EXHIBIT O

EConsult analysis of alternative uses of Property

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Jonathan E. Farnham, Ph.D.
Executive Director
Philadelphia Historical Commission
Room 576, City Hall
Philadelphia, PA 19107

Re: 1910 Chestnut Street, Philadelphia, Pennsylvania

Dear Dr. Farnham,

Econsult Solutions, Inc. (ESI) has prepared this letter report summarizing the findings of our analysis as part of a financial hardship application submitted to the Philadelphia Historical Commission (the "Commission"). The application by iPic Theaters (iPic) proposes the partial demolition of a building located at 1910 Chestnut Street, commonly known as the "Boyd Theater." The building was placed on the Philadelphia Register of Historic Places on August 8, 2008. Please feel free to contact us with any questions regarding the report.

The remainder of this letter describes the background for our work, the types of analyses we conducted, and a summary of the findings and conclusions. This letter reflects information available to us at the time of submission. Should additional information come to light, we reserve the right to revise our analysis.

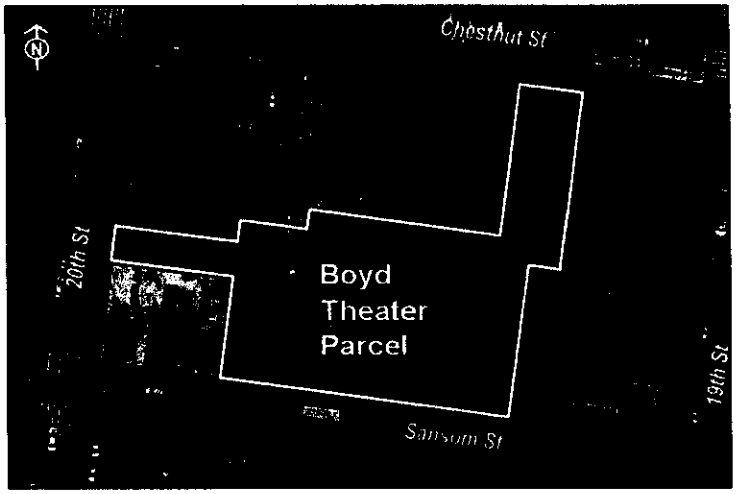
BACKGROUND

This report is part of an application by iPic requesting approval to demolish parts of the existing structure and to replace it with a new eight-screen movie theater entertainment complex. The new theaters would include in-seat food and beverage service, and would have the benefit of accessory restaurant and bar areas.

The Boyd Theater opened in 1928 as a single screen "movie palace."[1] The theater and lobby are laid out in an "L" configuration, with frontages on both Chestnut and Sansom Streets. The grand facade and marquee of the theater face Chestnut St, where the main entrance to the lobby is located, and the bulk of the building lies in the rear, along Sansom Street. Entering from Chestnut Street, patrons pass through a decorated lobby before entering the theater area. The theater itself is oriented perpendicular to the lobby (on an east-west axis with the screen facing 19th Street), which takes advantage of the unusual site configuration and keeps the building from having a long stretch of inactive wall on the more prominent Chestnut Street side.

[1] http://www.phillyhistory.org/blog/index.php/2011/02/historic-movie-theaters-of-center-city/

Figure 1: Boyd Location Map



The theater was built with a single screen and approximately 2,500 seats divided between the ground level and a sizeable balcony (1,800 and 700, respectively). Bathrooms are located in the basement, accessible by two staircases at the back of the theater area. The basement continues underneath the entire theater building and houses various electrical, HVAC, and mechanical systems, as well as a series of small dressing rooms and storage areas.

While primarily built for showing films, the original theater was built to accommodate live theater as well. The movie screen was located on a small stage, which could be made larger by raising the orchestra pit to form a stage apron.[2]

The Boyd closed its doors in 2002. Its final incarnation was as the Sameric IV, a four-screen movie theater that incorporated additional space in another building adjacent and west of the Chestnut Street frontage. The building housing the three additional screens is now under separate ownership and is in use as a Gap Outlet clothing store – the three additional screens have been demolished. In its later days, the interior and exterior conditions of the Boyd had suffered from years of neglect and cheaply implemented repairs and alterations. Since its closing, its condition has deteriorated further due to age, water damage, and vandalism.

METHOD

To conduct our assessment, ESI performed the following tasks:

- Conducted independent research regarding theater and performance venue operations. Sources of data and information include Shot Tower Capital, Muvico Theaters, Rentrak, the City of Philadelphia, and all other sources specifically identified in this letter report;

[2] http://archive.org/stream/motionpicturenew39moti#page/n317/mode/1up

- Reviewed documentation supplied by iPic;
- Reviewed construction cost estimates prepared by INTECH;
- Reviewed engineering reports on the building;
- Conducted research regarding the availability of various tax incentives applicable to redeveloping the Boyd Theater;
- Inspected the interior and exterior of the building, the property, and the surrounding area to understand the context in which potential redevelopment alternatives would operate if they were pursued;
- Reviewed the redevelopment alternatives currently being considered and assessed the development potential of the property for other potential uses that might have been considered for the site;
- Developed and analyzed operating and financial information for each alternative; and
- Developed conclusions regarding the financial hardship application and whether the information submitted meets the requirements specified in the Philadelphia Historical Commission's Rules and Regulations.

As part of the financial assessment, ESI considered a number of subsidies, credits, and other incentives that may impact the feasibility and affordability of renovating the Boyd site. Incentives were only included if they would more than likely be available to the project. Significant incentives considered included:

- Federal Historic Tax Credit – The Federal Historic Tax Credit is a credit against Federal income tax, calculated as 20% of qualifying redevelopment expenditures for historic places. With the Boyd's current status on the National Registry of Historic Buildings, we expect that tax credit incentive will be available to the project.
- Pennsylvania State Historic Tax Credit – The Pennsylvania Historic Tax Credit is constructed in much the same way as the Federal tax credit, with similar eligibility requirements, though the per-project cap amount is set at $500,000. We have assumed that the property, which is individually listed, will receive this credit.
- Philadelphia Property Tax Abatement – The Philadelphia property tax abatement is available for any renovation, including those analyzed in this document.
- New Markets Tax Credit – This tax credit is constructed to incentivize development in low-income communities by providing Federal income tax relieve to project investors. In order to be eligible for this tax, however, the project must be located in a census-tract defined 'community' that qualifies as a low-income community for New Market Tax Credit (NMTC) considerations. Although the theater is nominally located in a qualifying census track, it is not characterized as being severely distressed. This decreases the likelihood that an entity with a NMTC allocation will utilize the credits for the theater. As such, we have not included this credit in our analyses.

FINDINGS AND CONCLUSIONS

According to the Historical Commission's guidelines, the financial hardship application for a property must analyze "all purposes for which it is or may be reasonably adapted."[3] The Boyd was constructed as a movie house and live-performance theater, and as such is a

[3] Philadelphia Historical Commission's Rules and Regulations, Section 6.3, p 30

specialized structure. The specialized nature of the building means that it cannot be readily converted into, for example, an office building or a residential building. In the case of the Boyd, reasonable uses are 1) an off-Broadway-style theater, or 2) a multipurpose live entertainment venue, and 3) a single-screen movie theater.

There have been suggestions in the past about constructing a high-rise hotel on adjoining property and using profits from the hotel to subsidize the restoration and operation of the theater. We have not considered this alternative because it does not address the question about whether the Boyd itself can profitably be put back into service, and because a high-rise hotel is not a use to which the existing theater may reasonably be adapted. Rather, it is a separate use and structure.

In every scenario, the building requires substantial investment. According to the engineering reports, the building requires structural repairs. The HVAC, electrical, plumbing, and life safety systems all require replacement. In addition, finishes need to be restored and repainted, and all equipment needed for each scenario needs to be installed. In all cases, we assume that the renovations are conducted in accordance with National Park Service guidelines, so that the project would be able to use the 20 percent Federal Historic Tax Credit for eligible expenses.

Scenario 1 - Broadway-Style Theater

This scenario analyzes the financial performance of a theater capable of hosting touring off-Broadway style theatrical productions. These productions require an intensive theatrical rigging system ("fly tower") and significant dressing and staging areas backstage. The current stage area is not large enough to accommodate these features, so some elements of the back of house would be demolished and reconstructed. The expanded stagehouse would extend from the back of the current theater and would also include a new loading dock. The auditorium floor would be excavated to install ductwork for a new HVAC, and then rebuilt to ADA-compliant standards. The balcony would also be renovated to expand the toilet rooms and construct VIP rooms and additional offices.[4]

In this scenario, the renovated Boyd would hold approximately 2,140 seats. The largest Broadway theater has fewer than 2,000 seats, so the Boyd would be slightly larger than the largest Broadway venues.[5]

Live Performance Business

The Boyd would be a for-profit theater. It would earn revenue by renting the facility to content owners, or it would produce shows itself. In the rental model, the theater sells tickets and operates the facility for a rental fee, but most of the financial risk and upside of the production lies with the content owner. If the Boyd produced shows itself, it would hire the content, pay the content owner a fee, and would bear most of the financial risk of the production. The building would be flexible enough to host large shows, musical performances, lectures, films, and other sorts of entertainment.

[4] This program was developed in 2005 by the current building ownership and was fully-permitted by the City prior to being abandoned.

[5] Broadway Theater capacity and statistics from The Broadway League, and other Industry sources

Most theaters presenting plays and shows in the Philadelphia market operate as non-profits. It is common for the existing theaters to operate at a small gain or at a loss, even with the contributions they receive from government, private, and fundraising entities. Table 1 shows examples of financial results for a sample of Center City theaters. If contributions are excluded, then only the Society Hill Playhouse has operating revenues sufficient to cover expenses.

Table 1: Summary of Financials for Non-profit Theaters in Philadelphia ($000s) [6]

Theater	Operating Revenue	Contributions	Revenue	Expenditures	Contributions / Revenue	Margin w/o Contributions
Arden	$2,590	$2,865	$5,456	$4,533	63%	-75%
Kimmel	$32,126	$19,160	$51,286	$50,366	38%	-57%
Lantern	$323	$440	$763	$813	54%	-152%
Plays & Players	$301	$61	$362	$365	17%	-21%
Prince	$527	$70	$597	$975	7%	-85%
Society Hill	$517	$12	$530	$339	4%	34%
Suzanne Roberts	$1,695	$2,251	$3,946	$5,455	41%	-222%
Walnut Street	$14,136	$1,663	$15,800	$14,675	11%	-4%
Wilma	$1,440	$1,795	$3,234	$3,463	52%	-140%
Average	$5,962	$3,146	$9,108	$8,998	32%	-80%
Revenue Weighted Average	$22,257	$12,683	$35,829	$35,059	35%	-58%

Revenue weighted averages for the final three columns are weighted by revenue without contributions

Investment

The construction investment needed to prepare the Boyd for hosting Broadway style shows is approximately $37.7 million. Including historic acquisition cost of $8.0 million and other development costs ($7.5 million, or 20% of construction coasts) brings the total expenditure to develop the Boyd for Scenario 1 to $53.3 million. Construction would require approximately 18 months.

Operations

In addition to sources already mentioned, our analysis of the renovated Boyd's financial performance is based on several sources, including:

- Financial information from the Kimmel Center, which currently produces Broadway style shows and is the most comparable theater in terms of scale and breadth of offerings;
- Financial information from other theater companies in Philadelphia; and
- Financial information from other theaters outside Philadelphia, including theaters that present Broadway style performances.

The Boyd Theater would earn revenue from presenting shows and from rentals to others who produce shows. When the Boyd presents shows, it earns revenue from ticket sales, merchandise, concessions, and advertising. When the Boyd rents the venue, it earns rental

[6] Source: IRS Form 990 for selected theaters, accessed from Foundation Center: 990finder.foundationcenter.org

income and has facility operating expenses. In other words, the Boyd acts as a facility, not a theater company.

Our analysis assumes that the Boyd would do as well as the Kimmel Center does today on its Broadway series in terms of revenues and costs. In addition, we expect that the Boyd would use space between shows to host non-Broadway style shows, and we have added an additional 20 percent revenue (and variable expenses) to reflect those shows.[7]

Table 2: Revenues – Broadway Style Theater

Revenue Item	2015
Ticket, convenience fee, handling fee revenue	$14,127,853
Ticket surcharge	$613,721
Advertising revenue	$ 91,089
Concession net revenue	$132,300
Merchandising/other income/interest income	$45,224
Venue Rental Revenue	$5,003,396
Operating Revenue	$20,013,583

Expenses include programming expenses, marketing costs, and management costs, direct venue expenses during rental periods, and indirect costs, such as general and administrative, utilities, and insurance.

Table 3: Expenses – Broadway Style Theater

Expense Item	2015
Programming Expenses	$10,238,285
Marketing	$2,339,499
Broadway Management	$372,636
Venue Rental Expenses	$3,453,445
Administrative and Overhead	$630,000
Insurance	$100,000
Taxes - Use & Occupancy	$126,975
Taxes - Real Estate	$152,944
Operating Costs	$17,413,784

The first year results show operating cash flow of less than $700,000.

[7] Because information on rental revenue and expenses for Broadway shows is not available separately from other rental and expense revenue, we have assumed that the margin for the theater is slightly greater than what the margin would be if the theater presented the shows. This assumption likely gives more net rental income to the theater than they would actually obtain, as shows that are rental only tend to have larger attendance, and therefore the content owners are better able to negotiate terms, which would result in a lower margin for the theater than if the theater had presented the show.

Table 4: First Year Results

Results		2015
Net Operating Income		$2,599,799
Interest	6%	$1,941,765
Operating Cash Flow		$658,035

Our financial analysis, summarized in Table 5, shows that the Net Present Value (at 12%) of this investment is -$9.5m. The Internal Rate of Return is not defined.[8]

Table 5: Summary of Financial Analysis – Broadway Style Theater

Sources and Uses		
Uses		
Land Costs		$8,000,000
Construction Cost		$37,725,822
Soft Costs		$7,545,164
Total Uses		$53,270,986
Sources		
Owner Equity	30%	$13,869,748
Loan	70%	$32,362,745
Tax Credit - Federal		$6,538,493
Tax Credit - State		$500,000
Total Sources		$53,270,986
Financial Summary		
Development Cost		$53,270,986
Tax Credits		$7,038,493
Net Operating Income (first operating year)		$2,599,799
Cash Flow (first operating year)		$658,035
Net Operating Income (sale year)		$3,009,093
Cap Rate for Terminal Value		10%
Terminal Value		$30,090,928
Net Present Value (12%)		-$9,546,407
Internal Rate of Return		not defined

Please see the Appendix for the detailed pro forma analysis.

We note that if the Boyd were to reopen as a venue for Broadway style production, competitive forces would come into play. Right now only the Academy of Music has a backstage large enough to accommodate the largest Broadway style shows. If the Boyd tried to serve the same market, the Boyd and the Academy would likely compete to attract the shows, and so net revenue for the venue would drop (either rental revenue decreases or

[8] The IRR is not defined because there is no discount rate at which the NPV of the cash flows equals zero. This situation indicates a negative return on investment. To present the results as clearly as possible, the pro forma analyses assume that the construction would be complete within 12 months, rather than the 16-18 months it would actually take.

the programming expenses would increase), even if ticket prices did not. This competitive dynamic would impair profitability. The competitive pressures are not reflected in the calculations presented above.

A more realistic prediction for the future would analyze the Boyd as being less successful than the Kimmel. If, for example, the Boyd were able to achieve only 80 percent of what the Kimmel achieves, the NPV of the investment is -$18.1 million and the first year cash flow is approximately -$0.3 million.

We also note that the risk embodied in renovating and operating the Boyd is considerable because the cost of historic renovation is subject to escalation based on the unknowable condition of the building, and because the environment for live performance is unpredictable and sensitive to general economic conditions.

Scenario 1 Conclusion:
The expense of renovating and adapting the Boyd for use as a Broadway style theater would face insurmountable financial challenges. The cost of renovating the theater is greater than can be justified by profits made by the operation of the theater.

Scenario 2 - Multipurpose Live Entertainment Venue

Scenario 2 analyzes adapting the existing theater for use as a live entertainment venue capable of hosting live music acts. The theater renovations are similar to those in Scenario 1, however they would be scaled back and would not require the new flytower and other improvements necessary for Broadway style productions.

Performance Venue Business
The Boyd would offer a mixture of live shows that it presents and shows that are presented by a third party that rents the theater. In this way, the theater operations are similar to Scenario 1, though without Broadway style productions.

Investment
The construction investment needed to prepare the Boyd for hosting live entertainment is approximately $29.1 million. Including historic acquisition costs of $8.0 million and other development costs ($5.8 million, or 20% of construction coasts) brings the total expenditure to develop the Boyd for Scenario 2 to $42.9 million. Construction would require approximately 16 months.

Operations
The projections for the Boyd are based on information about the Kimmel Center, the Tower Theater, the Keswick Theater, other venues, and industry averages. We calculated the average ticket revenue, ticket surcharges, merchandise, and other revenue per show, as well as artist expenses, marketing expenses, and other expenses per show. We based the analysis on the universe of profitable shows, and did not include unprofitable shows. We assumed that the Boyd would host 80 shows like those hosted at the Kimmel, and an additional 100 shows with lesser draws, and accordingly lower per-ticket revenue and artist costs. Table 6 shows the expected revenue expenses.

Table 6: Revenues – Live Performance Venue

Revenue	2015
Ticket Revenue	$10,033,883
Ticket Surcharge	$821,293
Merchandise	$32,256
Other Revenue	$662,493
Concessions	$106,000
Total Revenue	$11,655,926
Operating Expenses	
Artist Fee	$5,907,355
Other Expenses	$3,220,660
Marketing	$870,918
Administrative and Overhead	$530,000
Insurance	$100,000
Taxes - Use & Occupancy	$126,975
Taxes - Real Estate	$152,944
Total Expenses	$10,908,852

The first year results show a cash flow loss of approximately -$0.8 million (Table 7).

Table 7: First Year Results

Results		2015
Net Operating Income		$747,074
Interest	6.0%	$1,581,000
Operating Cash Flow		-$833,926

Our financial analysis, summarized in Table 8, shows that the Net Present Value (at 12%) of this investment is -$19.9 million. The Internal Rate of Return is not defined.

Table 8: Summary of Financial Analysis – Live Performance Venue

Sources and Uses		
Uses		
Land Costs		$8,000,000
Construction Cost		$29,097,465
Soft Costs		$5,819,493
Total Uses		$42,916,958
Sources		
Owner Equity	30%	$11,292,856
Loan	70%	$26,349,997
Tax Credit - Federal		$4,774,106
Tax Credit - State		$500,000
Total Sources		$42,916,958

Financial Summary	
Development Cost	$42,916,958
Tax Credits	$5,274,106
Net Operating Income (first year)	$747,074
Cash Flow (first year)	-$833,926
Net Operating Income (sale year)	$880,894
Cap Rate for Terminal Value	10%
Terminal Value	$8,808,940
Net Present Value (12%)	-$19,865,918
Internal Rate of Return	not defined

Scenario 2 Conclusion

The expense of renovating and adapting the Boyd for use as a live performance venue would face insurmountable financial challenges. The cost of renovating the theater is greater than can be justified by profits made by the operation of the theater.

Scenario 3 – Movie Theater

This scenario analyzes the financial results from restoring the Boyd a single screen movie theater. The three additional screens that were part of the Boyd when it closed were not part of the original structure and have been sold and converted into a clothing store. The restoration would include the complete rehabilitation of the structure, modernization of the building systems, and fit-out of a modern movie theater.

Movie Theater Business

In the early days of movie theaters - the era in which the Boyd was built - cinemas were all single screen. Numerous technological and business model changes over the past half-century have rendered the single-screen model largely obsolete.[9]

[9] Shot Tower Capital, *Out of Home Entertainment*, 2013

When the Boyd was built, the only way to see a film was at a theater. Films often stayed at theaters for months. Subsequent to that time, broadcast television, videocassettes, DVDs, premium cable channels, on-demand services, and internet streaming have all emerged to provide alternative access to movies.

The proliferation of multiplex theaters makes it difficult for single screen theaters to compete. In a multiplex model, cinemas have the flexibility to show a blockbuster on multiple screens, allowing more movie-goers to watch the film during opening weekend and at times of their choosing.[10]

Multi-screen theaters also have a competitive advantage in that they are able to stagger show times to keep a continuous flow of patrons coming through the door. Staggering allows theaters to manage demand so that they can serve more patrons with less staff and fewer bottlenecks. For illustration, a single-screen theater with 2,500 seats would need to be staffed sufficiently to ticket, seat, and serve concessions to all 2,500 movie-goers at once. By contrast, a theater with 2,500 seats divided across 10 screens could stagger show times so that they only need to accommodate a fraction of the total capacity at a time. Furthermore, after the pre-show rush, the staff of a single screen-theater would be largely idle, whereas the staff of a multiplex can sell popcorn continuously.

Multi-screen theaters are able to hedge their bets in a way single screen theaters cannot. The structure of movie contracts with the studios requires minimum run times for films, making impossible to quickly swap out unsuccessful movies. This exposes single screen theaters to considerable risk if the film they are showing is unsuccessful. Conversely, multi-screen theaters are able to adjust showings to reflect demand because, while they still cannot drop a film entirely, they can reduce the number of screens on which it is showing, and shift the films to smaller screens, thereby freeing up seats for more popular movies.[11]

An additional change is the advent of stadium-style seating in movie theaters, which audiences prefer to standard seating. The Boyd, as with other remaining single screen theaters, offers the older, less preferred style of seating.

For the foregoing reasons, single screen theaters are exceedingly rare in today's cinema market and most owe their survival to outside subsidies. Table 9 shows the gross ticket revenue of single screen theaters nationwide.[12]

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[10] Motion Picture Association of America, *Theatrical Market Statistics, 2012*
[11] Multiplexes have several different-sized theaters in the same complex. There are usually one or two large screen theaters with a large number of seats, several medium sized theaters, and several small theaters.
[12] Rentrack Corporation, August 2013

Table 9: Gross Ticket Revenue of Single-Screen Movie Theaters

Theater (Location)	2012 Gross Ticket Revenue
Paris (New York, NY)	$1,503,787
Uptown (Washington, DC)	$1,141,657
Castro (San Francisco, CA)	$926,761
Uptown (Minneapolis, MN)	$343,886
Cinema 21 (Portland, OR)	$276,608
Ken (San Diego, CA)	$266,774
Downtown Independent (Los Angeles, CA)	$63,790
Average	$646,180

Several of these theaters host premiers or other special events. Theaters in Philadelphia have lower gross ticket revenue per screen than some of the single screen theaters in other cities, but there are several multi screen theaters that have higher per screen ticket revenues than the single screen theaters in Minneapolis, Portland, or San Diego. Please see Table 10.[13]

Table 10: Gross Revenue of Philadelphia Movie Theaters

Theater	Screens	2012 Gross Ticket Revenue	Revenue per Screen
University 6	6	$2,837,261	$472,877
Main Street Theatre 6	6	$2,820,202	$470,034
Tuttleman IMAX - Franklin Institute	1	$423,496	$423,496
Franklin Mills 14 with IMAX	14	$5,924,066	$423,148
Riverview Plaza	17	$6,442,094	$378,947
Pearl At Avenue North	7	$2,547,011	$363,859
Ritz East Twin	2	$601,038	$300,519
Ritz 5	5	$1,477,299	$295,460
UA Grant Plaza 9	9	$2,510,635	$278,959
Ritz At The Bourse 5	5	$863,748	$172,750
Roxy Philadelphia Twin (2011)	2	$210,085	$105,043
Average	6.7	$2,423,358	$335,008

Investment

The construction investment needed to prepare the Boyd for showing movies again is approximately $27.8 million. Including historic acquisition costs of $8.0 million and other development costs ($5.6 million, or 20% of construction coasts) brings the total expenditure to develop the Boyd for Scenario 3 to $41.4 million. Construction would require approximately 16 months.

Operations

Movie theaters generate revenue from ticket sales, concessions, and advertising. The revenue assumption is based on the revenue of the University 6 Theater (doing business as "Rave Cinemas University 6"), a six-screen theater in University City, Philadelphia, which has the highest gross revenue on a per screen basis of any commercial theater in Philadelphia.

[13] Rentrack Corporation, August 2013

Our analysis assumes that a reopened Boyd would have gross ticket revenue that is 1.5 the gross revenue of a single screen at University 6.

We attribute greater annual per screen revenue to the Boyd because of its size and location. However, a variety of factors limit the Boyd's potential performance. Most importantly, a single-screen design would prevent the theater from efficiently managing film rentals, due to the terms of common film rental contracts. In effect, the Boyd would be forced to hold movies beyond the point of profitability. Further, while the Boyd does have significant seating capacity, the fact that other theaters within the region do not sell out their theaters on a regular basis implies that the Boyd will not realize most of the benefits from the greater seating capacity. To approximate the impact of all these dynamics, we assume that the single screen Boyd will earn 1.5 times the revenue of the average screen at the University 6.

The resulting revenue at the reopened Boyd would have revenue greater than all but three of the comparable theaters in Table 9. The revenue assumption reflects the Boyd's larger size and more central location, though we note that the University 6 is near a large student population and residential population, and has stadium seating.

Concession and advertising revenue depend on ticket sales. Event revenue is rare and interferes with movie showings. Please see Table 11 for the calculation of concession and other revenue

Table 11: Revenues – Single Screen Movie Theater

Revenue	2015
Ticket	752,731
Concessions	376,366
Advertising	75,273
Total Revenue	1,204,370

Theaters incur expenses for film rental, concessions materials, personnel, utilities, taxes, maintenance, and administration. Please see Table 12 for an enumeration of these expenses.

Table 12: Expenses – Single Screen Movie Theater

Operating Expenses	2015
Movie Rentals	$410,239
Cost of Goods (Concessions)	67,746
Personnel	150,546
Administrative	75,273
Maintenance	
Other Expenses	150,546
Taxes - Real Estate	152,944
Taxes - Use & Occupancy	126,975
Taxes - Amusement	37,637
Taxes - Gross Receipts	
Total Operating Expenses	$1,171,905

The first year results show a cash loss of approximately $1.5 million (Table 13).

Table 13: First Year Results

Results		2015
Net Operating Income		$32,465
Interest	6.0%	$1,525,946
Operating Cash Flow		-$1,493,481

Financial Analysis

Our financial analysis, summarized in Table 14, shows that operating profits from the movie theater option would be less than $0.1 million per year. After taking debt service into account (assuming only the interest on the 6% loan is paid), the net operating income in year one would be approximately -$1.5 million. The Net Present Value (at 12%) of this investment is approximately -$25.3 million. The Internal Rate of Return is not defined.

Table 14: Summary of Financial Analysis – Single Screen Movie Theater

Sources and Uses		
Uses		
Land Costs		$8,000,000
Construction Cost		$27,793,038
Soft Costs		$5,558,608
Total Uses		$41,351,646
Sources		
Owner Equity	30%	$10,899,613
Loan	70%	$25,432,431
Tax Credit - Federal		$4,519,601
Tax Credit - State		$500,000
Total Sources		$41,351,646
Financial Summary		
Development Cost		$41,351,646
Tax Credits		$5,019,601
Net Operating Income (first year)		$32,465
Cash Flow (first year)		-$1,493,481
Net Operating Income (sale year)		$60,033
Cap Rate for Terminal Value		10%
Terminal Value		$600,327
Net Present Value (12%)		-$25,260,977
Internal Rate of Return		not defined

Please See Appendix 3 for the detailed Pro Forma analysis.

Note that even if the Boyd earned three times the revenue of the Rave 6, the operating profit in the first year of operation would be $0.3 million, and the NPV would be -$22.5 million.

Scenario 3 Conclusion

The expense of renovating the Boyd for use as a single screen movie theater would face insurmountable financial challenges. The cost of renovating the theater is greater than can be justified by profits made by the operation of the theater.

CONCLUSION

We conclude that there is no use to which the Boyd Theater may be reasonably adapted given the cost of renovations and the revenues that can be expected by those uses.

Scenario 1 - Broadway Style Theater - Revenue and Cost Calculations

Boyd as Producer of Show

Inflation		2%
2012 - 2015 Revenue Factor (includes inflation, other shows, and amusement tax)		1.26
Revenue	2012	2015
Ticket, convenience fee, handling fee revenue	$11,212,582	$14,127,853
Ticket surcharge	$487,080	$613,721
Advertising revenue	$72,293	$91,089
Concession Net Revenue	$105,000	$132,300
Merchandising/other income/interest income	$35,892	$45,224
Total Revenue	$11,912,847	$15,010,187
Operating Expenses		
Programming expenses (includes variable facility expenses)	$8,125,623	$10,238,285
Marketing	$1,856,745	$2,339,499
Broadway Management	$295,743	$372,636
Total Operating Expenses	$10,278,111	$12,950,420
Operating Income	$1,634,736	$2,059,767
Overhead and Facility Management	$500,000	$630,000
Income after overhead	$1,134,736	$1,429,767
Boyd as Venue for show produced by Others		
Rental as a percent of annual revenue	25%	25%
Adjustment for Rental capacity factor	20%	20%
Rental Expenses as a percent of regular expense	80%	80%
Rental Revenue	$3,970,949	$5,003,396
Rental Expenses	$2,740,830	$3,453,445
Rental Operating Income	$1,230,119	$1,549,950
Rental Overhead	$0	$0
Rental Income after overhead	$1,230,119	$1,549,950
Net Operating Income	$2,864,855	$3,609,718
Overhead	$500,000	$630,000
Total Net Income After Overhead	2,364,855	2,979,718

Costs	2015 Base	Rate	2015 Costs
Insurance			$100,000
Use & Occupancy Base Tax	$11,413,700	1.13%	$128,975
U&O Adjustments			-$2,000
Taxes - Use & Occupancy			$126,975
Taxes - Real Estate	$11,413,700	1.34%	$152,944
Taxes - Amusement	$0	0.00%	$0
Total Costs			$379,918

Capital Costs	HTC Eligible	Not HTC Eligible	Amount
Direct Costs	$28,919,884	$2,903,251	$31,823,135
Other Construction Costs	$0	$5,902,687	$5,902,687
Construction Total	$28,919,884	$8,805,938	$37,725,822
Soft Cost as a percent of construction costs			20%
Percent HTC eligible	50%	50%	
Construction, Additional Design/Soft Costs	$3,772,582	$3,772,582	$7,545,164
Total	$32,692,466	$12,578,520	$45,270,986
% of Total	72%	28%	100%

Federal Historic Tax Credit Percentage	20%	NPS
Federal Historic Tax Credit	$6,538,493	
Multiplier	1.0	
Federal Tax Credit Value for Pro Forma	$6,538,493	
Pennsylvania Historic Tax Credit	$500,000	PHMC

Scenario 1 - Broadway Style Theater - Pro Forma

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	0	1	2	3	4	5	6	7	8	9
Operating Revenue										
Ticket, convenience fee, handling fee revenue	-	-	14,127,853	14,410,410	14,698,619	14,992,591	15,292,443	15,598,292	15,910,257	16,228,463
Ticket surcharge			613,721	625,995	638,515	651,285	664,311	677,597	691,149	704,972
Advertising revenue	-	-	91,089	92,911	94,769	96,665	98,598	100,570	102,581	104,633
Concession net revenue	-	-	132,300	134,946	137,645	140,398	143,206	146,070	148,991	151,971
Merchandising/other income/interest income			45,224	46,128	47,051	47,992	48,952	49,931	50,929	51,948
Venue Rental Revenue			5,003,396	5,103,464	5,205,533	5,309,644	5,415,836	5,524,153	5,634,636	5,747,329
TOTAL REVENUE	-	-	20,013,583	20,413,855	20,822,132	21,238,574	21,663,346	22,096,613	22,538,545	22,989,316
Operating Expenses										
Programming expenses	-	-	10,238,285	10,443,051	10,651,912	10,864,950	11,082,249	11,303,894	11,529,972	11,760,571
Marketing	-	-	2,339,499	2,386,289	2,434,014	2,482,695	2,532,349	2,582,996	2,634,656	2,687,349
Broadway Management	-	-	372,636	380,089	387,691	395,444	403,353	411,420	419,649	428,042
Venue Rental Expenses	-	-	3,453,445	3,522,514	3,592,964	3,664,824	3,738,120	3,812,883	3,889,140	3,966,923
Adminstrative and Overhead	-	-	630,000	642,600	655,452	668,561	681,932	695,571	709,482	723,672
Insurance	-	-	100,000	102,000	104,040	106,121	108,243	110,408	112,616	114,869
Taxes - Use & Occupancy			126,975	129,514	132,105	134,747	137,442	140,190	142,994	145,854
Taxes - Real Estate			152,944	152,944	152,944	152,944	152,944	152,944	152,944	152,944
Taxes - Amusement			-	-	-	-	-	-	-	-
Total Operating Expenses	-		17,413,784	17,759,000	18,111,121	18,470,285	18,836,632	19,210,306	19,591,453	19,980,223
Net Operating Income			$2,599,799	$2,654,854	$2,711,010	$2,768,289	$2,826,714	$2,886,307	$2,947,092	$3,009,093
Interest	6%		$1,941,765	$1,941,765	$1,941,765	$1,941,765	$1,941,765	$1,941,765	$1,941,765	$1,941,765
Operating Cash Flow			$658,035	$713,090	$769,246	$826,525	$884,949	$944,542	$1,005,327	$1,067,328
Owners Equity		-$13,869,748								
Sale of property										$30,090,928
Repayment of loan										-$32,362,745
Cash Flow		-$13,869,748	$658,035	$713,090	$769,246	$826,525	$884,949	$944,542	$1,005,327	-$1,204,489
NPV	12%	-$9,546,407								
IRR		Not Defined								
Year 1 Debt Coverage Ratio			134%							

Sources and Uses

Uses		
Land Costs		$8,000,000
Construction Cost		$37,725,822
Soft Costs		$7,545,164
Total Uses		$53,270,986
Sources		
Owner Equity	30%	$13,869,748
Loan	70%	$32,362,745
Tax Credit - Federal		$6,538,493
Tax Credit - State		$500,000
Total Sources		$53,270,986

Financial Summary

Development Cost	$53,270,986
Tax Credits	$7,038,493
Net Operating Income (first operating year)	$2,599,799
Cash Flow (first operating year)	$658,035
Net Operating Income (sale year)	$3,009,093
Cap Rate for Terminal Value	10%
Terminal Value	$30,090,928
Net Present Value (12%)	-$9,546,407
Internal Rate of Return	Not Defined

Scenario 2 - Live Performance Venue - Revenue and Cost Calculations

Boyd as Producer of Show

2012 - 2015 Inflation Factor			1.06	

Type of Show	Large	Medium	Total	Meduim Attunation
Tickets Sold	1,672	1,003	1,300	0.6
Ticket Price	$44.23	$35.38	$40.44	0.8
Ticket Surcharge	$3.31	$3.31	$3.31	1
Merchandise	$0.13	$0.13	$0.13	1
Other Revenue	$2.67	$2.67	$2.67	1
Artist Fee	$26.04	$20.83	$23.81	0.8
Other Expenses	$12.98	$12.98	$12.98	1
Marketing	$3.51	$3.51	$3.51	1
Total Expenses				
Number of Shows	80	100	180	

Revenue	Single Show 2012	Single Show 2012	All Large Shows 2012	All Medium Shows 2012	All Shows 2012	All Shows 2015
Ticket Revenue	$73,953	$35,497	$5,916,205	$3,549,723	$9,465,928	$10,033,883
Ticket Surcharge	$5,534	$3,321	$442,746	$332,059	$774,805	$821,293
Merchandise	$217	$130	$17,389	$13,042	$30,430	$32,256
Other Revenue	$4,464	$2,679	$357,139	$267,854	$624,994	$662,493
Concessions					$100,000	$106,000
Total Revenue	$84,168	$41,627	$6,733,478	$4,162,678	$10,996,156	$11,655,926
Operating Expenses						
Artist Fee	$43,539	$20,899	$3,483,110	$2,089,866	$5,572,977	$5,907,355
Other Expenses	$21,703	$13,022	$1,736,205	$1,302,154	$3,038,358	$3,220,660
Marketing	$5,869	$3,521	$469,498	$352,123	$821,621	$870,918
Total Expenses	$71,110	$37,441	$5,688,813	$3,744,143	$9,432,956	$9,998,933
Operating Revenue	$13,058	$4,185	$1,044,666	$418,535	$1,563,201	$1,656,993
Overhead and Facility Management	$500,000	$530,000				

Costs	2015 Base	Rate	2015 Costs
Insurance			$100,000
Use & Occupancy Base Tax	$11,413,700	1.13%	$128,975
U&O Adjustments			-$2,000
Taxes - Use & Occupancy			$126,975
Taxes - Real Estate	$11,413,700	1.34%	$152,944
Taxes - Amusement	$0	0.00%	$0
Total Costs			$379,918

Capital Costs	HTC Eligible	Not HTC Eligible	Amount
Direct Costs	$20,960,782	$2,442,530	$23,403,312
Other Construction Costs	$0	$5,694,153	$5,694,153
Construction Total	$20,960,782	$8,136,683	$29,097,465
Soft Cost as a percent of construction costs			20%
Percent HTC eligible	50%	50%	
Construction, Additional Design/Soft Costs	$2,909,747	$2,909,747	$5,819,493
Total	$23,870,529	$11,046,430	$34,916,958
% of Total	68%	32%	100%

Federal Historic Tax Credit Percentage	20%	NPS
Federal Historic Tax Credit	$4,774,106	
Multiplier	1.0	
Federal Tax Credit Value for Pro Forma	$4,774,106	
Pennsylvania Historic Tax Credit	$500,000	PHMC

Scenario 2 - Live Performance Venue - Pro Forma

Year	2013 0	2014 1	2015 2	2016 3	2017 4	2018 5	2019 6	2020 7	2021 8	2022 9
Operating Revenue										
Ticket Revenue	-	-	10,033,883	10,234,561	10,439,252	10,648,037	10,860,998	11,078,218	11,299,782	11,525,778
Ticket Surcharge			821,293	837,719	854,473	871,563	888,994	906,774	924,909	943,408
Merchandise	-	-	32,256	32,901	33,559	34,231	34,915	35,613	36,326	37,052
Other Revenue	-	-	662,493	675,743	689,258	703,043	717,104	731,446	746,075	760,996
Concessions			106,000	108,120	110,282	112,488	114,738	117,033	119,373	121,761
TOTAL REVENUE	-	-	11,655,926	11,889,044	12,126,825	12,369,362	12,616,749	12,869,084	13,126,466	13,388,995
Operating Expenses										
Artist Fee	-	-	5,907,355	6,025,502	6,146,012	6,268,933	6,394,311	6,522,198	6,652,641	6,785,694
Other Expenses	-	-	3,220,660	3,285,073	3,350,775	3,417,790	3,486,146	3,555,869	3,626,986	3,699,526
Marketing	-	-	870,918	888,336	906,103	924,225	942,710	961,564	980,795	1,000,411
Adminstrative and Overhead	-	-	530,000	540,600	551,412	562,440	573,689	585,163	596,866	608,803
Insurance	-	-	100,000	102,000	104,040	106,121	108,243	110,408	112,616	114,869
Taxes - Use & Occupancy			126,975	129,514	132,105	134,747	137,442	140,190	142,994	145,854
Taxes - Real Estate			152,944	152,944	152,944	152,944	152,944	152,944	152,944	152,944
Taxes - Amusement			-	-	-	-	-	-	-	-
TOTAL COSTS	-		10,908,852	11,123,970	11,343,390	11,567,199	11,795,484	12,028,335	12,265,843	12,508,101
Net Operating Income			$747,074	$765,075	$783,435	$802,163	$821,265	$840,749	$860,623	$880,894
Interest	6.0%		$1,581,000	$1,581,000	$1,581,000	$1,581,000	$1,581,000	$1,581,000	$1,581,000	$1,581,000
Operating Cash Flow			-$833,926	-$815,925	-$797,565	-$778,837	-$759,735	-$740,251	-$720,377	-$700,106
Owners Equity		-$11,292,856								
Sale of property										$8,808,940
Repayment of loan										-$26,349,997
Net Cash Flow		-$11,292,856	-$833,926	-$815,925	-$797,565	-$778,837	-$759,735	-$740,251	-$720,377	-$18,241,162
NPV	12%	-$19,865,918								
IRR		Not Defined								
Year 1 Debt Coverage Ratio			47%							

Sources and Uses

Uses		
Land Costs		$8,000,000
Construction Cost		$29,097,465
Soft Costs		$5,819,493
Total Uses		$42,916,958
Sources		
Owner Equity	30%	$11,292,856
Loan	70%	$26,349,997
Tax Credit - Federal		$4,774,106
Tax Credit - State		$500,000
Total Sources		$42,916,958

Financial Summary

Development Cost	$42,916,958
Tax Credits	$5,274,106
Net Operating Income (first year)	$747,074
Cash Flow (first year)	-$833,926
Net Operating Income (sale year)	$880,894
Cap Rate for Terminal Value	10%
Terminal Value	$8,808,940
Net Present Value (12%)	-$19,865,918
Internal Rate of Return	Not Defined

Scenario 3 - Movie Theater - Revenue and Cost Calculations

REVENUE CALCULATIONS

Item	Amount
University Six 2012 Revenue per screen	$472,877
Boyd as a multiple of University Six	1.5
2012 Ticket Revenue	$709,316
2012 - 2015 Inflation	1.06
2015 Ticket Revenue	$752,731
Concessions as a percent of Ticket Revenue	50%
Concessions Revenue	$376,366
Advertising as a percent of Ticket Revenue	10%
Advertising Revenue	$75,273
Total Revenue	$1,204,370

EXPENSE CALCULATIONS

Item	Amount
Capital Costs	$33,351,646
2015 Ticket Revenue	$752,731
Film Rental as a percent of Ticket Revenue	54.5%
Film Rental Expenses	$410,239
Concessions Revenue	$376,366
Concessions COGS as a percent of Revenue	18%
Concessions COGS	$67,746
Salaries as a percent of Ticket Revenue	20%
Salaries	$150,546
Administrative Costs as a percent of Revenue	10%
Administrative Costs	$75,273
Other Expenses as a percent of Revenue	20%
Other Expenses	$150,546
Assessed Value	$11,413,700
Property Tax Rate	1.34%
Property Tax	$152,944
Amusement Tax Rate	5%
Amusement Tax	$37,637
Use and Occupancy Tax Rate	1.13%
Use An Occupancy Gross Tax	$128,975
Exemption	$2,000
Use and Occupancy Tax	$126,975

Capital Costs	HTC Eligible	Not HTC Eligible	Total
INTECH, Hard Costs	$19,818,702	$2,438,323	$22,257,025
INTECH, Soft Costs	$0	$5,536,013	$5,536,013
INTECH Total	$19,818,702	$7,974,336	$27,793,038
Soft Cost as a percent of construcftion costs			20%
Percent HTC eligible	50%	50%	
Construction, Additional Design/Soft Costs	$2,779,304	$2,779,304	$5,558,607.60
Total	$22,598,006	$10,753,640	$33,351,646
%of Total	68%	32%	100%

TAX CREDITS

Tax Credit Eligibility Calculation	Amount	Percent Eligible	Amount Eligible
Soft Costs/Fees	$11,094,621	25%	$2,779,304
Hard Costs/Construction Costs	$22,257,025	89%	$19,818,702
Total	$33,351,646	68%	$22,598,006
Federal Historic Tax Credit Percentage			20%
Federal Historic Tax Credit			$4,519,601
Multiplier			1
Federal Tax Credit Value for Pro Forma			$4,519,601
Pennsylvania Historic Tax Credit			$500,000

Scenario 3 - Movie Theater - Pro Forma

Year	2013 0	2014 1	2015 2	2016 3	2017 4	2018 5	2019 6	2020 7	2021 8	2022 9
Operating Revenue										
Ticket	-	-	752,731	767,786	783,142	798,804	814,781	831,076	847,698	864,652
Concessions	-	-	376,366	383,893	391,571	399,402	407,390	415,538	423,849	432,326
Advertising	-	-	75,273	76,779	78,314	79,880	81,478	83,108	84,770	86,465
TOTAL REVENUE	-	-	1,204,370	1,228,457	1,253,027	1,278,087	1,303,649	1,329,722	1,356,316	1,383,443
Operating Expenses										
Movie Rentals	-	-	410,239	418,443	426,812	435,348	444,055	452,937	461,995	471,235
Cost of Goods (Concessions)	-	-	67,746	69,101	70,483	71,892	73,330	74,797	76,293	77,819
Personnel	-	-	150,546	153,557	156,628	159,761	162,956	166,215	169,540	172,930
Administrative	-	-	75,273	76,779	78,314	79,880	81,478	83,108	84,770	86,465
Maintenance	-	-		-	-	-	-	-	-	-
Other Expenses	-	-	150,546	153,557	156,628	159,761	162,956	166,215	169,540	172,930
Taxes - Real Estate			152,944	152,944	152,944	152,944	152,944	152,944	152,944	152,944
Taxes - Use & Occupancy			126,975	129,514	132,105	134,747	137,442	140,190	142,994	145,854
Taxes - Amusement			37,637	38,389	39,157	39,940	40,739	41,554	42,385	43,233
Taxes - Gross Receipts										
TOTAL COSTS	-		1,171,905	1,192,284	1,213,071	1,234,274	1,255,900	1,277,959	1,300,460	1,323,410
Net Operating Income			$32,465	$36,173	$39,956	$43,814	$47,749	$51,763	$55,857	$60,033
Interest	6%		$1,525,946	$1,525,946	$1,525,946	$1,525,946	$1,525,946	$1,525,946	$1,525,946	$1,525,946
Operating Cash Flow			-$1,493,481	-$1,489,773	-$1,485,990	-$1,482,132	-$1,478,197	-$1,474,183	-$1,470,089	-$1,465,913
Owners Equity		-$10,899,613								
Sale of property										$600,327
Repayment of loan										-$25,432,431
Net Cash Flow		-$10,899,613	-$1,493,481	-$1,489,773	-$1,485,990	-$1,482,132	-$1,478,197	-$1,474,183	-$1,470,089	-$26,298,017
NPV	12%	-$25,260,977								
IRR		Not Defined								
Year 1 Debt Coverage Ratio			2%							

Sources and Uses		
Uses		
Land Costs		$8,000,000
Construction Cost		$27,793,038
Soft Costs		$5,558,608
Total Uses		$41,351,646
Sources		
Owner Equity	30%	$10,899,613
Loan	70%	$25,432,431
Tax Credit - Federal		$4,519,601
Tax Credit - State		$500,000
Total Sources		$41,351,646

Financial Summary	
Development Cost	$41,351,646
Tax Credits	$5,019,601
Net Operating Income (first year)	$32,465
Cash Flow (first year)	-$1,493,481
Net Operating Income (sale year)	$60,033
Cap Rate for Terminal Value	10%
Terminal Value	$600,327
Net Present Value (12%)	-$25,260,977
Internal Rate of Return	Not Defined