

LETTER FROM THE MUSICIAN 'KEEP THE MUSIC PLAYING COMMITTEE' TO THE CSO BOARD:

February 4, 2010

Dear Ted,

On behalf of the musicians of the CSO, we wish to thank you for your hard work in support of our orchestra.

As you well know and have recognized many times, the musicians have made considerable sacrifices this year to keep the CSO going in these difficult economic times. This has been a consistent pattern over the years dating back to the concessions accepted in 2003 and following seasons, clearly demonstrating the musicians' flexibility and concern for the longevity of the Orchestra. Given your request to re-open our contract, we feel it necessary to have more information from you regarding the current and future direction of our organization. Our request for this is outlined below.

1. We are confused by your statement that you have received no response from us since the last meeting, for on January 29, the Local sent a second request for audited financial statements of the CSOA. We have explained the need to have these in hand and with sufficient time for analysis before we could meet again. We understand that the finalized audit has not yet been completed by the CSOA because of delays by the auditor brought on by the addition of the affiliated organizations, but we urge you to request immediately that part of the audit which is germane to our discussion, and that this will be forwarded to us as soon as possible.
2. During negotiations last spring, you repeatedly stated that there were individuals waiting to donate considerable funds to the CSO once a streamlined budget was agreed upon. What was the anticipated amount of such funds, what amount has been collected this year from these donors, and if there is a difference in those numbers, what is the cause for that?
3. Also during last year's negotiations, several fundraising and benefit events were discussed, scheduled, and/or budgeted for this year, including an alumni benefit concert and a bridge fund drive. Can you please explain why these did not occur?
4. You made repeated statements last year that you did not wish to see the CSO become a "per service" orchestra. With our current budget situation, we are perilously close to becoming just that. Indeed, it is difficult to imagine how the organization could endure any further cuts without becoming "per service." With this in mind, we ask you to outline the Board's three year vision for the CSO, beginning with the present. We

do not ask you to provide detailed financial information, but rather, to give a general plan, including but not limited to the following:

- a. What do you wish to see in terms of the overall growth of the Orchestra? Please include your artistic vision, your ideas on how to market and brand the organization in general and into the future. Please relate this to the steady growth of the Charleston metropolitan area, including the significant corporate growth in and around Charleston.
- b. Is the CSO actively pursuing significant collaborations for performances such as ballet or opera as a way to build revenue and audience support, and possibly filling (and thus eliminating) some furlough weeks?
- c. Not having a development director is obviously badly damaging our finances. As you know, every independent consultant engaged by the Board has stressed the crucial importance of having this position filled. You and Kathleen presented the difficulties you are experiencing. What are your immediate and long-term plans to remedy this situation? Are there any new significant developments with this? Are you investigating all the leads you have been given, and have you considered the possible advantage in at least a temporary "interim" position?
- d. Could you give us an update on the Executive Director search? What are your goals, benchmarks for performance, and accountability policies for the new Executive Director, now and into the future?
- e. Last spring we were told in negotiations that the Music Director search would be initiated in the fall, yet it is now February and we have heard nothing about it. What is your timeline for this search? Has this timeline taken into account the several years advance planning required to book potential candidates? Is the public relations/marketing plan for this maximizing the 'hype' for this search already developed, and if so, would you please share it with us?
- f. We would like to hear a long-term development strategy, even though we do not have a development director in place. Please include specific fundraising methods and targets, if there is a plan to build our endowment, and a strategy to find new donors and increase crucial \$1,000 gifts.

We would like to know how all these areas will relate to each other in the overall vision, so that we can all be on the same page. We believe our collective vision and goals should determine what the numbers on the spreadsheets look like, rather than the other way around.

Finally, we would like to address your February 26th deadline. The Board's initial request to the Local for us to meet was not made until early January. Given your

frequent cash-flow projections, surely you realized that you would be approaching us regarding next years terms before that time. Waiting until six weeks before an arbitrary deadline to notify us has put an even tighter time-frame upon these discussions. Furthermore, given your experience and knowledge of the difficulty of scheduling with our negotiator, you must be aware that from a logistical standpoint six weeks is not a realistic timeframe for conclusion of these discussions. But a much broader issue is this: Delaying renewal night and the resulting cash-flow crisis is contrary to industry standard and, aside from last year, is not the past practice of the CSO. It unnecessarily destabilizes the organization fiscally, artistically, and publicly. As you admitted and we all experienced last year, delaying renewal night has significant negative financial and public-relations consequences.

We cannot make educated responses or enter into any further discussions on any of the points you have raised until we have seen the financial data and have the material we request in this letter, and have had sufficient time to analyze this information.

Once again, Ted, we thank you for your time and effort as the CSO Board President. And we thank you in advance for your providing the above information which will help us tremendously in moving forward with our discussions.

Sincerely,

Damian Kremer Tom Joyce Ryan Leville Lauren Paul Norbert Lewendowski

RESPONSE FROM BOARD PRESIDENT, TED LEGASEY:

Members of the Committee --

In the interest of time -- since we have very little -- I'll provide the IM version of answers to your three pages of questions:

Silly me, why didn't I understand that a routine request to Kathleen for the audit report was a formal communication to the Committee that you couldn't meet until you had it. *Mea Culpa*. You'll get the report as soon as we have it -- but I guarantee you it won't shed any light on the current crisis.

The problem we face is all about fundraising -- particularly from major donors. It is axiomatic that 80-90% of the money raised by 501(c)3 organizations comes from about 10-20% of their donors. They are called major donors. Virtually all major donors have abandoned the CSO. Total

contributions are off by 60%. Even our largest major donor, the CSOL, is forecasting to be down by at least 25%. The primary reason for the poor results in fundraising is due to the lousy economy. It's all about the economy. And not about virtually all of the inquiries in your letter.

The CSO scheduled a variety of "new" concerts this year. Any ideas that were talked about last year that did not happen were related to the number of available services. This is not relevant to the problem at hand.

You are correct that the CSO is perilously close to becoming a "per service" orchestra. Notwithstanding my or anyone else's hope that "per service" would not be in the CSO's future, the reality of the underlying economics is pushing the orchestra in that direction. As I have tried to communicate on many occasions, in order to get to a better future, the orchestra must first survive. Our tactical reality is that we are about to fail to survive. I will be happy to spend whatever time necessary to work with you and others on longer term strategy questions and issues, but such discussions are not on the path to survival.

There is nothing at all arbitrary about the Feb 26 deadline. Yes, it is tight, but it is real. Our request to meet was made IMMEDIATELY after we saw the dismal results of calendar year-end fundraising, which is typically when we raise most of our funds. It is very unfortunate that you have been able to meet only once in the intervening 35 days.

This not "business as usual" for the CSO. I am well aware of the customary practice in orchestraland to sell next year's season tickets and to use the cash collected from customers to pay current year expenses.

This is risky but works satisfactorily when there is **confidence** that the orchestra will indeed deliver the performances in the following year, thereby fulfilling their obligation to their customers. Unfortunately, the CSO is in a position where the Board cannot confidently commit to customers that we will be able to deliver next season in the absence of an agreement with you. Year 4 of the current contract is completely beyond the reach of the orchestra given the current fundraising reality. Moreover, even an extension of "Side Letter II" of the contract is beyond reach. **With that knowledge**, it would be fraudulent to sell season tickets because we have no confidence that we can deliver. Thus the need to come to an agreement before we can hold a Renewal Night.

I regret that you have made the judgment that you cannot act on the timetable that we face. As I noted in my previous communication, failure to be in a position to carry out Renewal Night as scheduled will preordain the

end of the orchestra as we know it now, because we will not have the cash to complete this season.

I know the situation sounds dire, and I know the alternatives are not attractive. But, we are where we are, and all we can do is deal with that reality.

I value all you do for the orchestra and the Charleston community. It's highly unfortunate that we find ourselves in this perfect storm.

Ted