - ix. Rising demand has allowed the theatre to keep its prices at \$20-30 per ticket.
 - x. Revenues and workforce are steady.
 - xi. It does not attribute any of the rising cost of talent to the casino because casino entertainment serves a different market.
- d. Fete Music Hall:
- i. Fete Music Hall hosts contemporary rock n' roll, small hip-hop, and some stand-up comedy acts.
 - ii. Holds 1,000 people in a rock-club style, standing only.
 - iii. Before Twin River's entertainment facility expanded, the hall hosted 100-150 events per year. Now, it hosts closer to 150 events consistently.
 - iv. Event supply has risen; more touring artists are coming.
 - v. The casino has not driven up booking fees because it does not book small contemporary groups.
 - vi. No dramatic change in ticket prices or total revenue have happened since the casino came.
 - vii. Radius clauses, contract restrictions, and types of events available are unchanged since casino opened.
 - viii. Has not made any deals with a casino.

2. Detroit, MI

- a. Casinos
 - i. Four large casino entertainment facilities in or near Detroit.
 - ii. Caesar's Windsor: holds up to 5,000 for entertainment events.
- b. Music Hall Performing Arts Center, Detroit, MI
 - i. Seats 1,731.
 - ii. Stage theatre.
 - iii. Used to have some popular entertainment to complement focus on cultural arts
 - iv. Now hosts almost entirely cultural arts.
 - v. Rents out theatre to supplement revenue.
 - 1. Average White Band
 - 2. The Temptations
 - vi. Lost all popular entertainment acts to casinos.
 - vii. Touring artists still come to Detroit, they just go to casinos now.
 - viii. Ticket prices \$30-50, have not changed.
 - ix. Have transitioned successfully away from popular entertainment segment.

3. Oklahoma City, OK:

- a. Riverwind Casino in Norman, OK,
 - i. 30 min away, 1,500 seats.
 - ii. Entered market in 2006.
- b. Civic Center Music Hall, downtown OKC
 - i. Booking Overview:
 - 1. Civic Center hosts concerts, ballet, orchestras, and Broadway - seats 2,400 people.
 - 2. Bookings have been increasing over the past several years.
 - a. 330 event-days in 2016— fill rate over 90%.
 - 3. The casino only competes on concerts for 40+ age demographic (i.e. Bob Dylan).
 - 4. Overall, casino competition has not raised the cost of talent or changed radius clauses to the theatre's detriment.
 - 5. Ticket prices, revenues, and employment are flat due to economy, and the supply of events has risen.
 - 6. New concert venue in downtown OKC, Criterion opening in 2016—4,000 seats.
 - ii. Effect of casino competition depends on how theatre is managed.
 - 1. Good booking agents make a difference—agencies such as LiveNation and AEG have money and influence to compete.
 - 2. Casinos can generally offer more money, while performing arts centers may offer greater prestige.
 - 3. Some concert artists and entertainers won't play at casinos (i.e. Diana Krall).
 - 4. Artists themselves may prefer theatres, but artist's agents will often favor casinos because they pay more.
- c. Armstrong Auditorium:
 - 1. Seats 823 people—elegant and modern theatre.
 - 2. Hosting 9-10 events each year: orchestras, solo classical performers, jazz, ballet, and international music groups.
 - 3. Focuses on cultural arts segment—casinos are, "much more commercialized."
 - 4. Events, ticket prices, revenue, and workers employed are unchanged since the casino opened.
 - 5. The staff generally come from the college nearby; wages are flat.
 - 6. Overall, the theatre doesn't believe that the casino has any effect its business—"we're out of each other's way."

4. New London, CT

- a. Casinos: Foxwood and Mohegan Sun: see Providence market.
- b. Garde Theatre, New London, CT.
 - i. Seats 1,450.
 - ii. Historic proscenium theatre.
 - iii. Used to host 40-45 popular entertainers per year, lost all to casinos—cost of talent doubled.
 - iv. Hosts cultural arts events: Broadway, opera, children's programs, movies—"all we were left with."
 - v. Hosting 20 events per year now, the Garde focuses on low-risk, high community impact shows (i.e. children's theatre).
 - vi. Total event supply has risen, but the events are now mostly at casinos.
 - vii. Radius clauses have changed to be less favorable to the Garde (shorter) and more favorable to casinos (longer).
 - 1. Casinos demand high degrees of exclusivity.
 - viii. Revenues have fallen.
 - ix. Garde has had to lay off workers.
 - x. Competition is not just for bookings—it's for disposable income.
 - 1. People will go to performances at casinos and game on the side.
 - 2. Casinos use gambling revenues to pay big booking fees and subsidize tickets.
 - xi. Casinos will supersaturate the market for entertainment and people will lose a sense of urgency to see special shows.
 - 1. Casinos will offer free tickets if it draws enough gamers.
 - xii. Casinos use big data to analyze potential bookings relation to gaming profile.

5. Easton, PA

- a. Casino: Sands Bethlehem
 - i. Holds 2,500 in empty space—chairs set up for performances.
 - ii. Built in 2010.
 - iii. Commercial casino.
- b. State Theatre
 - i. "Casinos change everything."
 - ii. Prior to casino: The Theatre hosted 100 events per year and showed popular entertainers.
 - iii. Lost almost all of them to the casino: Garrison Keilor, Jeff Foxworthy, Frankie Valli, Hall and Oats.
 - 1. Casinos outbid the State Theatre by as much as it took.
 - 2. Artists will took the money and went to the casino.
 - iv. Theatre management had to find 70 new events: mostly cultural arts.
 - 1. Casino can, and will, show anything but Broadway—it doesn't have the infrastructure.
 - 2. State Theatre now focuses on Broadway, Opera, and local performances.
 - v. Agents tell her not to bother trying to book popular entertainers anymore.
 - vi. Radius clauses keep her from showing anything the casino shows.
 - vii. The supply of possible events for the State has become very limited.
 - viii. The State now sells fewer tickets, but spends more on advertising—losing revenue.
 - ix. Casinos will mirror a theatre's schedule: if the theatre hosts an Irish dance, the casino will host one on the same night just to draw people to the casino.

6. Boston, MA:

- a. Casino: Wynn Casino Everett opening January 1, 2017
- b. Boston Center for the Arts
 - i. Hosts private events only—corporate events, parties, or exhibitions.
 - ii. Located in a historic building in downtown Boston,
 - iii. Capacity for 1,400 people.
 - iv. Gatherings choose their own entertainment.
 - 1. In-house artists are available.
 - 2. Gatherings may bring in performers of their choice.
 - v. The number of corporate events has increased in recent years, due to the recovering economy.
 - vi. Groups choose the BCA because its historic heritage and atmosphere enhance the experience of any special occasion.
 - vii. 2015: 72 events—more than previous years. Demand is rising.
 - viii. The BCA sees little competition for private events coming from the new casino, because the BCA offers a unique and rich cultural environment in South Boston.
- c. Boston Opera House
 - i. Hosts the Boston Ballet & Broadway Across America only.
 - ii. These companies provide sufficient event-nights to keep the theatre full.
 - iii. The BOH is located in a historic hall in Boston's theatre district.
 - iv. Capacity for 2,677 patrons.
 - v. Market niche of Broadway shows and ballet performances insulates the theatre from pressure by casinos.

7. Omaha, NE:

- a. Casino: Harrah's Council Bluffs Hotel and Casino
 - i. Features Stir Cove, an outdoor stage that opened in 2003 with capacity for over 3,500 people.
- b. Creighton Orpheum Theater
 - i. 2,600-seat proscenium venue.
 - ii. Hosts Broadway events, Kevin Hart, Larry the Cable Guy, Jackson Browne, promoter events.
 - iii. Hosts approximately 150 shows per year; manager states that the facility is well booked but had not been at the Theater long enough to comment on any changes occurring since the advent of Stir Cove.
 - iv. Stir Cove has taken a notable portion of popular music acts.
 - v. The casino's outdoor venue differentiates itself from the Theater's product offerings.
 - vi. The theater competes with the casino for about three out of four acts during the summer when business is slower.
 - vii. The casino's outdoor venue hosts about one to three acts per week during the summer months.
 - viii. The casino can pay more, so the theater does end up losing business to them. The casino has won events such as Weird Al Yankovic, the Dooby Brothers and Brian Wilson.
 - ix. Block booking also gives casinos an advantage. All the Harrah's around the country will sign a deal with a touring act, and it will often pay substantial talent prices.
 - x. The casino will then even be able to give away tickets to promote the casino and its gaming floor.