

April 29, 2016

The Board of Directors
Symphony Society of San Antonio
d/b/a San Antonio Symphony
San Antonio, Texas

Dear Ladies and Gentlemen of the Board of Directors:

The proposed funders listed in Exhibit A (the "Funders") to this letter agreement (this "Letter Agreement") are pleased to provide grants payable by each of the proposed Funders in the respective amounts opposite each proposed Funder's name in the attached Exhibit A, to the San Antonio Symphony ("SAS") for support, subject to the following terms and conditions:

- (1) Grant of cash contribution in the amount of \$500,000 to help fund the \$600,000 operating deficit for FYE 8/31/2016 of the SAS, subject to the following terms and conditions:

We understand the SAS needs to fund an operating deficit of \$600,000 (the "FY2016 Deficit") as soon as possible.

We also understand that the current members of the Board of Directors of SAS acknowledge their oversight responsibility of SAS management and thus have funded the first \$100,000 to reduce the FY2016 Deficit. The Funders will make cash contributions to SAS in the respective amounts set forth for each Funder in Exhibit A under the column "FY2016 Operating Support," within thirty (30) days from the date of the confirmation letter that the SAS Board committed \$100,000, in cash or written pledges, has been achieved, subject to compliance with all conditions in this Letter Agreement.

In summary, the entire SAS \$600,000 operating deficit can be paid off in full as follows:

| | |
|---------------------------------------|------------------|
| SAS Board member gifts, in aggregate: | \$100,000 |
| Funders' grants, in aggregate: | 500,000 |
| TOTAL | <u>\$600,000</u> |

Please understand that this \$500,000 grant by the Funders is a one-time grant to help fund the FY2016 Deficit. SAS should not expect similar grants from the Funders for any future operating deficits.

In addition, the undersigned Chairman and President of SAS recognizes that the Tobin Center for the Performing Arts (the "Tobin Center") is the SAS's "home" and that SAS will use the Tobin Center for all Classics and Pops concerts except to the extent

that SAS requests dates in excess of the 22 weeks currently used by SAS and the Tobin Center is unable to make these requested excess dates available in a schedule that is reasonably acceptable to SAS. The current three performance series of the Holiday Pops and the Fiesta Pops will remain at the Tobin Center and the Tobin Center will be the preferred venue for any additional performances in either series. Only if and to the extent that the Tobin Center cannot make dates available for such additional performances will they be performed in any venue other than the Tobin Center.

(2) Pledge of grants for underwriting support of SAS's FY2017 season, subject to the following conditions:

The Funders will pledge grants in the respective amount for each Funder set forth in Exhibit A under the column "FY2017 Underwriting Support" for underwriting support for the FY2017 season, contingent upon:

- A) SAS financial statements demonstrating the FY2016 Deficit has been totally paid and SAS is debt-free, except for current operating liabilities;
- B) SAS Board shall develop a comprehensive business plan and approve an annual budget (being a balanced budget, in which expenses cannot exceed revenues) not to exceed \$7,200,000 for FYE 2017, 2018. If at any time the SAS Board can demonstrate additional revenues to cover any additional proposed expenditures, the Board may review such facts with the Funders, who shall have sole discretion to decide whether to increase the \$7,200,000 budget by the approved amount;
- C) SAS Board will dedicate an additional \$300,000 to pay down the \$600,000 structural deficit and, thereafter, SAS Board shall prohibit utilization of deferred ticket sales revenue (for post-FY2018 performances) for future current fiscal year expenses.

PLEASE KNOW THAT THE FUNDERS PREFER THAT THE SIZE AND PAY RATE OF THE SAS ORCHESTRA REMAIN AT THE PRESENT OR HIGHER LEVEL THAT THE BUDGET CAN SUPPORT.

(3) Pledge of grants for underwriting support of SAS's FY2018 season, subject to the following conditions:

The Funders will pledge grants in the respective amount for each Funder set forth in Exhibit A under the column "FY2018 Underwriting Support" for underwriting support for the FY2018 season, contingent upon:

- A) SAS financial statements demonstrating the FY2016 Deficit has been totally paid, no FYE 2017 operating deficit occurred, and SAS is substantially debt-free, except for current operating liabilities;
- B) SAS Board shall develop a comprehensive business plan and approve an annual budget (being a balanced budget, in which expenses cannot exceed revenues) not to exceed \$7,200,000 for FYE 2017, 2018 and 2019. If at any

time the SAS Board can demonstrate additional revenues to cover any additional proposed expenditures, then the Board may review such facts with the Funders, who shall have sole discretion to decide whether to increase the \$7,200,000 budget by the approved amount;

- C) SAS Board will dedicate \$300,000 to pay off the \$300,000 structural deficit and, thereafter, SAS Board shall prohibit utilization of deferred ticket sales revenue (for post-FY2018 performances) for the future current fiscal year expenses.

After FY 2018, the SAS Board of Directors will prohibit the use of the deferred ticket revenues from the following fiscal year being used for current spending to ensure no new operating deficits, and allow these ticket revenues to serve as cash "cushion" or reserve for future SAS operations.

(4) Restructuring of Board of Directors

The Funders recognize and support the current SAS Board's plans to realign and restructure the SAS Board of Directors in accordance with its Bylaws. In support of that plan, all grants referenced in paragraph 1, paragraph 2 and paragraph 3 above are contingent upon the restructuring of the SAS Board of Directors in a manner satisfactory to the Funders, to reasonably assure the Funders of proper management oversight of SAS financial performance to avoid future operating deficits. Specifically, the SAS Board shall take the necessary actions, no later than September 30, 2016 to:

- A) Prior to payment of the grants under paragraph 1 above, and no later than September 30, 2016, SAS Board of Directors described in Section 2.1 of the SAS Bylaws will work with the Funders to reconstitute the Board of Directors of SAS from and after September 30, 2016, to promote oversight of ongoing financial performance; and
- B) Prior to payment of the grants under paragraph 1 above, and no later than September 30, 2016, SAS Board of Directors will work with the Funders to select current members of the SAS Board and others, working with the Funders, to the SAS Advisory Board "to support the Board of Directors in fundraising activities, outreach, or for such other purposes as are necessary to fulfill the mission of SAS" as contemplated by Section 2.6.8 of the SAS Bylaws.

To avoid any doubt, we note that each Funder is responsible solely for the obligations set forth opposite that Funder's name in Exhibit A, i.e., there is no joint and several responsibility among the Funders.

Please confirm your acknowledgment and consent to the terms set forth in this Letter Agreement by signing where indicated below. The Funders look forward to achieving our shared objective of a financially stable and vibrant symphony for the people of San Antonio.

Very truly yours,

Funders as attached on Exhibit B, executing on behalf of and as the representative of the entities and individuals listed in Exhibit A attached to and made a part of this Letter Agreement.

ACKNOWLEDGED AND CONSENTED TO:

SYMPHONY SOCIETY OF SAN ANTONIO,
d/b/a San Antonio Symphony

By: _____
David Kinder, Chair

Date: _____, 2016

By: _____
David Gross, President

Date: _____, 2016

Exhibit A

| <u>Funder</u> | <u>FY2016 Operating Support</u> | <u>FY2017 *7 Underwriting Support</u> | <u>FY2018 *7 Underwriting Support</u> |
|---|---|---|---|
| The Tobin Endowment | \$200,000*1 | \$150,000 | \$150,000 |
| The Kronkosky Charitable Foundation | \$250,000*2 | \$250,000 | \$250,000 |
| City of San Antonio*3 | \$50,000 | \$ TBD | \$ TBD |
| Bexar County*4 | \$300,000 | \$ TBD | \$ TBD |
| HEB | \$225,000*5 | \$175,000 | \$150,000 |
| San Antonio Area Foundation – John L. Santikos Charitable Foundation | \$100,000 | \$100,000 | \$100,000 |
| Dennert O. Ware*6 | \$25,000 | \$ TBD | \$ TBD |

*1\$50,000 is for operating deficit and \$150,000 is for underwriting support in FY2016.

*2\$The \$250,000 for FY2016 has already been funded to SAS within the past 10 days.

*3The FY 2016 additional support from the City is subject to City Council approval. Underwriting support for FY2017 and FY2018 will be determined by the competitive arts funding process that is underway and is subject to City Council approval.

*4Bexar County Commissioner's Court authorized an additional \$300,000 on January 12, 2016. Future funding from Bexar County will be determined through the FY budget process and is subject to Commissioner's Court approval.

*5\$175,000 for FY 2016 has already been funded to SAS, \$50,000 is for operating deficit

*6FY2016 operating support in total amount of \$25,000, \$10,000 of which has been paid

*7Subject to each Funders' review of agreement compliance by SAS

Exhibit B

FUNDERS:

The Tobin Endowment

By: _____
J. Bruce Bugg, Jr., Chairman and Trustee

Kronkosky Charitable Foundation

By: _____
J. Tullos Wells, Managing Director

San Antonio Area Foundation
For: John L. Santikos Charitable Foundation

By: _____
Dennis Noll, President

Dennert O. Ware

City of San Antonio

By: _____
Lori Houston, Assistant City Manager

Bexar County, Texas

By: _____
Nelson W. Wolff, County Judge