

THE NATIONAL OPERA CENTER AMERICA

OFFICERS

Frayda B. Lindemann, Ph. D.
Trustee, Metropolitan Opera
CHAIRMAN

David Bennett
Gotham Chamber Opera
VICE-CHAIRMAN

Stephen Trampe
Trustee, Opera Theatre of Saint Louis
VICE-CHAIRMAN

Darren K. Woods
Fort Worth Opera
VICE-CHAIRMAN

Timothy O'Leary
Opera Theatre of Saint Louis
TREASURER

James W. Wright
Vancouver Opera
SECRETARY

Marc A. Scorca
PRESIDENT/CEO

BOARD OF DIRECTORS

Daniel Biaggi
Palm Beach Opera

J.A. (Gus) Blanchard
Trustee Emeritus, Minnesota Opera

Gregory Carpenter
Opera Colorado

Keith Cerny
The Dallas Opera

Rena M. De Sisto
Bank of America

David B. Devan
Opera Philadelphia

James Feldman
Trustee, Washington National Opera

William Florescu
Florentine Opera Company

Allen R. Freedman

Anthony Freud
Lyric Opera of Chicago

Christopher Hahn
Pittsburgh Opera

Jake Heggie

Carol F. Henry
Trustee, Los Angeles Opera

Barbara Leirvik

Charles MacKay
The Santa Fe Opera

W.R. (Bob) McPhee
Calgary Opera Association

Andreas Mitisek
Long Beach Opera
Chicago Opera Theater

Susan Morris
Trustee, The Santa Fe Opera

Esther Nelson
Boston Lyric Opera

Kevin Newbury

Nicole Paiement
Opera Parallèle

Kenneth G. Pigott
Trustee, Lyric Opera of Chicago

Norman Ryan
Schott Music Corporation &
European American Music
Distributors LLC

Kathryn Smith
Madison Opera

Gregory C. Swinehart
Deloitte Financial
Advisory Services LLP

Melia P. Tourangeau
Utah Symphony | Utah Opera

Frederica von Stade

Francesca Zambello
The Glimmerglass Festival

EX-OFFICIO MEMBERS

Christina Loewen
Opera.ca

Nicholas Payne
Opera Europa

April 10, 2014

Ms. Karen S. Cohn, Board Chair and
Board of Directors Members
The San Diego Opera Association
18th Floor, Civic Center Plaza
1200 Third Avenue
San Diego, CA 92101-4112

Dear Ms. Cohn, Board Members:

We, the undersigned, are writing an open letter to the Board of the San Diego Opera. All four of us have devoted most of our lives and careers to the field of opera, acquiring a deep degree of hard-earned experience in *multiple* turnarounds and stabilizations of troubled opera companies, either as General Directors, senior level consultants, or both.

Because of our collective desire to see opera thrive in San Diego, we have completed an "outside in" assessment of the current situation, relying on publicly available information as well as OPERA America data. Based on this analysis, we respectfully make the following observations:

- **The financial situation, while challenging, does not appear insurmountable.** It is now clear that SDO faces a deficit for the 2013-2014 Season, and for the 2014-2015 Season as currently planned. These deficits, unaddressed, would place a strain on the organization and its cash balances. However, careful examination of the data indicates a strong potential for achieving balanced budgets in future seasons by reducing costs without sacrificing artistic quality (which we absolutely believe can be accomplished), identifying resource needs and implementing related strategies (fundraising and a short-term line of credit) to fund operations during a transitional period. SDO has an excellent artistic reputation, strong donor support, loyal patrons, no bank debt, and tangible assets that could be pledged as collateral for a short-term loan or line of credit.
- **Preserving the existing company is *essential*, offering a greater chance of success than closing the current company and attempting a restart.** We know that some Board members favor closing San Diego Opera down, and beginning anew. We strongly counsel against this approach, for two reasons. First, it will be far easier for SDO to meet its obligations to executives, staff, singers, other artists and union partners as a going concern. Second, any new entity will be forced to rebuild an entire operation from "scratch," a process which typically takes many years. During such a hiatus, donors, subscribers and ticket buyers, skilled administrators and highly-skilled artisans will be lost, perhaps permanently.

- **Through careful legal and governance work, the Board of Directors of San Diego Opera can be protected.** We are aware that some Board members are understandably concerned about personal liability. We know from our own experience that Board members can be protected from virtually all personal liability as long as the organization is advised by qualified attorneys and follows best-practices in corporate governance (e.g. ensuring adequate Directors and Officers insurance is in place, preparing minutes for all meetings, etc.)
- **The San Diego Opera does not fit the profile of an opera company preparing to close.** Typically, closure is a “last ditch” response for an opera company in the wake of major consecutive deficits and accumulated debt; and only then after a lengthy, rigorous process to rally community, donor, union and patron support, and reduce expenses through salary reductions, vendor concessions and an array of additional economies. New York City Opera, sadly, is an excellent example of a company that faced persistent challenges for many years before being forced, ultimately, to close its doors. San Diego Opera has the *opposite* profile, in that decades of balanced budgets have been reported, and no discussions have been held with stakeholders indicating the company was confronting serious financial difficulties. In addition, we would point out that the most recent audit by Leaf and Cole, LLP provided a “clean” audit opinion, with *no* mention of risk associated with the opera’s ability to continue as a “going concern.”

For nearly fifty years, San Diego Opera has worked to establish itself as one of America’s finest opera companies. It simply cannot “throw in the towel” and go down without a determined effort to preserve the institution for the next generation of opera audiences in your great city. OPERA America, as an organization and a network of experts, stands ready to assist San Diego Opera, as well as its Board of Directors, in multiple ways. These can include the following:

- Coaching the Board on best practices in governance
- Preparation of cash flow analyses, and fund-raising plans linked to cash requirements
- Creation of programming options for the 2014-2015 Season, showing ticket sales, cash and fund-raising requirements for each
- Identification of approaches to reduce ongoing operating costs
- Development of a fund-raising plan
- Restoration of positive relations with key union partners (e.g. AGMA) and resolution of the NLRB lawsuits
- Creation of a public relations plan so that San Diego can put forward a positive vision for the future which will support future ticket sales and fund-raising

We are all deeply committed to the success of San Diego Opera, and look forward to being able to provide assistance as requested. In the meantime, we strongly urge the Board to reverse its vote to cease operations prematurely.

Yours sincerely,



Marc A. Scorca
President/CEO
OPERA America



Keith Cerny, Ph.D.
Board Member and Chair, Strategy Committee, OPERA America
General Director and CEO, The Dallas Opera



Kevin H. Smith
Field Consultant, OPERA America
Former Board Chairman, OPERA America
Former President and CEO, Minnesota Opera



Darren K. Woods
Vice Chairman, OPERA America
General Director, Fort Worth Opera Festival