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January 8, 2009

Miles Mercer  
Community Planning and Economic Development  
City of Minneapolis  
Crown Roller Mill Building  
105 Fifth Avenue S.  
Minneapolis, MN 55401

Dear Miles:

Thank you for taking the time recently to meet with my colleague Will Law. We are deeply grateful to the City of Minneapolis for all that it has done to help the Minnesota Shubert Performing Arts and Education Center. The twofold purpose of this letter is to commit to writing the requests that Will discussed with you at your meeting, and, in Section 2 of this letter, to give you an update on Artspace's progress on the Shubert Project so that you can make an informed response to our requests.

### 1. Extension of Promissory Note Deadline

As you know, the financial terms of the Shubert Project were originally set down in a Redevelopment Contract dated November 25, 1998. In December of last year Artspace and the City of Minneapolis agreed on an Amendment to the original Contract; this Amendment and its accompanying Promissory Note set October 31, 2008 as the deadline for Artspace (a) to complete its purchase of the land under the Shubert Theater for a price of \$1,100,000, (b) to pay the City \$140,000 for the cost of relocating a transit shelter, and (c) to reimburse the City \$212,540 for an option payment on the Shubert property made by the City on Artspace's behalf.

The Amendment and Promissory Note also defined the terms whereby Artspace can reduce its payment for items (a) and (b) by successfully fundraising for the Shubert Project in the private sector. Specifically, the City agreed to forgive \$300,000 of Artspace debt for every \$2.5 million raised by Artspace. This means that in order to have the City forgive the entire \$1,240,000 represented by items (a) and (b), Artspace needed to raise \$12.5 million by the October 31, 2008 deadline, as amended. Item (c) was not subject to reduction.

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To date, Artspace has raised in excess of \$16,928,891 from the private sector. In other words, we have achieved the \$12.5 million goal we must reach to reduce the costs of items (a) and (b) to zero.

In addition to the fundraising goals outlined in the Promissory Note, the Redevelopment Contract between the City and Artspace calls for a deadline commencement date for the construction of minimum improvements of October 31, 2008. However, despite all the fundraising progress that has been made (see details below), we will in all likelihood need to raise additional dollars before we can begin construction. We are currently in conversation with several local financial institutions about a financial package that would allow the project to reach the goals necessary to facilitate a closing and commence with construction in the spring of 2009. We expect to have a clearer picture in the first part of January 2009 of the additional dollars that must be raised before the project can proceed to closing.

Accordingly, we respectfully ask the City of Minneapolis to extend by one year – until October 31, 2009 – the deadline for payment of item (c), and commencement of construction of minimum improvements.

## **2. A Project Update**

We are pleased to report the following progress on the Minnesota Shubert Center since our last update on October 15, 2007.

- An additional \$9.6 million has been raised – in one of the worst fundraising environments in memory – bringing our total commitments to just under \$35.7 million, an historic sum for dance in Minnesota. New contributors include the Kresge Foundation, one of the most prestigious private foundations in America, Sage and John Cowles, Elizabeth Redleaf, Target, Mary Lee Dayton, the US Bancorp Foundation, the Wells Fargo Foundation, the Pohlad Family Foundation, the RBC Dain Rauscher Foundation, the Phileona Foundation, and the Minneapolis Foundation. Our campaign goal is \$41 million, and we plan to complete our campaign by the end of 2009.
- Miller Dunwiddie Architects have completed construction documents and taken our plans to bid, through our Construction Manager at Risk, McGough Construction. If fundraising can maintain its current pace, we anticipate breaking ground in spring 2009 to support a mid 2010 grand opening. Over the course of the past year, we significantly revised our architectural design, reducing theater seating from 900 to 520 and scaling back the “Great Hall,” so that it remains in proportion to the theater/audience size. This evolution:

- Makes the Shubert Theater far better suited for its core constituency, the Minnesota dance community, which is reflected in the expanded number of dance companies expressing strong interest in using the Shubert; and
- Reduces construction and on-going maintenance costs.

Architecturally, the Minnesota Shubert Center is a “shovel-ready” project. In December 2008, we received an important approval from the Historic Preservation Committee. When funding is in place, we can be in the ground within 90 – 120 days.

- Expanding upon prior work by AMS Research & Consulting of Connecticut, we developed in-depth, five-year operating proformas for the Minnesota Shubert Center that project a \$3.1 million annual operating budget with approximately \$575,000 in contributed income. This revised operating scenario was developed with input from 34 potential user organizations on needs, interest, and pricing.
- Last month our online, statewide arts education program was honored at the national Technology in the Arts Conference with the ArtsTech Award for the innovative use of technology in pursuit of an arts mission and goals. Over the past five years, this program has connected more than 6,500 students from 50 schools in 40 communities across Minnesota, including Minneapolis, with artists at the Hennepin Center for the Arts through live, web-based video-conferencing. The program, which is offered free to schools thanks to our generous corporate funders, eliminates both the time and spatial barriers that have contributed to a general decline in arts education. We are pleased that our commitment to efficiency is also paying off, with the cost of each distance learning session decreasing dramatically.
- The Minnesota Shubert Center has also made significant strides in strengthening its governance model. We have implemented an expanded committee structure that allows the Shubert to better utilize the professional expertise of its volunteer leadership, and we have drafted bylaws for the future Minnesota Shubert Trust, which will have a lease relationship with Artspace and operational responsibility for the Minnesota Shubert Center. We anticipate filing for 501(c)(3) status in early 2009.

Thank you for your consideration of these important requests. As you can see, we have come a long way in the last few months. We are more optimistic than ever that this exciting project will soon become a major addition to downtown Minneapolis and the Twin Cities cultural scene.

Miles Mercer  
January 8, 2009  
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If I can provide any additional information, please don't hesitate to contact me at 612-465-0201.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelley Lindquist". The signature is fluid and cursive, with a large initial "K" and a long, sweeping underline.

L. Kelley Lindquist  
President