

## **FREQUENTLY ASKED QUESTIONS (FAQ's)**

### **Surflight Theatre – Chapter 11 Reorganization**

#### ***How did Surflight find itself in such a precarious position?***

The financial problems at Surflight developed over a period of years. These problems were further magnified and accelerated by the recent economic downturn.

Much of the financial stress was related to the build-up of a burdensome \$4 million debt level. The operating cash needed to run the theatre was drained by debt service payments. A critical course-correction was necessary to stop the inevitable demise of Surflight Theatre.

In the Fall of 2010 the Surflight Board of Trustees made management changes and formed a “Crisis Committee,” a five-person advisory team with expertise in entertainment, business and finance. This team has focused 100% of its time seeking a way for Surflight to survive. The Board and the Crisis Committee remain committed to that mission.

Surflight’s Board and Crisis Committee have learned much from examining and understanding the past. Changes are already being made to avoid any mistakes previously made, and to develop a strong production and education program while establishing a solid financial foundation to preserve Surflight for the community and for future generations. These changes have included a strengthening of the Board with new members and the appointment of a new Board President, Lance Wimmer. Gene Hammond, Surflight’s past Board President, continues to be a valued member of Surflight’s Board of Trustees.

#### **SURFLIGHT’S REORGANIZATION**

#### ***What exactly is a Chapter 11 reorganization?***

A Chapter 11 reorganization is a process whereby a business organization undergoes a restructuring of its finances under the supervision of the U.S. Bankruptcy Court. The management of the organization is responsible for developing and presenting to the court, for the court’s approval, a plan of reorganization that meets certain tests of fairness for the treatment of creditors. Once approved, the court issues an order confirming the reorganization plan and the organization then exits bankruptcy.

#### ***Why did Surflight Theatre file a Chapter 11?***

The Chapter 11 process enables Surflight to reorganize its financial structure while granting temporary relief from its debt burdens. This allows management the time necessary to focus its energy and resources on development of a program plan for the 2011 season. Our patron support of the 2011 season through donations and ticket purchases is the backbone of Surflight’s reorganization plan and the path toward exiting bankruptcy and rebuilding for the future.

### ***What will happen to the vendors to whom Surflight owes money?***

A plan of reorganization will be developed and presented to the bankruptcy court that will address payments owed to vendors. All vendors as a group will be treated equally as defined by the reorganization plan that the court approves.

### ***Why didn't Surflight pay the vendors with some of the \$350,000 it raised in the Fall?***

When a business, such as Surflight Theatre, is struggling financially to make ends meet there is only so much money to go around. When this situation exists, the most critical current expenses to keep Surflight on 'life support' had to be paid with the funds that were available. Those expenditures included heat, electricity and other utilities, a dramatically reduced payroll, leases and the like. After paying such expenses, there were no remaining funds to catch up on past due vendor payments.

In addition, it should be noted that Surflight's management team and professional advisors, have worked pro bono full-time for Surflight since last fall.

## **CONTRIBUTIONS TO HELP SAVE SURFLIGHT**

### ***How can I make a contribution?***

To make a tax-deductible donation, go to [www.surflight.org](http://www.surflight.org) and click on the "Donate Now" button, or call (609) 492-9477.

All contributions made to Surflight continue to be tax-deductible under IRS guidelines.

### ***Why should I make a contribution and what will future contributions be used for?***

Contributions will always be a vital part of Surflight's financial foundation. As in the past, contributions will be used to fund operations. And, the new management team at Surflight, under Roy Miller's leadership, is dedicated to maximizing the value of contributions by providing improved seasonal programs year after year.

In 2011 contributions will help stabilize our finances to support the development and implementation of program revisions. These revisions are designed to build up our cash balances in order to ensure the success of the reorganization process.

### ***What happened to the contribution I already made?***

FROM THE PRESS RELEASE: *"Recently, Surflight raised over \$350,000 in donations in a special 'Save The Surflight' fundraising campaign. 'This outpouring of community support has been essential in dealing with this financial struggle to this point. We are grateful to everyone for their efforts and donations over these past few months. We are very encouraged by what the future holds for Surflight, and in turn, we urge everyone to continue supporting the theatre by making a tax-deductible donation.'"*

Contributions received by Surflight to date were spent on expenses that were vital in order for operations to continue. These expenses included the cost of completing the 2010 season, administrative expenses, payroll, payroll taxes, the union guild and pension expenses, rights license fees, insurance and utilities. Without the community's donation support and management's efforts to conserve cash by spending only what was absolutely necessary, Surflight Theatre would have been shuttered by now.

To minimize these expenses, positions were eliminated, and other remaining salaries were reduced by as much as half. Your continued contributions are absolutely encouraged, and are vital to the success of this reorganization plan.

### ***I bought a gift certificate. Will it be honored?***

Surflight management intends to seek bankruptcy court approval to honor gift certificates or to exchange them for comparable value.

## **SURFLIGHT'S FUTURE**

### ***What is the plan for Summer 2011?***

FROM THE PRESS RELEASE: *"Surflight Producer Roy Miller is putting the finishing touches on the much anticipated 62nd season, which is expected to be announced very soon. Miller, who is an award-winning Broadway producer, promises an exciting line-up of shows and concerts that will feature some of Broadway, film and television's brightest stars.*

*Surflight also intends to continue operating Show Place Ice Cream Parlour with its ever-popular singing wait staff. The theatre's education programs, a vital component of Surflight's mission, will also continue to serve the community without interruption."*

### ***Why didn't Surflight announce a season as they have in the past?***

Normally Surflight's upcoming 2011 season would have announced in early December 2010. However, because of uncertainties regarding sustained financial support, the announcement had to be delayed. Now, having received strong donation support from the community, coupled with careful cash conservation efforts, Surflight management has been able to develop a plan to provide a program for the public. The announcement of the first phase of this programming will be made very soon.

***How will the 2011 season be different from those in past years?***

In 2011 Surflight is planning to produce shows with stars from Broadway, film and television so as to increase audience attendance. "Benefit" performances and concerts will also be presented, which have significantly lower upfront cash outlays and are expected to generate strong cash income. Supplementing these efforts will be additional children's theatre programming. These cash generating programs coupled with all other cash producing activities including Show Place Ice Cream Parlour, Joe's Place concession stand, and Surflight-to-Go (a touring children's theatre program) and the S.T.A.R.S. program (classes in the performing arts) are designed to produce an exciting and cash positive season in 2011.

***Will the Show Place Ice Cream Parlour be open for business this summer?***

Yes, Surflight management is planning for the Show Place Ice Cream Parlour opening as usual, beginning in May, for business this summer. Show Place will continue to offer great family entertainment. And, management is making plans to expand upon the offerings at the venue.

***Will Surflight to Go, the theater's traveling troupe that provides educational programs for schoolchildren, continue?***

Yes, Surflight to Go will continue to operate through the reorganization period. Please refer to the following for more information about booking a Surflight to Go performance:

<http://www.surflight.org/Surflight2Go.htm>

***Will private and group lessons through Surflight Theatre's S.T.A.R.S. program be offered this summer?***

Yes, both private and group lessons are still available. Please refer to the following for more information about the S.T.A.R.S. program: <http://www.surflight.org/STARS.htm>

***Will there be group sales for any summer performances?***

Yes. Group bookings for summer performances will be available. More information will be furnished at the time the schedule of shows is finalized.

***What is the status of the existing staff?***

The staff has been reduced to a small core group and we will be adding to the staff as we build toward the season.