DRAFT REORGANIZATION PLAN FOR THE OWNERSHIP AND OPERATION OF THE WILDISH COMMUNITY THEATER
As of June 30, 2008

Concept:

- Form a new public benefit nonprofit tax-exempt corporation (New Corporation) to own and operate the Wildish Community Theater (Theater)

Proposed Members:

- Springfield Renaissance Development Corporation (SRDC)
- Springfield Public Schools (SPS)
- Willamalane Park and Recreation District (Willamalane)

Goals:

- To pay off the $600,000[1] of long term bank debt (Bank Debt) owed by SRDC on the Theater by August 31, 2008 or as soon thereafter as is reasonably practicable;
- To ensure the long-term financial health and management of the Theater;
- To ensure the original mission of the Theater to "provide Eugene-Springfield with high quality theater facilities at reasonable prices to assure access and use by a wide-variety of non-profit performing arts groups."

City of Springfield (City) Commitment:

- The City will provide a $100,000 grant to SRDC for the Theater of which $25,000 may be applied to the Wildish Community Theater Endowment Fund;
- The City will provide a $400,000 loan to SRDC for the Theater, which will be forgiven if the State CIF (Oregon Housing) loan SRDC currently owes for the Theater is satisfied. The Loan will be interest free and repayment will be due in 10 years. The Grant and Loan will be assignable by SRDC to the New Corporation.
- The City would not be a Member of the New Corporation, but its contributions would help ensure that the Theater is maintained as a community performing arts facility and part of the downtown economic renaissance.
- In recognition of its support of the Theater, the City of Springfield will be permitted to rent the Theater at the Member's rate.

Contributions/Benefits:

- **SRDC** – Transfer all assets and liabilities related to the operation of the Theater, except as noted below. The value of such assets is estimated to be between $3,049,449 and $3,218,991 consisting of:
    - ♦ Land and building: $2,773,290 (Assessor's 2007 Real Market Value) or $2,603,748 (Capitalized Cost less Accumulated Depreciation)
    - ♦ FF&E: $238,251
    - ♦ Cash & Undeposited Funds: $189,034[2]; Of these funds, $70,000 is designated for the Wildish Community Theater Endowment Fund and $25,000 will be applied to the balance of the Bank Debt.

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[1] Except as otherwise indicated, all monetary amounts are from SDRC's Balance Sheet dated April 30, 2008, and are rounded up to the nearest whole dollar.

- Receivables: $18,416

The related liabilities are estimated to be $716,807 consisting of:

- User Group Deposits: $5,084
- Note Payable - Music Acceptance: $9,254 (remain liability with SRDC)
- Note Payable - Oregon Housing: $93,372
- Note Payable - Siuslaw Bank: $600,000
- Accounts Payable: $9,097

- **SPS** – Provide $200,000 to reduce the Bank Debt to help ensure the Theater's long-term stability and availability for the A3 program and other school use. As a Member of the New Corporation, SPS would be assured long term usage. The basic agreed use times (Paragraph A. 1. and 2.) and operating agreements (Paragraph D.) stipulated in February 2007 Memorandum of Agreement between SPS and SRDC would remain in effect. The balance of the agreement would be renegotiated as part of the reorganization plan.

- **Willamalane** – Provide $200,000 toward reducing the Bank Debt to help ensure the Theater's long-term stability and availability to improve and enhance programming in the area of cultural arts including such programs as drama camps and classes, lectures, community concerts, talent competitions, battle of teenage bands, and Sharps & Flats concerts. An agreement by which Willamalane could manage the Theater's day to day operations, scheduling, accounting, and marketing could be part of the reorganization plan, but is not required.

Equal Representation:

- Each Member would have equal representation on the Board of Directors and provide equal control and management over the Theater.
- Each Member's ownership interest will be established in direct proportion to the value each Member contributes to the New Corporation.
- The proportional membership interest would not affect the equal control and management of the Theater by the New Corporation.
- As a practical matter, the differences in membership interest would only affect the Members upon dissolution of the New Corporation and the subsequent liquidation and distribution of the New Corporation's assets.
- Upon dissolution and after paying the debts, the remaining money would be distributed in direct proportion to each Member's ownership interest.
- If any Member chooses to sell their membership in the Theater, the remaining Members shall have a first right of refusal to purchase the withdrawing Members' interest. Likewise, if a decision is made to sell the Theater, any individual Member will have a first right of refusal to purchase the Theater. The terms of the first right of refusal shall be incorporated into a separate Buy-Sell Agreement between the Members.

Mutual Cooperation:

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[2] This sum assumes that $6,000 will remain with SRDC for seed money to continue its operations. The board has discussed this but never reached a final decision. This figure can be adjusted if the board reaches a different decision.

- All Members would work collaboratively through the Board of Directors with user groups to determine appropriate levels of use.
- All parties acknowledge that the Theater is a community theater and is committed to ensuring that this organization will maintain the Theater as primarily a community theater (e.g. 30% Member use vs. 70% community use during prime time).
- The Theater's organizational documents shall contain an appropriate conflict resolution provision.

Theater Board of Directors:

- This Board would be established to provide general oversight responsibility for the Theater. Each Member would appoint two directors to the Board of which one shall be the Chief Administrative Officer, or designee, and one other person to be appointed by the Member. Three at-large directors would be appointed by the directors appointed by the Members. The at-large directors would represent previous donors, theater enthusiasts and experts, community leaders, downtown businesses, and/or user groups.
- <u>The Board would be specifically responsible for the following:</u>
  - ♦ Ensuring that the Theater is operated consistently with its original mission;
  - ♦ Preparing an annual operating budget, overseeing ongoing revenues and costs consistent with the budget and ensuring the overall fiscal health of the Theater;
  - ♦ Preparing and implementing an annual operating plan reflective of the wishes of the Members and targeting groups that best fit in the Theater and ensuring an opportunity for a wide range of entertainment at the Theater. Marketing should be structured to ensure the overall revenue targets/days booked is consistent with budget needs and projections;
  - ♦ Establishing other support committees as deemed appropriate and consistent with the mission to include a "Friends Group" which could be involved with memberships, overseeing volunteers, gala event, and otherwise providing a range of support for the theater;
  - ♦ Ensuring policies adopted for overall operation of the theater are adhered to and/or updated as needed. The Board will be the arbitrator of questions regarding the policies that "management" needs further clarification on;
  - ♦ Reporting to the Members on at least a semi-annual basis the progress of the Theater to include financial health, bookings, any capital needs and other similar issues important for the Members to be kept aware of on an ongoing basis.

Revenue and Expense Priorities:

- As undedicated revenue is received from rentals, donations, grants, etc., these funds would be committed in priority of the following areas.
  - ♦ First Priority – Direct Costs Associated with Operating the Theater, such as:
    a. Utilities
    b. Insurance
    c. Technical staff – technical director
    d. Support staff – building attendant, custodial, and webmaster
    e. Volunteer support
    f. Marketing/publicity costs
    g. Maintenance and repair, including HVAC maintenance

h. Materials, supplies, and services

- Second Priority – Management Costs
  a. Set rate to be negotiated. Currently estimated at $33,000 per year. These costs include management, operations, booking, accounting, and marketing services.
- Third Priority – Operating and Capital Reserve and Endowment
  a. At the end of the fiscal year, after direct and management costs are paid, 50 percent of any excess funds would be transferred into an Operating and Capital Reserve Fund. The remaining 50 percent of excess funds would be transferred into the Endowment Fund. The Reserve Fund and Endowment Fund would be managed by SRDC.

Shortfalls:

- If operating revenue does not cover the first or second priorities listed above, the Board of Directors will consider using reserves and/or donations from a variety sources (private, public, fundraising events, in-kind services, endowment proceeds, etc.) to cover these expenses.