SAN DIEGO OPERA ASSOCIATION
Special meeting of the Board of Directors
The Hyatt Regency La Jolla
March 19, 2014

- Minutes -

Board members present:		
Raffaella Belanich Marsha Chandler Lee Clark Karen Cohn Harry Cooper Teresa Fischlowitz Jennifer Greenfield (by phone) Abeer Hage Robert B.Horsman Ann Irwin Lynda Kerr David Kleinfeld	Carol Lazier Ian Leisegang Matt Leivo Mary Keough Lyman Frances Marshall Sarah B. Marsh-Rebelo Tom Melody James Merritt Karen Hassett Meyer Anita Norton Teresa Norton Luis Nunez	Gloria Rasmussen Zandra Rhodes Jeremiah Robins Karen Sedgwick-Tyler Pam Slater-Price Iris Strauss Harry Suh Tony Thornley Lori Walton Joe Watkins Sheryl White
Board members unable to attend:		
David Brenner Courtney Ann Coyle Cheryl Fisher Nathan Fletcher Harry F. Hixson Julie Huston John Ippolito Margaret Jackson	Jeanne Jones Jeffrey Lipinsky Alex Lukianov Mary Lyons Anne Otterson Tim Rafalovich Claire Reiss	Colette Carson Royston Ellen Scripps Linda Spuck Debbie Turner Moses Urbano Danitza Villaneuva Faye Wilson
Staff:		
Cindy Bartelli Ann Spira Ian D. Campbell	Keith Fisher Chris LaZich Michael Lowry	Two non-staff members present – both attorneys: Abby Silverman Weiss Victor Vilaplana

Agenda Topics:	
1. Introduction	Karen S. Cohn, President
2. Financial Position	Harry B. Suh, Vice President, Finance
3. President's Report	Karen S. Cohn, President
4. Adjournment	Karen S. Cohn, President

Agenda Topics	
1. Introduction	**Karen S. Cohn, President**

Discussion:

Mrs. Cohn called the meeting to order at 11:08am.

Mrs. Cohn welcomed and thanked everyone for attending a very serious meeting and announced that the discussion would be regarding the need to dissolve the Company.

2. Financial Position	**Harry B. Suh, Vice President, Finance**

Discussion:

Mr. Suh reported that SDO's cash flow projection has not changed significantly since it was last presented when it was reported that we would run out of cash and reserves by January of 2015. Please find attached to these minutes as **Exhibit A.** However, numerous factors have negatively impacted the outlook on the Company's future:

- Ticket sales have continued to drag, despite rave reviews, and the concern is that next year will be even worse. Ticket sales have decreased steadily over the past four years from total tickets sold in 2010 of 41,253 vs. our projection of 31,500 in the current year. This would be the worst season ever for total tickets sold if the projection holds true.
- There have been some significant asks made of major supporters of the Company which were declined which has made the success of the 50th Anniversary campaign which was imperative to the Company's viability pessimistic. It appears donor support is not at a level needed in order to support the Company.
- The renewal brochure for the 2015 season was not sent out to avoid the collection of patrons' money when there are severe doubts about the ability to start, let alone finish, the 2015 season. At this same time, this has severely impacted our cash flow situation.
- Waiting until January when cash would be completely depleted, meeting all of our obligations would be unlikely.
- The Finance Committee investigated numerous options to finance the operations of the Company if it were to run out of cash. These options included borrowing against the Scenic Studio, selling the Scenic Studio to a donor that would gift it back or lease it back for free, leveraging the endowment, requesting a release on the endowment and selling the Scenic Studio. Some of these options did not pan out and the ones that were viable only provided enough cash for one to three months of additional operations. None solved the overall financial issue.
- The approach the Finance Committee recommends is that if the Company is not viable and it is determined that it cannot complete the 2015 season, the goal should be to close down with dignity, avoid bankruptcy if at all possible, and be able to pay all obligations. The sooner this extremely difficult decision is made, the better the chance of meeting that goal.

Mr. Suh reported that based on all these factors, the Finance Committee is recommending the Board vote to cease operations after the 2014 season. He indicated that the committee was not recommending a dissolution at this point. In theory, the operations of San Diego Opera Association could be restarted in the future if the shell organization is kept as a going concern. This would be up to the membership to decide.

Mr. Campbell reminded the group that *A Masked Ball*, with its great cast and positive reviews, only sold 74% of capacity.

Mrs. Cohn explained that the business attorney outlined three options for the Company to take if it is decided that operations should cease after this season:

- Bankruptcy (7 or 11)
- Assignment for benefit of creditors (ABC)
- In house settling

As of right now, the Assignment process appears to be the best option given the Company's situation.

Mr. Suh informed the Board that staff has already retained an attorney to advise the Company on legal matters, an employment lawyer and a PR person.

3. **President's Report**	**Karen S. Cohn, President**

Discussion:

Mrs. Cohn introduced the two attorneys engaged to help guide the process: Abby Silverman, an Employment Practices attorney and Victor Vilaplana of Foley Lardner LLP to work on the dissolution and Assignment process.

Mr. Campbell reminded the group that these financial matters have been brought to the board for years, and that staff had been going to major donors to explain the situation with no results. He explained that he decided not to issue the season brochure deliberately – so as to not create any issues with having to return patrons their monies collected.

Mr. Campbell reported that if the resolution passes, the staff would be informed at 2:00pm later that day, as he had already called a meeting. Staff will be informed that their last day of employment will be after the close of *Don Quixote*.

Mr. Campbell then informed the board members that he had already spoken to the Union Tribune on the day prior and that they had been given permission to go live with the story at 4:00pm. He requested that the board please not leak this story prior to this time.

Mr. Suh then read aloud the proposed resolution to the present members of the board for their consideration. Please find attached to these minutes as **Exhibit B.**

Mr. Robins asked for clarification on the Assignment which in his opinion, was the best course of action based on current financials.

Mr Vilaplana explained that as of April 14th, or soon thereafter, the Assignee would take possession of all Company assets and would be responsible for negotiating all outstanding obligations and contracts.

Mr. Thornley asked if the assets of the Company include all future pledges and if this would be legally enforceable.

Ms. Spira reported that all donors would be asked to pay their pledges if they had been honored for them in this fiscal year or years prior. She mentioned that help of board members would be needed to help collect on these pledges.

Mr. Horsman asked what the dollar amount is in pledges receivable.

Mr. Lowry reported that pledges receivable would be somewhere in the vicinity of $1.5 million.

Ms. Norton asked for what the timeline would be for the cessation of operations.

Mr. Vilaplana explained that it may take some time to sell assets and the Scenic Studio.

Mr. Suh then reported that the board will continue to exist and that all board members remain in their positions through the end of June 2014. He mentioned that the Assignee will negotiate down obligations and that the Finance Committee had looked at every option – the Assignment is the recommendation of the committee.

Mr. Campbell reiterated that staff has done everything possible to avoid this day – reduced repertoire, laid off staff, etc.

Mr. Merritt suggested that if there was an option to take care of the staff which in his opinion, are wonderful, by providing them with a fair severance package rather than paying off obligations to performers who won't actually be performing, then that would seem optimal.

Mr. Campbell explained that all contracts with future artists are binding but that the Assignee will negotiate them down if at all possible.

Mr. Campbell then asked to have a copy of the press release distributed. Please find attached to these minutes as **Exhibit C.** He reminded the group that the news would go live at 4:00pm and would likely be on the front page of the Union Tribune the next day.

Mrs. Cohn mentioned that board members might be contacted by the press, and asked that they direct all questions to the PR person, Peter McCracken, as listed at the top of the press release.

Mrs. Strauss then made a motion to approve the resolution, seconded by Pam Slater Price.

Mrs. Cohn then asked for a vote of the members present and requested a roll call. The votes were as follows (in alpha order):

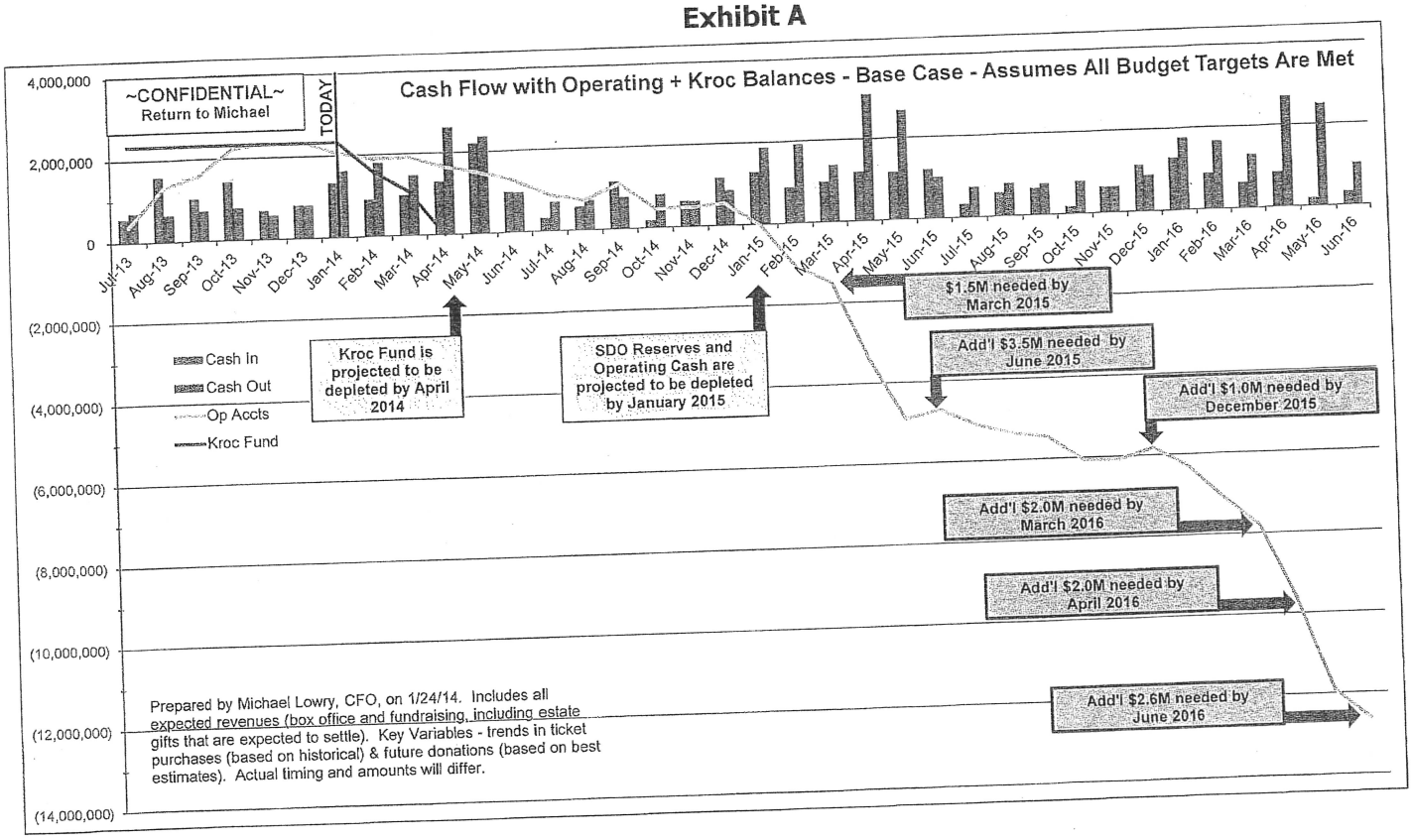
- Raffaella Belanich - YES
- Marsha Chandler - YES
- Lee Clark - YES
- Karen Cohn - YES
- Harry Cooper - YES
- Teresa Fischlowitz - YES
- Jennifer Greenfield – unable to vote due to technical problems with conference call
- Abeer Hage - YES
- Robert B.Horsman - YES
- Ann Irwin - YES
- Lynda Kerr - YES
- David Kleinfeld - NO
- Carol Lazier - YES
- Ian Leisegang - YES
- Matt Leivo - YES
- Mary Keough Lyman - YES
- Frances Marshall - YES
- Sarah B. Marsh-Rebelo - YES
- Tom Melody - YES
- James Merritt - YES
- Karen Hassett Meyer - YES
- Anita Norton - YES
- Teresa Norton - YES
- Luis Nunez - YES
- Gloria Rasmussen - YES
- Zandra Rhodes - YES
- Jeremiah Robins - YES
- Karen Sedgwick-Tyler - YES
- Pam Slater-Price - YES
- Iris Strauss - YES

	• Harry Suh - YES • Tony Thornley - YES • Lori Walton - YES • Joe Watkins - YES • Sheryl White – YES Mrs. Cohn announced that the resolution was now passed.
4. Adjournment	**Karen S. Cohn, President**
	Discussion: Mrs. Cohn adjourned the meeting at 12:17pm.

Minutes respectfully submitted,

Keith A. Fisher, Assistant Secretary
San Diego Opera Association

Exhibit A


~CONFIDENTIAL~
Return to Michael
TODAY
Cash Flow with Operating + Kroc Balances - Base Case - Assumes All Budget Targets Are Met
4,000,000
2,000,000
0
(2,000,000)
(4,000,000)
(6,000,000)
(8,000,000)
(10,000,000)
(12,000,000)
(14,000,000)
Jul-13 Aug-13 Sep-13 Oct-13 Nov-13 Dec-13 Jan-14 Feb-14 Mar-14 Apr-14 May-14 Jun-14 Jul-14 Aug-14 Sep-14 Oct-14 Nov-14 Dec-14 Jan-15 Feb-15 Mar-15 Apr-15 May-15 Jun-15 Jul-15 Aug-15 Sep-15 Oct-15 Nov-15 Dec-15 Jan-16 Feb-16 Mar-16 Apr-16 May-16 Jun-16
Cash In
Cash Out
Op Accts
Kroc Fund
Kroc Fund is projected to be depleted by April 2014
SDO Reserves and Operating Cash are projected to be depleted by January 2015
$1.5M needed by March 2015
Add'l $3.5M needed by June 2015
Add'l $1.0M needed by December 2015
Add'l $2.0M needed by March 2016
Add'l $2.0M needed by April 2016
Add'l $2.6M needed by June 2016
Prepared by Michael Lowry, CFO, on 1/24/14. Includes all expected revenues (box office and fundraising, including estate gifts that are expected to settle). Key Variables - trends in ticket purchases (based on historical) & future donations (based on best estimates). Actual timing and amounts will differ.

Action by the Board of Directors of
San Diego Opera Association
at a Special Meeting of the Board of Directors on March 19, 2014

WHEREAS, a special meeting of the Board of Directors ("Board") of the San Diego Opera Association (the "Company") was duly noticed in accordance with the Company 's by-laws for March 19, 2014.

WHEREAS a quorum was present at the Special Meeting of the Board;

WHEREAS, the Board has determined that it is in the best interests of the Company and its stakeholders to not proceed with the 2015 season and discontinue normal operations after the close of the last performance of Don Quixote on April 13, 2014;

WHEREAS, the goal of the Board is for the Company to take such action, including but not limited to an assignment for the benefit of creditors, in order to satisfy to the greatest extent possible, the Company's outstanding obligations;

WHEREAS, the Board would like to shield the Endowment and Kroc Production Fund investments held by Northern Trust from future stock market volatility;

NOW, THEREFORE, BE IT RESOLVED, that, it is in the best interests of this Company and its stakeholders to not proceed with the 2015 season and to discontinue normal operations after the close of the last performance of Don Quixote on April 13, 2014;

RESOLVED FURTHER, that the Board hereby ratifies and confirms the direction given by the Finance Committee to Northern Trust to re-allocate the Endowment Fund and Kroc Production Fund investments from their prior investment mix into cash-type funds.

RESOLVED FURTHER, that the Company's officers, under the oversight of the Finance Committee, are directed to take such further actions as may be necessary or convenient, including but not limited to, an assignment for the benefit of creditors, to satisfy to the greatest extent possible the outstanding obligations of the Company.

RESOLVED FURTHER, that the Company's officers, CEO and CFO be and each of them hereby is, authorized and directed, in the name and on behalf of the Company, or otherwise, to take all such further and other action and execute such additional documents as they may deem necessary, advisable, or proper to effectuate the intent and accomplish the purposes of these resolutions and to carry out the terms and conditions of the various agreements contemplated by these resolutions.

RESOLVED FURTHER, that the Board hereby ratifies and confirms any and all acts heretofore taken in connection with the foregoing resolutions by the duly elected officers and staff of the Company in good faith in their capacities as such officers and employees as the valid and binding acts of the Company duly approved by the Board; and

In witness whereof, the undersigned have certified this action by vote of the Board at the Special Meeting held on the date first written above.

DATE:

Karen S. Cohn, President of the Board

Carol Lazier, Corporate Secretary

SAN DIEGO OPERA
WE MAKE MUSIC WORTH SEEING™

NEWS

For Immediate Release: March 19, 2014

Contact: Ian D. Campbell – (619) 232-7636 – or
Peter James MacCracken, APR – (619) 275-4110 – pjm@strategic-communications.com

SAN DIEGO OPERA TO CEASE OPERATIONS AFTER 2014 SEASON

IMMEDIATE ACTION TAKEN IN EFFORT TO AVERT BANKRUPTCY

SAN DIEGO – The San Diego Opera (Opera) will wind down operations upon the conclusion of its final performance of the 2014 Season on April 13, according to Opera General & Artistic Director, CEO Ian D. Campbell.

"After nearly 50 years as a San Diego cultural cornerstone providing world-class performances, we saw we faced an insurmountable financial hurdle going forward," Campbell explained. "We had a choice of winding down with dignity and grace, making every effort to fulfill our financial obligations, or inevitably entering bankruptcy, as have several other opera companies.

"Our Board voted today to take the first choice. We will begin winding down operations after the last performance of *Don Quixote* on Sunday, April 13 and conclude operations by June 30, the end of our fiscal year," he added.

Board Chair Karen S. Cohn described it as a heart-wrenching, but unavoidable decision. "After 28 consecutive years of balanced budgets, it was clear that we could not continue. In spite of excellent financial management, the Opera faced increasingly higher ticket-sale and fund-raising hurdles."

The Opera, ranked among the top 10 opera companies in the nation by Opera America, and one of 13 Cornerstone Arts Organizations by the James Irving Foundation, exemplified product quality. The *U-T San Diego* arts writer James Chute recently wrote, "If you had to identify a single opera that embodied the values and aspirations of the San Diego Opera, you'd have to point to its exceptional production of Verdi's *A Masked Ball*."

But both the patron base and donor base for opera companies are diminishing. San Diego Opera is not an isolated example. Other opera companies that have gone out of business include the New York City Opera, Opera Boston, Opera Cleveland, Baltimore Opera, San Antonio Opera and, closer to home, Lyric Opera San Diego and Opera Pacific in Orange County, CA.

The Opera will stage one performance of Verdi's *Requiem* March 20, and four performances of Massenet's *Don Quixote* April 5, 8, 11 and 13 before ceasing operations.

"Although it is a sad day for San Diego culturally, we have to thank everyone who supported us for nearly 50 years," Campbell added. "It is better to go out with dignity, on a high note with heads held high than to slip into the night, leaving creditors and community in the lurch."

The Opera originated as the San Diego Opera Guild in 1950. The San Diego Opera Association was incorporated in 1965, and current General & Artistic Director, CEO Ian D. Campbell was hired from the Metropolitan Opera in 1983.