

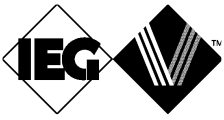
IEG Valuation® Statement

MerleFest

Official Sponsor - 2007

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IEG Valuation® Statement

IEG Valuation Service
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MerleFest Official Sponsor - 2007

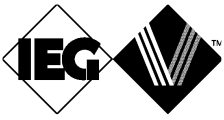
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Description of Property

Established in 1988 to celebrate the music and life of Merle Watson, MerleFest (the "Festival") is a four-day Americana music festival held annually at the Wilkes Community College campus in Wilkesboro, North Carolina. MerleFest offers a generation- and genre-crossing mix of traditional and contemporary roots music, bringing together the best bluegrass, contemporary acoustic, blues, folk, old-time, Cajun, jazz and signer-songwriter artists. MerleFest also provides family activities, heritage crafts, food, dance and shopping in a safe, alcohol-free environment. MerleFest is owned and managed by Wilkes Community College. The 2006 Festival attracted more than 82,000 people. The 2007 Festival will be held on April 26-29.

The Festival's mission is to produce a high quality diversified American roots-based musical experience that attracts a broad audience and reunites guests, supporters and performers in annual celebration of Americana music. The Festival is held in a secure and substance-free setting that compliments the experience and fosters interest in a variety of musical forms representative of the repertoire of Doc and Merle Watson. Through the years, MerleFest has provided funds for its founding purpose, the Eddy Merle Watson Memorial Garden for the Senses; providing an interpretive, educational, artistic and cultural experience for visually impaired as well as sighted guests. In addition, MerleFest directly contributes to Wilkes Community College's scholarships, capital improvements, development and other needs of the institution.

Official Sponsor rights and benefits include category exclusivity, promotional rights, on-site signage, ID in the event program and other MerleFest publications, premium sampling/display space, visibility on the MerleFest Web site, VIP hospitality and tickets. In addition, each Official Sponsor will receive sole/exclusive sponsorship recognition in connection with an area or attraction at the Festival ("Sponsored Area/Attraction"), which may include a stage, R&R tent, or special contest.



IEG Valuation[®] Statement

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IEG Valuation Service

Sponsors are invited to call IEG with questions or to verify that this is a current, unaltered report. Tel: 1-800/834-4850 (outside the U.S., call 312/944-1727).

The system for valuing sponsorship was originated by IEG, Inc., the world's leading independent provider of sponsorship information and analysis. IEG was founded in 1981.

IEG Valuation Service provides an objective, accurate determination of what a sponsorship is worth, and has been used by more than 700 clients to appraise the value of nearly 1,000 local, national and international opportunities in sports, arts, entertainment, events, venues and causes.

IEG does not own, represent or collect commissions from any properties.

The industry standards IEG uses to determine tangible and intangible benefits, cost/benefit ratios and multipliers for geographic reach were calculated by analyzing patterns between the rights fees sponsors pay and the benefits they receive. Primary research includes IEG's annual survey of more than 3,000 sponsorship opportunities and audits of more than 500 sponsorship contracts each year.

Nearly 200 leading sponsors endorse the IEG Valuation Service including Adidas, ALLTEL, AT&T, Ben & Jerry's Homemade, Inc., Charles Schwab, Delta Air Lines, EDS, FedEx, Gatorade, John Hancock, JPMorgan Chase, JVC, Kellogg's, Kodak, Labatt Breweries, Lucent Technologies, MasterCard, Miller Brewing, Nissan, Ocean Spray, Philips Int'l, Procter & Gamble, Sears, Sega, Shell Oil, Sprint, T.J. Maxx/Marshalls, Toyota, Visa U.S.A., Warner-Lambert and Wrangler.

Valuation Methodology

Value of Tangible Benefits. Tangible benefits refer to the quantitative benefits in a package, both measured and non-measured, such as advertising in the official program book and sponsor ID on ticket backs.

Value of Intangible Benefits. Intangibles are the qualitative benefits that a sponsorship delivers, such as borrowed imagery and audience loyalty. When a company buys sponsorship, it is primarily buying access to a property's intangibles.

Geographic Reach/Impact. Reach reflects the number, size and value of the market(s) in which a sponsor will promote its affiliation with the property.

Cost/Benefit Ratio. Because sponsorship is more labor-intensive than measured media and lacks guarantees such as advertising's "make goods," it must over-deliver. IEG thus applies a cost/benefit ratio of at least 1-to-1.5, i.e., for every \$1 sponsors invest, they receive at least \$1.50 worth of benefits. However the ratio jumps up to 1-to-3 in media heavy packages where the televised signage is at least three times that of all other tangible benefits.



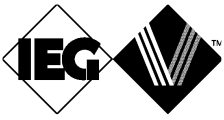
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Tangible Benefits

Benefit Description ¹	Amount in Package ²
Guaranteed Sponsor ID in Non-Measured Media ³	
<u>Signage/ID: ⁴</u>	
Rotating ID on 10' x 10' Electronic Billboard on Main Stage; two times per day	12,393 attendees
ID on 40' x 5' Banner at Festival Entrance	41,309 attendees
ID on Signage at Sponsor's Proprietary Area/Attraction	24,785 attendees
ID on Directional Signage for Sponsor's Proprietary Area/Attraction	41,309 attendees
<u>Publications/Collateral Materials:</u>	
Full-Page Ad in MerleFest Program	20,000 circulation
ID in Connection with Sponsored Area/Attraction in MerleFest Program	20,000 circulation
ID on Sponsor Page of MerleFest Program	20,000 circulation
Recognition in Connection with Sponsored Area/Attraction in MerleFest Email Newsletter; once per year	9,400 circulation
ID on Sponsor Recognition Page in MerleFest Email Newsletter; three times per year	9,400 circulation
ID on Pocket Schedules ⁵	25,000 pieces
ID in Brochures	75,000 pieces
<u>Other:</u>	
PA Announcements; four days; avg. of 26 per day	24,785 attendees
Guaranteed Visibility on Event Web Site ⁶	
ID on Bottom of Home Page (along with All MerleFest Sponsors); below the "fold"	74,331 unique visitors
ID on Sponsor Page	18,583 unique visitors
Sampling/Display ⁷	
10' x 10' Sampling/Display Area at Expo Center ⁸	\$ 850 rate-card rate
VIP Hospitality ⁹	
(12) All Access Passes ¹⁰	12 passes
(2) VIP Parking Passes ¹¹	2 passes
Benefits Available À La Carte ¹²	
<u>Hospitality/Tickets:</u>	
(20) General Admission Tickets; four-day passes; \$145 each	\$ 2,900 face value



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Notes to Tangible Benefits

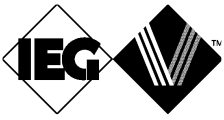
- 1 IEG's Valuation is based on the following assumptions:
(NOTE: Changes in the assumptions could significantly affect the value.)
 - MerleFest takes place over four days
 - 2006 MerleFest total attendance: 82,618

The following benefits are received by Presenting Sponsor, but not included in the Valuation because not enough information is available.

- Sponsor ID/mentions during MerleFest radio broadcasts by Wilkes Community College radio station
- Sponsor ID/mentions during MerleFest radio broadcasts by XM Satellite Radio

In effect, Sponsor receives these benefits for free.

- 2 Quantity included in the sponsorship package. Numbers are totaled so that if a sponsor receives a benefit quarterly, quantity shown is the benefit multiplied by four. Note: Numbers in this column are not the value IEG assigns to the benefit. Where actual rate cards exist, IEG may credit the full value or, as is more often the case, discount the rate-card rate by some percent. When it has been discounted, it is indicated by the "rate-card basis" unit of measurement. An explanation of the values assigned is detailed in notes below.
- 3 Most ID in non-measured media is valued by IEG at \$.0025 per impression. Some, such as ID on merchandise, is valued as high as \$.05 per piece. IEG counts impressions only once and only those that are guaranteed. For example, IEG uses actual circulation and does not credit pass-along readership. If sponsor ID appears on 500 T-shirts, it is credited as 500; guesses as to how often the shirt might be worn or the number of people who might see the shirt are not made. This methodology removes subjectivity, guesstimates and soft numbers allowing sponsors to most accurately assess offers.
- 4 IEG conservatively estimates impressions based on signage locations, size and quantities.
- 5 Sponsor will receive ID within the schedule in connection with its Sponsored Area/Attraction.
- 6 ID on a Web site ranges between \$.0025 and \$.10 per unique user. Variables include placement, size, stickiness, percent of content to advertising, how well integrated the sponsor is in the site, how strong the cobranding or associative link is and how well the user understands that the experience or content was brought to the site by the sponsor. According to a report from the Web site administrator, the site obtained 185,827 unique visitors from 5/1/05 through 4/30/06. IEG estimated the number of unique visitors on an annual basis who are likely to go to pages with Sponsor ID.
- 7 Display booths are valued based on rental rates where applicable. If no rate applies, sampling/display is valued based on the number of attendees likely to be sampled. Variables impacting the number of people likely to be sampled include sampling location, product being sampled and property type. Sponsor inserts in goodie bags are typically valued at \$.04 per bag, while Face-to-face sampling is valued at an average of \$.15 per person. However, depending on the desirability of the audience, this may be higher.
- 8 The Presenting Sponsor would receive a free-standing display in a prime location at the Expo Center. Valuation is based upon the Festival's standard rate for a 10' x 10' booth (\$850, or \$8.50 per square foot). Vendors can also purchase display space.



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Notes to Tangible Benefits

- 9 IEG typically values passes or hospitality with no face value at \$25 to \$750 each. Factors include demand for passes, tent location, as well as availability of this benefit à la carte to nonsponsors. The top end of the range applies only to mega events.
- 10 These passes include general admission, access to premium seating areas, access to the backstage area, and access to the dining area (which includes meals, snacks and beverages).
- 11 Sponsor receives six spots in a reserved lot. These spots are not sold to the public.
- 12 This package includes benefits that are available to companies without making a sponsorship commitment. Since they are available à la carte, IEG does not value them as sponsorship benefits and they are not run through the pricing formula. They are unbundled and added in at the end based on full rate-card rates and face values. Sponsors or their media buyers can assess the actual value (see page 10).



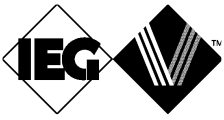
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Intangible Ranking

Criteria	Comments	Rank 1-10 (10 is highest)
Prestige of Property	MerleFest has built a reputation as the premier Americana music festival, bringing together more than 100 of the best artists and bands in the genre, who perform on one of the Festival's 13 stages. Named in honor of legendary finger-picking guitarist Eddy Merle Watson, the Festival has attracted a wide variety of artists over the years including Guy Clark, Mary Chapin Carpenter, Earl Scruggs, Sam Bush, Alison Krauss, Dolly Parton, Willie Nelson and Patty Loveless. Southwest Airlines Spirit Magazine called MerleFest "the most important roots music festival in the country." MerleFest was a finalist for the International Business Music Association (IBMA) "Event of the Year" award in 2006 and the Folk Alliance "Festival of the Year" in 2006. The 2006 event raised more than \$1,000,000 for Wilkes Community College endowment. Numerous community and business leaders sit on the MerleFest board of directors.	10
Recognizability/Awareness	MerleFest was founded in 1988. According to an economic impact prepared by Wilkes Community College and MerleFest staff, the 2006 Festival had a regional impact of more than \$16 million. The Festival is promoted in more than \$240,000 worth of measured media. XM Satellite Radio conducts live broadcasts from MerleFest. MerleFest also generates additional awareness for the Festival and its mission throughout the year via the Outreach Program, which takes the Festival experience to public schools and other venues in northwest North Carolina in an effort to further educate and cultivate an interest in roots music.	10
Category Exclusivity	Package offers exclusivity within Sponsor's product/service category.	10
Level of Audience Interest/Loyalty	MerleFest annual attendance increased three percent from 2005 and has averaged around 80,000 over the past five years (see Chart A). MerleFest had 4,072 volunteers in 2005, who contributed more than 40,000 hours. Nearly \$175,000 of event-branded merchandise was sold in 2006, an increase of 20 percent over the previous year. According to a 2006 survey of event attendees conducted by Wilkes Community College, more than 67 percent said that sponsors benefit MerleFest. In addition, 73 percent said they may be more likely to consider a product because a firm is a MerleFest sponsor.	9
Ability to Activate	Sponsor can display products and run on-site promotions from its display area. In addition, Sponsor may supply prizes for the MerleFest Raffle and the MerleFest Silent Auction. Sponsor could use Festival tickets as giveaways in consumer promotions. MerleFest will help arrange meet-and-greets with Festival performers. Sponsor can use all-access passes to entertain clients or guests. MerleFest has several media partners and retail partners. With MerleFest approval, Sponsor may pass through rights to its retailers, vendors, etc. Sponsor's promotional time frame typically lasts one to two months.	8



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Intangible Ranking (Continued)

Criteria	Comments	Rank 1-10 (10 is highest)
Limited Degree of Sponsor Clutter	In 2006, MerleFest has a total of 98 sponsors, including a maximum of 20 Official Sponsors and an unlimited number of Major Sponsors, media partners, and other sponsors (see Chart H). The Presenting Sponsor receives dominant recognition in the event's media buy, publications and on-site signage. However, the Sponsored Area/Attraction offers each Official Sponsor an opportunity to break through the sponsor clutter.	7
Non-ambushability of Property	Exclusivity extends to on-site signage, sampling/display, the Festival event program and Web site, and all MerleFest promotions (see Chart G). Nonsponsors may purchase display space at the Expo Center. In addition, performers appearing at the Festival may have their own sponsors (which may be competitors of MerleFest sponsors). However, performers' sponsors receive no recognition by MerleFest and limited recognition at the Festival (e.g. verbal announcements by performers).	8
Networking Opportunities	MerleFest attracts numerous cosponsors including Tyson Foods, Gibson Musical Instruments, Lowe's, Pepsi, Burger King, Hardees, Taylor Guitars and American Express and Sprint (see Chart E). However, MerleFest does not conduct sponsor workshops to facilitate networking and cross promotions.	8
Media Coverage Potential	MerleFest issued 3,235 media credentials for the 2006 Festival and has one full-time staff member dedicated to PR. Media partners include WXII-TV, Winston-Salem Journal, WFMX 105.7 FM, WNCW Public Radio, BluegrassCountry.org, WBRF Radio, WPAQ AM 740, XM Satellite Radio, WKVS Kicks 103.3, Bluegrass Now Magazine, No Depression Magazine and Acoustic Guitar Magazine. According to an analysis performed by MerleFest based upon press clippings tracked by Burelles, the 2006 event generated more than 256 million impressions from more than 1,170 articles in newspapers, music magazines and Web sites across the country.	10
Established Track Record	MerleFest has worked with sponsors for more than 17 years. One full-time staff member works on servicing sponsors. MerleFest conducts attendee surveys and provides a post-event report to sponsors. The sponsor renewal rate averaged 86 percent over the last three years (see Chart F).	9

Total 89/100



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Deal Terms

- Right to use MerleFest marks and logos in advertising, packaging and promotions
- Designations: "Official Sponsor"; "Official Product/Service of MerleFest"
- Minimum term: one year
- Right of first refusal
- Right to conduct research on-site

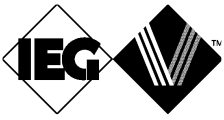
Geographic Reach and Impact

Scope	Description	Reach/Impact
Global	Leveraged in more than 150 countries	<input type="radio"/>
International	Leveraged in more than 75 countries	<input type="radio"/>
Multi-regional	Leveraged in 15 to 74 countries in multiple regions	<input type="radio"/>
Multi-country	Leveraged in 2 to 14 countries	<input type="radio"/>
National	Relevant in at least 15 of the top 20 DMAs	<input type="radio"/>
Regional	Leveraged in multiple markets within a region	<input type="radio"/>
Statewide	Leveraged in multiple markets within a state	<input type="radio"/>
Local: Major Market	Leveraged in A market	<input type="radio"/>
Local: Minor Market	Leveraged in B or C market	<input checked="" type="radio"/>
Local: Minor Market	Leveraged in D or E market	<input type="radio"/>

Cost/Benefit Ratio ¹³

Package	Ratio	MerleFest
Media-heavy Package	1 to 3	<input type="radio"/>
Standard Ratio	1 to 1.5	<input checked="" type="radio"/>

¹³ Cost/Benefit ratio reflects the burden of delivery IEG places on property before calculating the fee. In this case, even after discounting some tangible benefits by as much as 90 percent, for every dollar spent on the rights fee, the sponsor receives at least \$1.50 worth of benefits.



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Fair Market Value

Description	Amount
Face Value of Tangible and Intangible Benefits	\$ 16,306
Cost/Benefit Ratio	÷ 1.5
Subtotal	10,870
Value of Benefits Available À La Carte	+ 2,900
Sum	13,770
Official Sponsor - 2007 Fair Market Value	\$ 14,000 ¹⁴

- 14 This is the fair market value that this package of benefits is worth. It accounts for all tangible and intangible benefits, the geographic reach and the cost/benefit ratio. It does not account for any costs associated with implementing or leveraging the sponsorship. Prospective sponsors must determine if the opportunity meets their specific objectives.

Verification Documents Received

IEG requires the valued property to provide detailed documentation and back-up.

Yes	No	N/A	
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Financial Statement
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Copies of all publications and collateral materials with sponsor logos, ads or editorial features (e.g., program books, schedules, newsletters)
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Media schedule and sample ads showing sponsor ID at each level
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Applicable rate cards (e.g., advertising, booth rental)
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Survey results on audience demographics, sponsor acceptance/loyalty and recall
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Sponsor contract for each level being valued
<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Details on TV package, including broadcast list by market, ratings and share, CP:30 and media verification reports (for televised properties only)
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Follow-up report given to last year's sponsor
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Restrictions on sponsor signage in host venue
<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Agreements with broadcasters, venue, league and licensees that impact sponsors
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	Press clippings



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Chart A: Five-Year Attendance History

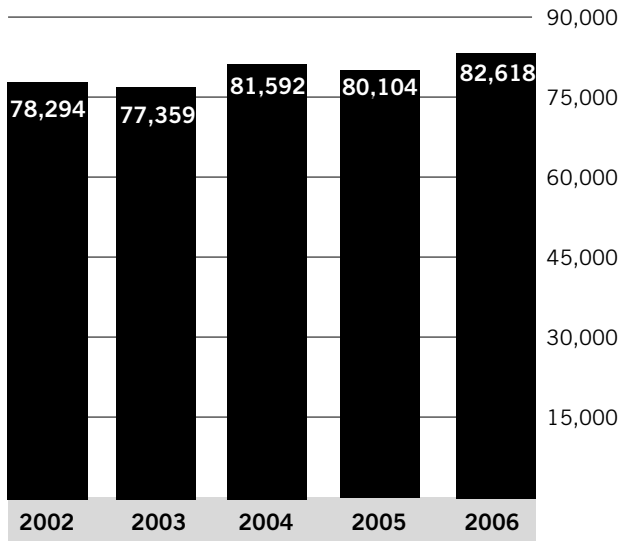


Chart B: Attendees by Gender*

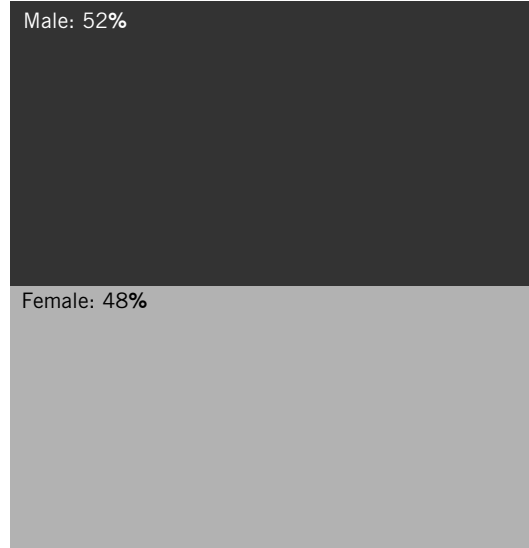
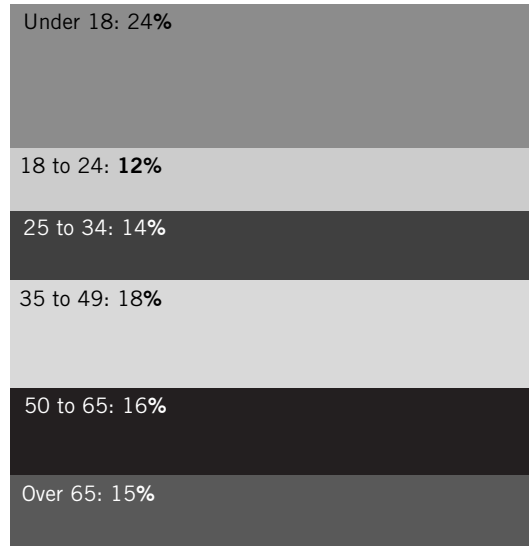


Chart C: Attendees by Annual Household Income*



Chart D: Attendees by Age*



* Source: 2006 survey conducted by Wilkes Community College



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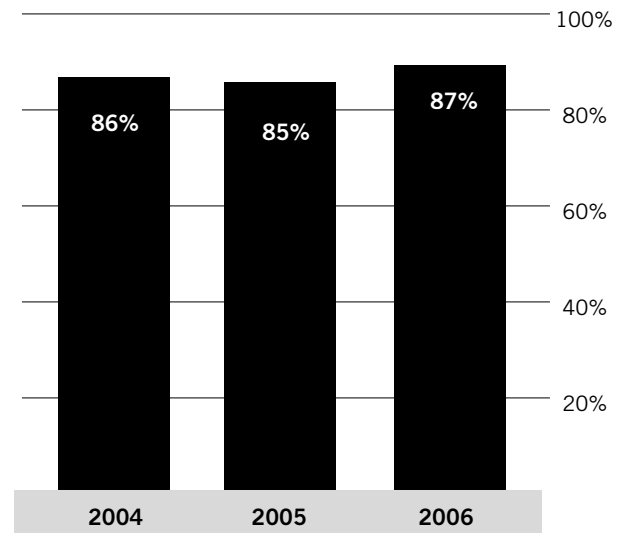
MerleFest

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Chart E: 2007 MerleFest Sponsors

Company	Presenting	Official	Major
Lowe's Home Improvement	●	○	○
WXII-TV 12	○	●	○
Tyson Foods	○	●	○
Winston-Salem Journal	○	●	○
Gibson Musical Instruments	○	●	○
Burger King	○	●	○
WTQR 104.1 FM	○	●	○
Pepsi Bottling Venutres LLC	○	●	○
mvradio.com	○	●	○
WQDR 94.7 FM	○	●	○
Taylor Guitars	○	○	●
iBluegrass & The Acoustic Network	○	○	●
C&J LP Gas Company and G&B Energy	○	○	●
Fender Guitars/Guild/SWR	○	○	●
Brushy Mountain Smokehouse	○	○	●
J D'Addario & Co	○	○	●
Deering Banjo Company	○	○	●
First Quality Musical Supplies	○	○	●
Sugar Hill Records	○	○	●
BG Country.org	○	○	●
Stelling Banjo Works	○	○	●
WNCW 88.7 FM Public Radio	○	○	●
John Pearse Strings	○	○	●
Cedar Creek Custom Case Shoppe	○	○	●
Collings Guitars	○	○	●
GHS Strings	○	○	●
Sprint (Embarq)	○	○	●
Homespun Tapes Ltd.	○	○	●
Knee Deep in Bluegrass	○	○	●
Western Beat Entertainment	○	○	●
WBRF-FM	○	○	●
WHEE Radio	○	○	●

Note: In addition to the above, MerleFest will have 24 "Significant Sponsors" and 24 other sponsors in 2007

Chart F: Sponsor Renewal Rate

Chart G: Scope of Exclusivity

	Yes	No
Exclusivity Extends to On-Site Signage	●	○
Exclusivity Extends to Sampling/Display	●	○
Exclusivity Extends to Festival Event Program	●	○
Exclusivity Extends to Web Site	●	○
Exclusivity Extends to MerleFest Promotions (on-site and off-site)	●	○
Exclusivity Extends to Performers Appearing at Festival	○	●

Chart H: Summary of 2007 MerleFest Sponsorship Packages

Maximum Number of Presenting Sponsors	1
Maximum Number of Official Sponsors	20
Maximum Number of Major Sponsors	unlimited
Maximum Number of Significant Sponsors	unlimited
Maximum Number of Other Sponsors	unlimited
Maximum Number of Companies with MerleFest Affiliation	unlimited




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Certification

The contents and opinions contained in the Valuation Statement are based on information furnished in writing by the property to IEG and upon IEG's experience in valuing properties, using proprietary formulas.

IEG, Inc. Signature: 	Title: Managing Director, IEG Valuation Service	Date: 9/15/2006
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The rules and the procedures for reporting of pricing information are common to all statements issued by IEG.

Any use or reliance upon the information is at the risk of the individual(s) using or relying upon such information.

Sponsors are invited to call IEG with questions or to verify that this is a current, unaltered report. Tel: 1-800/834-4850 (outside the U.S., call 1-312/944-1727). To stay apprised of the latest developments in sponsorship valuation, sponsors are invited to call IEG for a free subscription to *IEG's Valuation Update*.