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The Demise of American Musical Theatre of San Jose

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ABSTRACT

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by Mike Cymanski

In 2008, American Musical Theatre (AMT) of San Jose filed for bankruptcy after more than 74 years in business. In this thesis, I identify the factors – both internal and external – that contributed to its demise. Interviews with former employees and board members were conducted, and newspaper articles, tax records, and internal documents were examined to explore factors such as management effectiveness, AMT's relationship with its community, fundraising, the decline of the subscription model, unions, and venue problems. The conclusions of this case study have implications regarding the intersection that now exists between non-profit and for-profit performing arts in the United States, as well as significance concerning the future of the performing arts in the San Francisco Bay Area.

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-Roche Schulfer, producer, Chicago’s Goodman Theatre.

“You can get into trouble fairly quickly. Getting out takes more time.”

-James O. Brown, board member, San Jose Symphony.

CHAPTER ONE: INTRODUCTION

I. *Statement of the Problem*

American Musical Theatre of San Jose (AMT) was a professional, non-profit performing arts organization operating under Section 501(c)(3) of the United States Internal Revenue Code. Founded in 1934, the organization was known as San Jose Civic Light Opera (CLO) until 1996. Primarily presenters of 19th century operetta for the first 20 years of operation, the organization began producing from the American musical theater canon in the mid-1950s, and by the late 1980s, had grown to a nationally-recognized performing arts organization. In addition to its main-stage programming, AMT developed educational outreach programs designed to expose local youth to theater, offered training in singing, dancing, acting, and design, and was a pioneer in providing accessibility to performances for hearing- and sight-impaired patrons (Nichol, 1). Entering the 21st Century, AMT began developing and presenting new works in addition to adopting the practice of importing existing national tours and presenting them as part of its regular season.

By 2002, AMT enjoyed over 200,000 patrons and had an annual budget of $11 million (de la Vina, "San Jose Arts Groups"). AMT's productions employed local artists – actors, singers, dancers, directors, musicians, choreographers, lighting designers, scenic designers, costume designers, carpenters, painters, costume and craft artisans, stage hands, and stage managers – many of whom made a living either solely with AMT or in conjunction with other arts organizations. However, in 2008, after 74 years of operation, citing losses incurred when Atlanta's Theater of the Stars reneged on a co-production of *Tarzan*, AMT's board of directors voted to dissolve the company under Chapter 7, Title 11 of the United States Bankruptcy Code. This thesis identifies the factors – internal and external – that contributed to the company's 2008 demise.

II. *Purpose and Significance*

The responsibilities facing non-profit performing arts administrators are challenging at best. Subject to the same market forces as commercial enterprises, non-profit performing arts organizations depend on a combination of earned income and subsidies from individual donors, foundations, and government agencies to compete in a for-profit marketplace. While non-profit status provides relief from certain tax and personal financial liabilities, these performing arts organizations must compete for customers in a constantly changing free-market environment where both government support (de la Vina, "S.J. Arts Groups") and the traditional subscription model have been on the decline (Bernstein, 209). At the time of AMT's demise in the fall of 2008, many of the nation's non-profit performing arts organizations were either on the brink of bankruptcy or already insolvent (Veltman, "The recession").

In the June 10, 2009 edition of *Backstage* magazine, the recent rash of non-profit performing arts' bankruptcies was referred to as "casualties of the devastating fall and winter just ended, when the bottom not only dropped out of the world economy but affected non-profit regional theaters in a particularly lethal manner" ("Back from the Brink"). The litany of casualties included Mill Mountain Theatre in Virginia, Connecticut's Theatre Works, and Wisconsin's Milwaukee Shakespeare. But for

Northern California arts organizations, there were financial dilemmas closer to home. San Jose Repertory Theatre had been bailed-out by the City of San Jose with a $2 million loan in 2006 (AMT had been advanced $1 million the same week), and at the time of AMT's demise, both Shakespeare Santa Cruz and San Francisco's Magic Theatre needed six-figure sums to continue operations (Hurwitt, "Nationally Known"). The Magic Theatre would rebound and, as of this writing, is a going concern. Shakespeare Santa Cruz, however, announced its closure (Healy "Taking the Reins") but was then resurrected under new management ("Eye Openers"). Sadly, San Jose Repertory Theatre – AMT's non-musical counterpart – closed its doors in 2014 (D'Souza, "Solemn"). Even Atlanta's Theater of the Stars, ostensibly the cause of AMT's downfall, has liquidated its assets and closed (Pousner,"Theater of the Stars").

Given the precarious financial nature of non-profit performing arts organizations, this study aims to help in aiding non-profit theater companies, as well as other performing arts organizations and non-profits in general, to recognize factors, both internal and external, that could have a possible negative impact on their organizations. This thesis is written with the hope to bring about positive change for, and greater understanding of, the nature of non-profit performing arts organizations and the communities they serve. With numerous non-profit organizations currently in crisis and requiring effective leadership, this study seeks to inform and aid those who have committed themselves to promoting performing arts in their communities.

III. *Inspiration for this Study*

I was employed by AMT as an actor in forty productions, six as a non-union performer and the rest as a member of Actors' Equity Association. For many years, I made a living as an actor, director, and teacher in the Bay Area, and my employment with AMT was a key to that end. But my interest in the demise of this company is not from personal curiosity alone. The closure of non-profit, professional performing arts organizations has reached epidemic proportions, and I hope this study can be used to better understand this alarming trend.

IV. *Terminology*

This study uses acronyms to identify organizations and locations. American Musical Theatre of San Jose will be referred to as AMT. The previous incarnation of the organization, San Jose Civic Light Opera, will be referred to as CLO. CPA refers to the Center for the Performing Arts, the primary performance space for CLO/AMT. This 2,677-seat theater in downtown San Jose was designed by the Frank Lloyd Wright Foundation and built in 1972 (sanjosetheaters.org). TCG refers to Theater Communications Group, publishers of *American Theatre* magazine and a yearly study entitled "Theatre Facts: A report on the fiscal state of the professional not-for-profit American theatre."

Terminology exclusive to the performing arts will be used. A bus-and-truck, also called a second or third national company, is a touring production of a Broadway show sent on the road concurrently or immediately after the New York run. Unlike a first national tour, a bus-and-truck usually tours for as long as there is a market for the property, sometimes for several years. The term comes from the practice of bussing personnel from city to city, while employing trucks to transport the scenery (Conte and Langley, 189-190). The term commercial theater refers primarily to productions centered in New York City which, unlike non-profit theater, operate without subsidy. Commercial theater has a tremendous influence on all other theater activity in America (Conte, 75). This study will often cite a newsletter called *Newsical*, which was published by CLO/AMT, printed by Theatre Publications, and sent to subscribers prior to each production.

Terminology used in the administration of non-profit organizations will be used. A 501(c)(3) corporation refers to an Internal Revenue Service code exempting charitable organizations and public and private foundations from paying taxes on earnings. This type of business model can also be referred to as a non-profit organization (Byrnes, 36). A form 990 is an Internal Revenue Service tax filing for non-profit organizations. Available for review by anyone, it provides the public with the financial information from a 501(c)(3) corporation (Byrnes, 333). The term Chapter 7 bankruptcy refers to a legal procedure which provides for liquidation of a debtor's assets and the distribution of the proceeds to the debtor's creditors (R. Miller, 494).

Terminology concerning theories associated with the performing arts will be used. The term subscription model refers to the work of Danny Newman in his book *Subscribe Now! Building Arts Audiences through Dynamic Subscription Promotion.* It is a business model where a series of performances are paid for by the consumer prior to the beginning of a season. This up-front payment usually involves benefits to the subscriber such as discounted ticket pricing and secured seating locations. The creative class is a term used by author Richard Florida, and is used to identify a socioeconomic class of Americans who possess a dominant creative ethos and their impact on American society.

CHAPTER TWO: LITERATURE REVIEW

The vast majority of the literature cited in this study was gathered from newspaper print sources, most often the *San Jose Mercury News* and to a lesser extent the *San Francisco Chronicle*. Also useful were trade publications such as *Variety* and *Backstage*. Another abundant source of information came in the form of performance programs and newsletters published by AMT.

Financial information for AMT was obtained from 990 filings with the Internal Revenue Service. As a non-profit organization, AMT's filings are available to the general public. As a basis of comparison, financial information about other non-profit performing arts groups was obtained through TCG's yearly report. Financial information regarding the minimum salaries of union actors was taken from my personal earning statements.

Although there are no existing studies on the demise of AMT, scholarship is available concerning the financial difficulties of other non-profit performing organizations. The most comprehensive study of the bankruptcy of a local non-profit performing arts group is Thomas Wolf and Nancy Glaze's book *And the Band Stopped Playing: The Rise and Fall of the San Jose Symphony*. Wolf and Glaze provided information pertinent to this thesis such as market conditions and economic issues facing the Santa Clara Valley in the early 21st century. Also helpful to this study was a general history of AMT (then called San Jose Civic Light Opera) that was published and distributed as a commemorative program for the organization's sixtieth anniversary.

Written by then administrative director Craig Palmer and executive assistant Lorraine Gilmore, *Celebrating 60 Seasons! San Jose Civic Light Opera Association 1935 – 1995* chronicles the history of the organization and identifies key administrators and board members through the years.

Prior to its collapse in 2008, AMT enjoyed two decades of financial success. This was due in large part by AMT's adoption of the principles of subscription sales developed by author Danny Newman in his 1977 book, *Subscribe Now! Building Arts Audiences through Dynamic Subscription Promotion.* Newman was a consultant for AMT, and his principles elevated subscriptions significantly in the 1980s through marketing campaigns that targeted potential patrons with massive direct mailings involving the saturation of communities with season brochures. These principles, although still effective for many arts organizations today, are being reconsidered in light of new technology, specifically the Internet. In her 2007 book, *Arts Marketing Insights: The Dynamics of Building and Retaining Performing Arts Audiences*, Joanne Scheff Bernstein examines the shifting behavior of audiences in the 21st century. Bernstein advocates pricing strategies, marketing research, and methods of leveraging the Internet and email to build brand name and develop customer loyalty.

The guidance offered by those considered experts in the area of business management are cited in this study. Although not specifically related to non-profit organizations, Coca-Cola CEO Donald Keough's book, *10 Commandments of Business Failure*, discusses actions and practices by managers that he identifies as being detrimental to a business organization. These include isolating one's company from its community, assuming infallibility, and putting complete faith in outside consultants. Preeminent business guru Peter Drucker in his article, "What Businesses can Learn from Non-Profits," argues non-profit organizations need even more diligent management practices than commercial operations because of the lack of bottom line. He further theorizes that the most successful non-profits are those with solid commitment to their mission and those possessing strong, working boards of directors.

Seminal texts on the management of theater, both non-profit and commercial, are referred to in this study. *Management and the Arts* by William J. Byrnes, focuses specifically on non-profit arts organizations, covering the standard administration practices of planning, organizing, leading, and controlling, as well as management of human resources, finance and accounting, marketing and fundraising. *Theatrical Management: Producing and Managing the Performing Arts* by David M. Conte and Stephen Langley, provides comprehensive instruction on both non-profit and commercial theater management, paying special attention to those facets of theatrical management that exist across all financial levels of operation and singling out problems characteristic to specific levels of production. Similarly, Jim Volz's *How to Run a Theater* offers management information in the form of a how-to book, and both *Building The Successful Theater Company* by Lisa Mulcahy, and *The Artistic Home* by Todd London, compile advice from theater professionals about how specific non-profit performing arts organizations were formed and are managed.

The location of AMT and the workforce available for employment were both factors in its success and in its demise. Because San Jose is not a nationally recognized center for the arts, it was necessary to assess the factors contributing to the success of non-profit arts organizations in American cities similar to San Jose. A statistical analysis of location and product selection as marketing mix factors contributing to non-profit financial flexibility is presented by Christine A. Lai and Jessie P. H. Poon in "Location, Marketing, and the Financial Flexibility of Nonprofit Performing Arts Organizations in Second Tier Cities." Building their study upon the work of Richard Florida and his concept of the creative class, Lai and Poon theorize large cities attract a creative workforce and consequently location can be used as a marketing asset by virtue of the influence contributed by the performers who reside there. Similarly, Ann Markusen, in her article, "The Artistic Dividend: Urban Artistic Specialization and Economic Development Implications," argues that the presence of artists in a community elevates that community in ways that cannot be easily quantified. Aside from creating import-substituting entertainment opportunities, local artists contribute directly to ancillary industries such as design, production, and marketing, as well as generate self-employed, directly-exported products.

Although primarily a producer of works already presented on Broadway, AMT had explored developing new works as early as 1980 with its production of *City of Broken Promises*. Subsequent productions of *The Three Musketeers*, *Thoroughly Modern Millie*, and *Christmas Dreamland* displayed the company's desire to be recognized on the national stage as producers of new works. Of use in understanding the relationship between non-profit theater and commercial ventures was Steven Adler's *On Broadway: Art and Commerce on the Great White Way*. Adler portrays Broadway in the 21st century as intimately tied to national non-profit theater and questions the ethics of using public resources to develop private works.

CHAPTER THREE: METHODOLOGY

I. *Overview*

Because the research question in this study involves the administration of a non-profit organization that closed its doors only seven years past, most of the employees, board members, and other associates were currently available to interview. Although there is extensive news coverage available from the *San Jose Mercury News* and other sources concerning both the rise and fall of AMT, a thorough analysis of everyday operations required obtaining the experiences of these key players. A cross section of these individuals was contacted and those agreeing to participate in this study were scheduled for an interview.

Accordingly, a protocol narrative was designed by myself and approved by the San Jose State University Human Subjects – Institutional Review Board (IRB). When distance precluded a face-to-face interview, a phone call was recorded or the interview subject answered questions through Survey Monkey. Most interviews lasted under an hour, were held at a location of the subject's choosing, and employed open-ended questions.

Subjects signed a consent form approved by the IRB that explained the interview process and their rights as participants in the study. A tape-recording device was used to record the interviews, which were later transcribed to text. Analysis was also conducted using existing documents related to the organization's history. These documents include newspaper articles, brochures, tax filings, internal documents, program notes, and newsletters. Interviews were held between January and July of 2014.

II. *Research Question*

This research project was designed to investigate the following question: What were the factors, both internal and external, that contributed to the demise of American Musical Theatre of San Jose?

III. *Approach to the Study*

The form of this research is a case study. It focuses understanding on the dynamics present in a single setting (Eisenhardt, 534). As such, this study relies heavily on interview-based data. As argued by Hammersley and Atkinson, interview data can be extremely important in generating results that would be impossible to obtain otherwise (102).

However, as Hammersley and Atkinson point out, "It is a seriously inadequate form of ethnographic analysis to present interview material as if it provided direct evidence about the events that are recounted" (170). The authors continue, "equally, we cannot assume that anyone is a privileged commentator on his or her own actions, in the sense that the truth of their account is guaranteed" (182). As with any other data, subject interviews must be assessed for validity.

Accordingly, interview data were evaluated in conjunction with other data sets using the method of triangulation. Triangulation of data is a method of cross-checking inferences made from data through the collection of other data sources (Power, 859). The data sets included interviews, newspaper articles, tax filings, program notes, brochures, advertisements, newsletters, and internally-generated documents.

IV. *Role of the Researcher*

An interview process is structured by both interviewer and subject as partners constructing memory and meaning (Madison, 25). In this study, I used open-ended questions that were designed to encourage the subjects to talk about a broad area. The aim was to minimize my influence on the proceedings. If answers were insufficiently detailed, a more direct question was asked for clarification. The data were analyzed only after they had been formally collected.

V. *The Participants*

The subject population consisted of former administrators, board members, and others connected to AMT. Twenty-seven subjects were interviewed for this study. Inclusion criteria involved anyone who worked for or with AMT, served on their board, or had worked in the theater industry and had interacted with AMT. Exclusion criteria included anyone unavailable or not interested in participating in this study. This criteria yielded eight former board members, eight former administrators, three former designers, three former artistic personnel, three former senior managers, and two former associates from other organizations.

VI. *Data Collection and Analysis*

The interview data were interpreted on a qualitative basis, and were sorted into categories of possible internal and external factors. In-depth coding was not used, but qualitative data were triangulated with other data, both qualitative and quantitative. Although the multiple-perspective nature of this study adds a depth of understanding to the research question, this study does not include all perspectives from all employees and associates of AMT, and should not be considered a complete representation of the events leading to the company's demise.

CHAPTER FOUR: ANALYSIS OF DATA

I. *A History of AMT Prior to 1979*

A Great Idea

American Musical Theatre of San Jose began as San Jose Light Opera Company, formed by six community members in late 1935. Founding member Margaret Trevey remembers in a 1981 interview: "We all thought it would be a great idea to start a light opera company so we could entertain others and enjoy ourselves" (Frymer, "CLO"). Margaret's husband, Robert, served as the first board president (Pogue, "60 Year"). They began rehearsals on *The Mikado*, which was presented the following January at the Victory Theatre on North First Street. Early programming leaned heavily on Gilbert and Sullivan, with performances of *The Gondoliers*, *Pirates of Penzance*, and *HMS Pinafore* (Palmer and Gilmore, 1).

During WWII, the company frequently performed benefits for the war effort. Local servicemen cast in the productions always appeared onstage in uniform regardless of their roles (Frymer, "CLO"). Performances were sporadic during the late 1940s and early 1950s, until board president Alena Willcoxon appointed an advisory committee of theater professionals who guided the organization into a new venue, the San Jose Civic Auditorium, and a new genre – the Broadway musical. In 1957 programming switched from light opera titles to productions of *Brigadoon*, *Carousel*, and *Guys & Dolls*. These early musicals were usually directed by Leslie Abbott, who helped to shape the identity of the company during this transition (Slater, "Unsung"). But by the next season, the expansion had caused a $2,500 deficit, which amounted to 25% of the organization's yearly budget (Palmer and Gilmore, 4-5).

The primary strategy for paying down the deficit involved moving performances to the smaller Montgomery Theatre, where the company stayed until 1975 (Palmer and Gilmore, 5). Adding to the organization's financial problems, during the 1959-1960 season accusations of board members making decisions based on their on-stage participation in the productions led to changes in bylaws to prohibit such participation (Frymer, "CLO").

George Costa and the Star System

In 1961 the organization hired George Costa to direct a production of *Damn Yankees*. AMT's former Community Development Wing Director Margaret Hardy, who began as a volunteer with the organization in 1969, remembers Costa as a director: "He managed to light that fire in everybody, made them want to be good and make the show the best it could be" (Lundstrom, "George"). During his tenure from 1961 to 1980, Costa would become executive director in 1967 (Frymer, "CLO") and later executive producing director (Palmer and Gilmore, 6). Hardy also recalls Costa as an administrator: "He really had no training. He just kind of grew into the operation, kind of like I did, maybe that's what made it so fun, nobody knew more than anybody else in the areas in which they worked" (Hardy, interview).

Costa guided the organization into solvency and critical acclaim. The annual budget for the 1961-1962 season was $8,000, a figure that would grow to $80,000 a decade later (Frymer, "CLO"). The organization changed its name briefly in the early

1970s to San Jose Music Theatre, a name that was changed again to San Jose Civic Light Opera (CLO) sometime before 1976 (Palmer and Gilmore, 8).

Perhaps the most significant practice Costa introduced to CLO was referred to as the star system. He began the practice in 1972, hiring Broadway performer Enzo Stuarti as Emile de Becque in *South Pacific*, using much of his budget for the show in the process. The use of a celebrity in a leading role generated enough revenue to warrant the continuation of the practice, and Costa used much of his subsequent show budgets to cast luminaries such as Jane Powell, Ken Berry, JoAnne Worley, and Van Johnson (Lundstrom, "George"). The practice would dominate the organization for a decade.

Costa also oversaw a significant change in venue. In 1975 the organization moved permanently into the San Jose Center for the Performing Arts (CPA). The company had produced shows there before, but a collapse of a retractable ceiling in 1972 forced them back to the Montgomery Theater for three years while repairs were made (Palmer and Gilmore, 10). As the 1970s drew to a close, CLO expanded its season to four shows and put an even greater emphasis on celebrity, casting current stars such as Ron Palillo, Tyne Daly, and Michele Lee (Palmer and Gilmore, 11).

II. *The Golden Era of AMT – 1979 to 2000*

Financial Crisis

In 1979, Dianna Shuster arrived at CLO for a three-week stage management position on a production of *Jesus Christ Superstar*. Shuster had earned her MFA at San Francisco State University and had studied dance, music, and acting extensively. Costa was impressed and offered her the stage management position for the rest of the season. She remembers: "I was terrified, I had never done anything like that before, and I took the job because I needed the job" (Shuster, interview).

By this time, CLO had an annual budget of $571,000 and carried a deficit of $34,000 (Green, "The Fine"). Later that season, Costa produced the world premiere of *City of Broken Promises*. *San Jose Mercury News* theater critic Gloria Tully wrote of the production: "This is the first full-scale musical premiere in the CPA; the success will influence whether CLO does original works in the future" ("CLO's"). The production, which used fifty cast members, twenty musicians, and a complex double-treadmill set designed by Stephen C. Wathen (Tully, "Curtain"), ran seriously over budget and the company found itself initially $150,000 in debt, a figure which would swell to over $250,000 within a year (Slater, interview).

The shortfall called for extreme measures on the part of CLO's board of directors. Bernie Bardin had just joined the board, and remembers: "The vice-president made an announcement that the president had resigned and then required each board member to write a check for $5,000.00. I thought to myself – *well this is a lovely thing I've gotten myself into*" (Bardin, interview). The vice-president was Anthony J. Mercant. He recalls the situation CLO was in: '"We didn't have a dime. We had just been kicked out of our Garden Alameda offices because we couldn't pay the rent. It seemed like everybody was quitting. And at the intermission of *West Side Story*, Costa handed me his resignation"' (Palmer and Gilmore, 13). Mercant was quoted in Leigh Weimers' column in the *San Jose Mercury News* that the dire financial situation was being resolved: "We were on the verge of having to shut down, but not now. We're in the process of restructuring our board of directors" (Weimers, "Light").

To assess the situation, theatrical consultant Bob Bailey was retained under the largess of CLO corporate sponsors. He concluded: "Management decisions had been allowed to slide a little too long, and the growth of the organization had been too fast." Mercant acknowledged the need for a different type of board. "We need fundraisers," he is reported saying. "If they're unwilling or unable, well, I may have a few people mad at me when I tell them they're not needed anymore" (Weimers, "Light").

Despite the financial problems plaguing Costa's final productions with the company, his efforts continued to receive critical acclaim and were perceived as keeping with an artistic vision of building local talent. Gloria Tully of the *San Jose Mercury News* wrote of 1980's *West Side Story*, Costa's last production: "At a time when the long-established local group's continued existence seemed threatened by financial setbacks, there's probably no better show to illustrate what CLO's about. That's training, experience and a showcase for rising young community players" (Tully, "West Side Story").

The departure of Costa led to the appointment of Shuster as production director. She remembers: "The company was in such hellacious financial shape with *City of Broken Promises* that there was no money. We couldn't get credit at the lumber store to get a load of lumber delivered. Someone on the board would have to put their credit card down. So we were literally running around, sometimes with a wad of cash in our hands, to pay for stuff so we could get the next show up" (Shuster, interview).

Pat Havey, who would later be credited with building CLO's costume shop, recalls Shuster's managerial style: "I felt like there was someone who really thought about the different departments and wasn't just there as a figurehead. She was an active member of the whole community and really cared about everybody who was working for her. That was nice. She was always on the side of the workers; that was a definite plus, not just a figurehead who was out to look like a corporate boss" (Havey, interview).

For the 1980-1981 season, Shuster oversaw a company similar to the Costa era. A large percentage of the $800,000 budget (Hertelendy, "A United") was used to bring in stars to headline the productions. She remembers: "I was basically to do everything that George had done, and keep everything moving along…I mean we were a community theater hiring has-been stars, let's get real" (Shuster, interview). While Shuster managed the production end of the organization, the administration continued to lack direction. Costa had acted in the capacity of both artistic director and managing director. Margaret Hardy remembers: "we had no leadership, so the bookkeeper and I had kind of taken charge" (Hardy, interview).

As a result, the board of directors decided to hire a general manager. They found Stewart Slater, who had just been general manager of American Conservatory Theatre in San Francisco, having also worked with Actors Theatre of Louisville and Indiana Repertory Theatre (San Jose Civic, "82," 11). Slater recalls: "I have to admit I didn't know very much about musical theater. I knew theater. So I leaned a great deal on the people who were here: [costume designer and director] Peter David Heth, Dianna, Margaret, some other people around" (Slater, interview). He remembers his initial goals for the organization: “I thought I needed to ensure the quality of the shows in some way, and then start building an infrastructure – a board infrastructure as well as a fundraising infrastructure to help us get past the hard times” (Slater, interview). He recalls the first years managing the organization as being fraught with extended debt and decreasing subscription sales. ‘“We had a lot of discussions at that time,” Slater says, “not *if* we should close, but *when*: Next payday? Next show?”’ (Green, “The Secret”).

Shuster recalls the working relationship with Slater in the early years:

> It was one of those things where it was the right place at the right time, for both of us. And it ended up being somewhat complementary at the beginning. We got on well; we were both willing to work really hard. And we just rolled up our sleeves and killed ourselves. Margaret and Stewart and me, and Peter Heth and Pat Havey in costumes and [technical director and scenic designer] Dwight McBride – that was the team (Shuster, interview).

Slater also recalls the relationship:

> I think we both respected each other for what we did for the company. And I really thought that her directorial energies were great. She brought a fascinating energy to the company that I really liked and really appreciated having around. I never felt we were friends. We were colleagues. There’s what I call a dynamic tension that I felt was helping because it didn’t allow either one of us to run totally amok. I think that was a healthy thing (Slater, interview).

Both Slater and Shuster agreed that stabilizing the company’s finances was vital. Costa’s planned programming for the 1980-1981 season had included *Pal Joey* and *Porgy and Bess*. These titles were dismissed in favor of the more canonical *Fiddler on the Roof* and *The Sound of Music*, providing the ailing company with much-needed box-office revenue (Palmer and Gilmore, 15). This rise in earned revenue was likely aided by a national trend reported by Theatre Communications Group (TCG) in its 1981 study where an 11% increase in attendance was experienced among the twenty-five theatre companies surveyed, with a 25% increase in single tickets sales (TCG 1981, 8).

With finances beginning to stabilize, Shuster took steps to create a more cohesive production process. Gradually, she transformed the company by assembling integrated design teams for each production. Prior to Shuster, production designers worked independent of each other. She remembers: "Can you believe it? The lighting designers called their cues separately. Nothing was synchronized" (Palmer and Gilmore, 13).

Shuster was also an advocate of actor training for musical performers, having studied acting and directing with Lee Strasberg in New York (*UpBeat*, 23). Shuster's style of directing musicals put great emphasis on storytelling:

> There was an integrity of how we did things that is not inherent in the way most people do musical theater. We do musical theater the way other people do straight plays. Because that's where I come out of – I believe there is story, story, story. It was about character, relationship, all of that stuff that is at the core. And that's why you had the emotional response to the piece at the end of the day. And that's where our success was, and that's why we were different. But see, that's my artistic ethic – period – end of sentence (Shuster, interview).

Realizing the model she had inherited was incompatible with her vision, she took steps to reverse the casting process by using money usually allotted for star performers to be spread among three or four seasoned, professional actors:

> What I did not like was the star system. I always hated it. I thought it was stupid. You take all of your money and you put on somebody who's over-the-hill. They're slumming. You're not going to get anything near their best work, because they're embarrassed to be there, frankly. And all you're going to get is, they show up and take their money and run. And I said – *let's take the $10,000 and buy three talented, capable people who you've never heard of, and let's go put on a show* (Shuster, interview).

These talented, capable performers most often came from Los Angeles or New York and belonged to Actors' Equity Association – the union of professional actors and stage managers in North America. The bulk of the minor roles and chorus was cast from local amateur performers. For the 1982 production of *Anything Goes*, the 49-member cast consisted of five union actors (*San Jose Civic*, "82," 5-11). As the company expanded, the responsibilities and time commitment for the non-union cast increased.

In years past, CLO had required the non-union talent to construct their own costumes based on designs given to them by a costume designer. Gradually, CLO began to build a costume shop. Pat Havey, who had her own dress making business, had been sewing costumes for cast members who did not sew their own. She remembers: "They came to me and asked if I was interested in setting up shop for them. It was Peter [Heth] and me. I did all the cutting and sewing and all the backstage wardrobing. No wardrobe people, no dressers, it was just me" (Havey, interview).

Over the years, Havey created a shop that not only took care of the needs of the organization, but created one of the largest costume rental businesses in the country. Later, Jill Bowers took over for Havey. Costume designer and San Jose State Professor Betty Poindexter remembers: "Jill and Pat put together one of the best costume shops in the Bay Area, bar none. The quality of the work coming out of that shop was as good as anything coming out of any New York shop" (Poindexter, interview). By 1994, the costume rental department consisted of over 150,000 costume pieces, including 32 complete shows in the inventory ("CLO Costumes").

As the costumes began to be constructed professionally, so too were the sets, led by Ken Holamon. Shuster and Slater both credit scenic designer Holamon as instrumental in the success of CLO in the early days. Although his talents extended beyond scenic designer – he was a talented director and actor as well – he is best remembered by those who knew him as having an affable personality that lent itself to bringing production teams together. Shuster remembers: "Ken fit in there in a big way" (Shuster, interview).

By 1983, the organization was devising ways to involve local male dancers – a perennial commodity for theater directors. Their production of *Two Gentlemen of Verona* used local street dancers. CLO publicist Ronn Goswick reported: "We've auditioned about 50 and we'll probably use up to 16 in the show, with the rest included in a street contest outside the Center for Performing Arts" (Weimers, "Breakdancers").

Shuster had a long-term plan as well for building the pool of performers available to CLO:

> My idea was that we need to develop [talent] in the area so we didn't have to house our dancer group, because those were the heady times when rents were just going through the roof. By the time we got to the mid-90s, it would cost $5,000 to basically travel and house somebody and get them a car and get them an apartment. It was really pricy to bring people in. So my deal had always been they have to be worth the money. So the idea was to bring in someone who then would become a mentor to the group. So you're constantly working toward the best in people, and daring other people to match it. And that's how we built that company, and that's why it was so special (Shuster, interview).

Acceptance of Shuster's new model was slow with local critics. As late as 1983, theater columnist and critic Murray Frymer from the *San Jose Mercury News* was reporting CLO as "having trouble coming up with the celebrity stars they used to offer"

(Frymer, “Theatrical producers”). The transition, however, was gradual, with CLO hiring celebrity performers such as Eddie Mekka (Frymer, “Carmine”) and JoAnne Worley as late as 1985 (Weimers, “Show Busy”). Slater, in a 1984 interview, viewed CLO’s decreasing use of star performers as beneficial from a financial perspective:

> The basic problem is money, and also longer runs. We used to do one-weekend runs, so a star could come here in a hurry. Now we do two-weekend runs and next year it will be three…we also have to pay them more. We used to pay $2,000. Now we have to pay between $7,500 and $8,000. So it’s really a wash
> (Frymer, “Soap-opera”).

Cabaret and Danny Newman

In 1982, Shuster’s philosophy of producing musicals reached a watershed moment with her production of *Cabaret*. Slater agrees the production was a turning point for the company: “For me I’ve always said that was the moment – that was my aha moment when I said – *this is going to work. This is a team that is working in synch*. It was magic – the corner that it turned. And I think it made us say – *this is what we need to do*” (Slater, interview).

Shuster’s decision to cast and direct *Cabaret* according to her artistic vision of eliminating the star system in favor of using the money to hire a small number of seasoned, unknown professionals was a risky one, given the still-precarious financial situation the company was in. She remembers in a 1986 interview: “We had no stars. The whole thing was done on three stories of scaffolding. I was scared. I went into opening night not knowing if I’d have a job tomorrow” (Frymer, “Something”).

The critical acclaim for the production solidified Shuster’s position within the company. She recalls: “That show changed the course of the company radically. And part of that was the quality of what got on stage. We don't have to look like amateur-night-in-Dixie dancers. We can be bawdy and hip and smart and take talented people who aren't stars – because there was no money for stars – so we did it on a shoestring" (Shuster, interview). Even her appointment as the director of *Cabaret* was a result of a tight budget: "The reason I got to direct was because there was no money to hire a director. That's what really happened" (Shuster, interview).

She recalls the board's reluctance to adopt her production model: "The board was terrified because they were used to the star system. And in *Cabaret* I proved it was possible. And the board said – *ooh, that's the best show we've ever done*. And I said – *yep, and we can do it again*" (Shuster, interview).

The continued financial woes of the company were acknowledged by *San Jose Mercury News* theater writer Glen Lovell in his review of *Cabaret*: "Like the gutsy Sally Bowles herself, the company refuses to bow to hard times. If anything, the remarkably polished work here can be read as a plucky declaration of intent to survive and make sweet music, come what may" (Lovell, "Bold"). Lovell would later call *Cabaret* one of the three best Bay Area musicals of 1982 – the other two being touring productions trucked into San Francisco (Lovell, "Arts And"). And the successes continued, with CLO's 1983 *My Fair Lady* garnering three Bay Area Theater Critics awards (Frymer, "So").

The success of Shuster's model was beginning to be recognized. Frymer declared by late 1983: "In the future, South Bay theatergoers will be a very hard sell when it comes to those road-show star vehicles. But road shows don't do much for an area's theater anyway. There's a lot of outstanding theater close to home, worthy of our attention, and their reliability is unquestioned" (Frymer, "Theater survivors").

Although there were no other significant non-profit theater companies challenging CLO at the time, touring shows had been competing with CLO for both audiences and theater space. A subscription series of bus-and-truck shows put together by producer Sheldon Kleinman under the company California Performance Group folded in late 1983, leaving patrons holding worthless tickets. Seeing an opportunity to acquire the subscription base, Slater offered to accept Kleinman's tickets for CLO productions (Frymer, "The Year"). On the heels of Kleinman's demise, another producer, Henry Schiro, formed HAS productions and competed with CLO by bringing tours into the CPA (Frymer, "Impresario faces").

Schiro's daughter and future executive producer of San Jose-Cleveland Ballet, Stephanie Shiro-Ronco, recalls the relationship between the two companies: "I think HAS productions helped build AMT up in the late-80s. Stewart capitalized on using words from HAS mailings – and I don't think this is bad. He capitalized on what I call market confusion, where people going to shows at the CPA didn't know if they were seeing AMT shows or HAS shows" (Shiro-Ronco, interview).

HAS was a clear threat to CLO's revenue, and although other forms of live entertainment in San Jose could have been thought of in the same way, Slater chose to unite with other non-profit arts organizations rather than distance his organization from them. In May of 1983, Slater and local arts administrators met at the Hotel Saint Claire for what was to become the San Jose Arts Roundtable (Weimers, "Bureaucracy"). He remembers: "[It was] basically a spin-off of [Mayor] Tom McHenry's first state of the city speech which was about unity. And I remember Jim [Reber, of San Jose Repertory Company] was sitting at the table next to me and I was sitting behind the guy from the Symphony and I said – *you know we need to throw off the barriers and the problems and come together as a group*. We didn't know it at the time…but out of that grew a group that was cohesive in doing things and became a force in the community speaking for the arts" (Slater, interview).

Three members of this new alliance – CLO, the San Jose-Cleveland Ballet, and the San Jose Symphony – shared the CPA as a performance space. With 2,677 seats in its cavernous house, the venue was too large for producing smaller-scale musicals. With this in mind, CLO expanded their season by one show in the summer of 1983, producing *The Fantasticks* outside on a small stage built over the fountain at the Convention Center on Market Street (Slater, interview). The show, with a small cast and simple, single-unit set, drew less than 1,500 patrons, and another summer production was not presented until *Aida* in July of 2003. On page 30 is Table 1. It is taken from an internal AMT document, and lists attendance figures from 1982 to 2008.

Attendance was down for the shows in the CPA as well. Although CLO continued to enjoy critical successes, season subscriptions dropped from 9,350 to 7,481 by the end of the 1983-1984 season (Table 1, page 30). CLO's dip in subscription sales was uncharacteristic of the 37 participating theaters reported by TCG in their 1984 report. However, TCG did report a caveat to the rise in sales: "The growth in subscription income during 1984 is largely the result of a dynamic expansion in the mainstage subscriber base. Intensified marketing efforts – particularly the use of highly organized telemarketing campaigns to supplement traditional direct-mail efforts – produced an unprecedented increase in the number of committed season ticket holders” (Theatre Communications Group, “84,” 4).

Table 1 - Production attendance from 1982 to 2008

Year	Month	Show	Subs	Singles	Total	% of capacity	# of shows
1982	Sept	*Annie Get Your Gun*	9,185	2,800	11,985	59%	8
1982	Nov	*Cabaret* (2)	9,350	5,544	14,984	73%	8
1983	March	*Brigadoon* (2)	9,349	7,024	16,373	81%	8
1983	May	*Kiss Me Kate*	9,349	3,406	12,755	63%	8
1983	July	*The Fantasticks* (2)	-	1,473	1,473		
1983	Oct	*Sweet Charity* (2)	7,295	2,043	9,338	46%	8
1983	Dec	*My Fair Lady*	7,472	4,742	12,214	60%	8
1984	Feb	*Two Gentlemen of Verona*	7,477	2,263	9,740	48%	8
1984	April	*The Music Man* (3)	7,481	5,629	13,110	65%	8
1984	Nov	*Camelot* (2)	14,169	3,172	17,341	57%	12
1985	Jan	*They're Playing our Song*	15,207	2,476	17,683	58%	12
1985	March	*Oklahoma!* (2)	15,207	3,326	18,533	61%	12
1985	May	*Annie*	15,207	3,733	18,940	62%	12
1985	Nov	*A Chorus Line*	20,182	4,429	24,611	69%	14
1986	Jan	*Evita*	20,471	4,714	25,185	71%	14
1986	March	*Barnum*	20,471	2,189	22,660	64%	14
1986	May	*The King and I* (3)	20,471	2,583	23,054	65%	14
1986	Nov	*Oliver!* (3)	21,662	2,737	24,399	69%	14
1987	Jan	*Follies* (2)	21,937	3,974	25,911	73%	14
1987	March	*Best Little Whorehouse…*	21,937	2,348	24,285	68%	14
1987	May	*The Sound of Music* (4)	21,937	3,916	25,353	73%	14
1987	Nov	*42nd Street*	24,553	4,613	29,166	82%	14
1988	Jan	*Chicago*	25,079	3,140	28,219	79%	14
1988	March	*Peter Pan* (2)	25,079	7,720	32,799	92%	14
1988	May	*Gypsy* (3)	25,081	2,076	27,157	76%	14
1988	Nov	*La Cage Aux Folles*	26,190	3,547	29,737	59%	20
1989	Jan	*Sweeney Todd*	26,514	3,379	29,893	59%	20
1989	March	*My One and Only*	26,516	4,041	30,557	60%	20
1989	May	*West Side Story (4)*	26,516	5,712	32,228	63%	20
1989	Nov	*Dreamgirls*	29,547	2,480	32,027	63%	20
1990	Jan	*The Pirates of Penzance*	29,505	2,517	32,022	63%	20
1990	March	*Jesus Christ Superstar* (2)	29,757	3,207	32,964	65%	20
1990	May	*Guys and Dolls* (3)	29,767	2,489	32,256	63%	20

1990	Nov	*Evita* (2)	29,037	11,623	40,660	80%	20
1991	Jan	*Me and My Girl*	29,339	5,946	35,285	69%	20
1991	March	*The Wizard of Oz*	28,922	10,008	38,930	77%	20
1991	May	*Pacific Overtures*	29,059	3,345	32,404	64%	20
1991	Nov	*George M!* (2)	29,357	3,941	33,298	66%	20
1992	Jan	*Chess*	29,755	6,667	36,422	72%	20
1992	March	*Mame* (3)	29,871	4,921	34,792	68%	20
1992	May	*Little Shop of Horrors*	29,660	5,436	35,096	68%	20
1992	Nov	*Phantom*	31,443	5,886	35,096	69%	20
1993	Jan	*Assassins*	31,298	2,864	34,162	67%	20
1993	March	*Annie* (2)	31,807	9,327	41,134	81%	20
1993	May	*On the Town*	31,722	3,140	34,862	69%	20
1993	Nov	*No, No Nanette* (2)	29,172	3,048	32,220	63%	20
1994	Jan	*Grand Hotel*	29,980	3,410	33,390	66%	20
1994	March	*Pippin*	30,105	2,360	32,465	64%	20
1994	May	*Fiddler on the Roof* (4)	30,269	12,965	43,234	85%	20
1994	Oct	*Lunch*	32,370	2,734	35,104	69%	20
1995	Jan	*42nd Street* (2)	33,100	7,526	40,626	80%	20
1995	March	*Man of La Mancha* (3)	32,939	7,705	40,644	80%	20
1995	May	*A Chorus Line* (2)	33,067	8,269	41,336	81%	20
1995	Oct	*My Fair Lady (4)*	33,305	5,570	38,875	77%	20
1996	Jan	*A Little Night Music*	33,632	2,862	36,494	72%	20
1996	March	*Once on This Island*	33,643	2,872	26,515	72%	20
1996	April	*Rags - in concert*	-	2,450	2,450		
1996	May	*Crazy for You*	33,599	4,933	38,532	76%	20
1996	Oct	*Anything Goes* (2)	29,630	3,878	33,508	66%	20
1997	Jan	*Tommy*	29,798	5,233	35,031	69%	20
1997	March	*The Will Rogers Follies*	30,269	4,070	34,339	68%	20
1997	April	*Kismet - in concert*	-	5,047	5,047		
1997	May	*Me and My Girl* (2)	30,162	3,192	33,354	66%	20
1997	Oct	*The Music Man* (4)	30,222	6,544	36,766	72%	20
1998	Jan	*Follies* (3)	30,703	3,863	34,566	68%	20
1998	March	*City of Angels*	30,698	3,115	33,813	67%	20
1998	April	*The Most Happy Fella*	-	1,826	1,826		
1998	May	*Seven Brides for Seven Bros*	30,801	4,476	35,277	69%	20
1998	Oct	*Hot Mikado*	26,982	3,380	30,362	60%	20
1999	Jan	*La Cage Aux Folles* (2)	26,190	3,580	29,770	59%	20
1999	March	*Big River*	25,876	4,185	30,061	59%	20
1999	May	*South Pacific* (4)	27,880	7,068	34,948	69%	20
1999	Nov	*Annie* (3)	21,528	9,341	30,869	61%	20
2000	Jan	*Children of Eden*	21,463	2,631	24,094	47%	20
2000	March	*Forum*	21,463	3,151	24,614	48%	20
2000	May	*Phantom* (2)	22,884	5,516	28,400	56%	20

2000	Nov	*Singin' in the Rain*	22,687	7,605	30,292	60%	20
2001	Jan	*Copacabana*	24,071	10,340	34,411	68%	20
2001	March	*The 3hree Musketeers*	25,179	5,486	30,665	60%	20
2001	May	*Victor/Victoria*	23,352	2,855	26,207	52%	20
2001	Nov	*Grease*	20,570	13,242	33,812	67%	20
2001	Sept	*Beauty and the Beast*	-	32,041	31,041	35%	24
2002	Jan	*Evita* (3)	20,434	9,379	29,813	59%	20
2002	March	*Joseph and the…*	20,469	10,112	30,581	60%	20
2002	May	*Damn Yankees* (3)	20,483	5,226	25,709	51%	20
2002	Sept	*Blast*	19,670	11,599	31,269	51%	24
2003	Nov	*Miss Saigon*	19,897	12,652	32,549	53%	24
2003	Jan	*The Sound of Music* (5)	20,554	11,199	31,753	52%	24
2003	Feb	*Swing!*	-	11,342	11,342	50%	8
2003	March	*Les Miserables*	20,475	20,985	41,460	68%	24
2003	May	*Mamma Mia*	22,000	35,000	57,000	94%	24
2003	July	*Aida*	19,976	14,326	34,302	56%	24
2003	Sept	*Funny Girl*	16,235	4,673	20,908	34%	24
2003	Nov	*On the Twentieth Century*	16,141	3,159	19,300	32%	24
2004	Jan	*Dreamgirls* (2)	16,581	9,723	26,304	43%	24
2004	Feb	*Starlight Express*	16,658	7,729	24,387	40%	24
2004	April	*Thoroughly Modern Millie*	16,738	6,733	23,471	39%	24
2004	June	*Dora the Explorer: Live*	502	14,255	14,757	65%	9
2004	July	*The Producers*	17,161	17,481	34,642	57%	24
2004	Sept	*Rent*	3,329	6,841	10,170	50%	8
2004	Oct	*Peter Pan* (3)	15,998	6,739	22,737	56%	16
2005	Jan	*Chicago* (2)	17,269	12,396	29,665	73%	16
2005	Feb	*A Chorus Line* (3)	17,071	7,306	24,377	60%	16
2005	March	*Lord of the Dance*	5,182	6,925	12,107	60%	8
2005	April	*Tapestry*	15,889	3,063	18,952	47%	16
2005	May	*Cats*	6,777	8,073	14,870	73%	8
2005	June	*Movin' Out*	17,074	6,372	23,446	58%	16
2005	Sept	*The Wizard of Oz* (2)	17,776	5,621	23,397	58%	16
2005	Oct	*Little Women*	17,190	3,149	20,339	50%	16
2005	Nov	*West Side Story* (5)	18,517	8,889	27,406	67%	16
2005	Dec	*Mamma Mia* (2)	4,564	11,173	15,737	77%	8
2006	Jan	*The Lion King*	23,040	77,985	101,025	93%	45
2006	March	*Gypsy* (4)	18,241	4,140	22,381	55%	16
2006	May	*Stomp*	5,780	7,806	13,586	67%	8
2006	June	*Hairspray*	18,932	7,149	26,081	64%	16
2006	Aug	*Brooklyn*	1,134	4,989	6,123	30%	8
2006	Sept	*Sweet Charity* (3)	16,095	6,518	22,613	56%	16
2006	Oct	*The King and I* (4)	16,473	10,512	26,985	66%	16
2006	Nov	*Christmas Dreamland*	15,817	7,860	23,677	67%	45
2007	Jan	*Camelot* (3)	16,963	9,172	26,135	64%	16
2007	April	*Smokey Joe's Café*	16,291	5,169	21,460	53%	16
2007	May	*Dirty Rotten Scoundrels*	16,722	3,759	20,481	50%	16
2007	June	*All Shook Up*	2,830	4,326	7,156	35%	8

2007	Oct	*Guys and Dolls* (4)	***	***	***	***	***
2007	Nov	*Go Diego Go: Live*	***	***	***	***	***
2007	Dec	*Jesus Christ Superstar* (3)	***	***	***	***	***
2008	Jan	*Little Shop of Horrors* (2)	***	***	***	***	***
2008	March	*Cabaret* (3)	***	***	***	***	***
2008	April	*Mamma Mia* (3)	***	***	***	***	***
2008	May	*Beauty and the Beast* (2)	***	***	***	***	***
2008	Sept	*The Full Monty*	***	***	***	***	***
2008	Oct	*Flower Drum Song*	***	***	***	***	***
		*** Data not available					
		Change in fill color represents					
		a full season.					

Hoping for similar results, Slater made a bold move. Unexpected capital, in the form of early renewals, became available during the off-season (Palmer and Gilmore, 18), and Slater saw an opportunity to enlist someone he had worked with before, subscription guru Danny Newman. In the summer of 1984, Slater met with Newman, who was in town to consult for other arts organizations in the area (Weimers, “Symphony”). Slater remembers the first meeting between himself, Newman, and select board members: “I could tell within the first ten minutes that we were going to make this work” (Slater, interview). Newman argued the potential subscription base for CLO was tremendously unrealized and proposed a campaign involving a saturation mailing of 300,000 brochures to homes in the San Jose area. This campaign cost $40,000 – equal to the entire revenue taken in from season renewals (Palmer and Gilmore, 18). Murray Frymer of the *San Jose Mercury News* would later report the amount spent as $60,000 (Frymer, “CLO”).

Newman’s idea worked. The subscription base soared, and by September of 1984, subscriptions were at 11,000 (Weimers, “Big”). Slater reported shortly before the start of CLO's fiftieth anniversary season in November that over 14,000 subscriptions had already been sold, compared to 7,500 at that time the previous season. He attributed the sales to the artistic success of previous seasons (Frymer, "CLO"). *San Jose Mercury News* theater critic Murray Frymer had recently criticized the unoriginality of the proposed fiftieth season – *Camelot*, *They're Playing Our Song*, *Oklahoma!*, and *Annie* – (Frymer, "Local") but in the face of CLO's reported subscription numbers, he wrote an article in November of 1984 that would solidify the company's reputation and vision for years to come. In it, Slater and Shuster stated their philosophy for the company. Both acknowledged their desire to do riskier shows such as *Sweeney Todd* or *Evita,* but felt the need to continue with the tried-and-true for the time being. Slater added: "If I can do just one show a season that I have the burning desire to do, that would be fine." They both downplayed the importance of celebrity performers and stressed the importance of the company as an incubator for future talent. The reputation of CLO in the theater world had spread, as Shuster acknowledged: "People are beginning to want to come here to work" (Frymer, "CLO").

The proceeds from the subscription gamble had an immediate effect on productions. "They bet the bank," says Shuster. "Suddenly there was cash flow. Once you have cash flow, you have a fighting chance to fix the things that don't work or the most egregious things from a quality perspective. We actually turned a profit that year" (Shuster, interview). Margaret Hardy, in a 1991 interview, credits Slater for the organization's financial turnaround: "Nobody can ever say he didn't rescue this organization" (Green, "The Secret"). Slater credits a team effort: "It was Danny's method of marketing; it was Ken's designs; it was Dianna's directing. It was what we were carrying into the community; it was the esprit de corps that we obviously had" (Slater, interview).

Slater also credits then Board President Bernie Bardin: "Bernie said to me – *my job on the board is to manage the board and to keep them off your back, and your job is to run this company*" (Slater, interview). Barden's philosophy of board governance would set the standard for a decade of board presidents. He explains: "I think what we did best was to get the subscribers to the show. Rather than arguing about what show to put on or who would be in it, we let management handle all that, and we focused on getting subscriptions. I think that was the key to our success. I credit Danny Newman for putting that idea in our head" (Barden, interview).

Former Board President Sunny Claggett, who served on the board from 1987 to 1994, confirms Bardin's philosophy: "There are three things, three functions of a board, and of a board member. One is fiduciary oversight. The second one is to represent and advocate the organization in the community. The third is the responsibility of bringing in and dismissing leadership." As for the responsibility of deciding programming, Claggett adds: "We all like to think we had input, but the reality is that it had to be left to the professionals, Diana Shuster. Stewart and Dianna were instrumental in bringing on the productions we chose to do. But Stewart would run it by us. He would always be solicitous of us as a board, but the reality is that ours was only input" (Claggett, interview).

Record Growth

As the subscription base grew, revenues increased and the accumulated deficit was beginning to be paid down. The rapid financial prosperity allowed expansion in both administration and production. Budgets were created by both Slater and Shuster. "It was a combination," Slater remembers. "We traded information back and forth. I encouraged her to ask – *what is this?* I felt free to say – *what is that?*" (Slater, interview). Shuster concurs:

> In those early days, we would create them together. But basically I would create the production budgets – even just a few years in. I'm pretty darn good with budgets and figuring out how I'm going to be able to have a little bit of cushion over here to take care of the problems that you know are going to happen. I can give you a budget that would be if everything goes perfect, but that's never the case. So you've got to build in 10% here, 5% there, especially in the costume and set area, especially in your labor pool and especially in the sets, in the materials line, because that's always going to come back to bite you (Shuster, interview).

Both Slater and Shuster built each season from square one: "Budgets were always created from the bottom," says Slater, "and to use Dianna's term from an artistic sense, they were always created as if for the first time. So that we didn't just lay on a ten percent growth factor – it was approved from the bottom line by line. That's the way I always wanted it and I pushed to make that happen" (Slater, interview).

Musical director Billy Liberatore, who collaborated with Shuster numerous times in the casting and production process, describes her ability to stay on budget:

> A big reason why it worked so well was because Dianna was fantastic with numbers. And when Dianna was in control of budgets, she knew how to bring a show in under budget. She knew how to ask everyone to work for just a little bit less than what they might, so the whole thing would work. Dianna was like – *couldn't you do it for a thousand less?* And I watched her do it a million times (Liberatore, interview).

Costume designer Cathleen Edwards also recalls the control Shuster maintained over budgets: "Dianna's budgets were her budgets. If you went over budget, you were out of money. That was the way it worked. Here's your budget, figure it out" (Edwards, interview).

As the company grew and became more departmentalized, the budgeting system became more involved. Slater explains:

> The development budget would come from the development team, the marketing budget would come from the marketing team, the admin budget I usually built, the production budget Dianna built based on the shows, or based on the fact we didn't have shows. Then I'd do – with a lot of help – revenue budgets because that meant we had to get marketing's involvement about what they felt they could sell, development on what they could raise and I would bring my own information as to what I felt the market could bear in terms of ticket price (Slater, interview).

The ceiling price for single tickets during CLO's fiftieth season was $25.00 (SJCLO, *Camelot*), rivaling ticket prices in San Francisco (Frymer, "Award-winning") and topping the national average of $19.30 (Holly, "85", 19). This premium was perhaps possible not only because of favorable reviews and word-of-mouth, but because the success of the subscription drive had a positive influence on single-ticket sales. In November of 1984, the opening show of the season, *Camelot*, set an attendance record of 19,700 patrons, despite Henry Schiro's HAS productions having brought in a touring company of the same show just four months earlier in the same venue (Weimers, "$250"). Sales, no doubt, were spurred by Willard Scott wearing a CLO T-shirt on the *Today* show to commemorate the company's fiftieth anniversary and urging viewers to see the show (Weimers, "Diplomacy").

The continued public favor for the company resulted in the advancement of Slater and Shuster within the company. In early 1985, both Slater and Shuster received title changes, from general manager to executive producer, and from director of productions to artistic director, respectively. Shuster explains how the titles came about:

> Stewart's a title guy. He's about the titles. And George [Costa] was artistic director and then producing director. And there were still people on the board who said no one will ever have those titles again in the company. So Stewart put me out in front – I didn't go after it. He used me and how unhappy I was with being director of productions when I should have the title of artistic director to basically parlay his title for himself (Shuster, interview).

Perks were awarded to the company itself as well. By the end of the 1984-1985 season, CLO reported a $36,711 budget surplus that was applied to the current deficit (Green, "Surplus"), allowing CLO to receive $49,000 for operating expenses and $36,000 in rental subsidies from the Fine Arts Commission of San Jose ("Arts Groups"). Rental subsidies had become important funding for CLO. Slater remembers: "We never got a lot of money from the Feds. We never got a lot of money from the state. We never got a lot of money from the government, period. And the one where there was the most money and possibly the most fluctuation was with the city government" (Slater, interview).

The amount of earned revenue CLO generated made government contributions less important than with other arts organizations. CLO was generating, on average, 85% of its revenue from box office sales. Slater explains: "It did not mean survival to the company for the federal government [subsidies] or the state government [subsidies]. The local government meant more just because the money they gave us was in a rental subsidy. So it was the way they had of moving the money out of one city coffer into another city coffer. Because they owned the theater, they could say – *we're giving money to the arts*" (Slater, interview).

The earned revenue CLO enjoyed was far above reported national averages. That year, TCG reported among the 37 national theaters profiled an 11% increase in operating expenses in the aggregate but only an 8% increase in sales (Holly, "85", 19). By August of 1985, subscription sales for CLO were already at 14,500 and the budgeting of the 1985-1986 season was created based on a projected 17,500 (Green, "Surplus"). The actual number reached that year was 22,000 (Frymer, "Stages"), well above the average of 13,000 as reported by TCG among 45 national theaters (Holly, "86", 22).

In January 1986, CLO experienced its first sold-out run with its critically-acclaimed production of *Evita* – all 26,150 seats were sold before opening night (Frymer, "Electric"). The previous show, *A Chorus Line*, had sold 98 percent of capacity. Previously, the best-selling shows were during the last season of the star system in 1981-1982 (Table 1, page 30). Slater now publically acknowledged the star system as non-essential to the success of the company: "We don't have to bring in big-name stars anymore; we just try to guarantee quality performances" (Frymer, "Theater Fans").

As a former manager of American Conservatory Theater in San Francisco, Slater remembered how a large part of that audience had come from the peninsula. Now he remarked: "We've been able to turn those people around to come to the South Bay." *San Jose Mercury News* Theater Critic Murray Frymer attributed the turnaround to the increased quality in the product CLO produced (Frymer, "Theater Fans"). With this reversal of fortune, Slater was reported as expecting a budget surplus of $175,000 from the season, which would erase 41 percent of the accumulated deficit. In order to further maximize this revenue, CLO planned to expand within existing runs by adding performances on weeknights (Green, "The Fine").

The proposed expansion created more time commitment for non-union actors. The 46-member cast of the 1986 production of *Oliver!* included six union actors, with local actors in the remaining forty roles (*San Jose Civic*, "86", 20-21). As early as the beginning of the 1986-1987 season, both Slater and Shuster began talking publicly about a desire to expand the company to include a second stage, which could work as an incubator for developing new works, and to create a training institute. Slater said in a 1986 interview: "We've wanted to start a school here, focused on the musical theater" (Frymer, "Something"). Shuster also recognized the need to invest further in the local talent base:

> I knew we needed to bring people along. We needed to up the caliber and the quality of the people we put on stage, and that's when we started with classes. Let's get some voice classes for dancers and dancing classes for tenors who have three left feet. Let's really start working our weakest point up. And you keep weak-searching yourself in an ascending modality. And that wasn't an accident. That was very specifically chosen from my perspective. And then sometimes we would choose shows we really wanted to do, but use that as a training thing. *42nd Street* was a terrific one. So six months before the show, we start tap classes. And we brought thirty people along. And they worked their tails off, and by the time we got to the show, they could tap at a level where they did a very credible job. And that created a tap base for the next twenty years. Suddenly we have male dancers. Nobody has male dancers except Broadway – we had male dancers because we made them (Shuster, interview).

Judith Green of the *San Jose Mercury News* wrote an article on the training of community dancers that CLO was investing in: "Those dancin' feet – all 30 pair of 'em –

are the best reason to see “42nd Street,” in its current delightful production by San Jose Civic Light Opera. The astonishing thing is that so few members of the cast could have managed such polished hoofing a few short weeks ago. Many prepared for “42nd Street” by taking a 10-week CLO class this summer…three levels of classes a day, two days a week” (Green, “Cast”).

During this time, Slater was seeking to work in partnership with other national musical theater organizations as he had locally with the San Jose Arts Roundtable. Slater was active in founding the service organization for musical theater, the National Alliance of Musical Theatre (Palmer and Gilmore, 17). Frank Young of Houston’s Theatre Under The Stars approached Slater and others in 1986 and proposed a meeting. Slater had always felt a need for an umbrella organization. He recalls the gathering:

> So we went, from all over the country. And I found out we were talking about the same stuff, like a product, or touring companies coming into our communities and picking our pocket. By the third meeting we began to coalesce around a feeling we should organize and go forward. [It was suggested] we need a focus for the organization, and the focus should be new works, because we all need new works. It grew beyond our wildest dreams and is now a force within the field, sort of like the Roundtable (Slater, interview).

By 1987, continued success allowed CLO to take artistic risks. Musicals by composer/lyricist Stephen Sondheim had long been on the programming wish list of the company, but Sondheim’s work – often seen as too erudite and inaccessible for most audiences – were considered risky. Citing successful productions of Sondheim’s musicals *Sunday in the Park with George* at American Conservatory Theater and *Into the Woods* at the Old Globe in San Diego, Shuster and Slater announced a production of Sondheim’s *Follies* slated for early 1987 (Frymer, “Something”).

Although financially risky, the choice to produce *Follies* was based upon a solid subscription base that had risen to 24,000. Since the mass mailings of previous seasons had begun to produce diminishing returns over the four-year period since Danny Newman's first canvassing, CLO began to concentrate on renewals. An estimated cost at the time to keep an existing subscriber was $2, while soliciting and securing a new one cost $42 (Green, "San Jose: Culture").

The artistic risk paid off. Although not universally praised, *Follies* received a rave review from the *San Francisco Chronicle's* Gerald Nachman: "It wasn't simply a good show for San Jose; it was a good show for anywhere" (Nachman, "'Follies'"). Even the *San Jose Business Journal* took notice: "The city of San Jose has an extraordinary theater company doing four Broadway shows a year. The company's captured about 24,000 season ticket subscribers and yes, it's in the black" (Smith, "Yes").

By this time, CLO's agreement with the actors' union had expanded. The 50-member cast of *Follies* consisted of eight union members, with local actors cast in the remaining roles (*San Jose Civic*, 1987, 20-21). The union actor's minimum salary was $515.00 weekly (Cymanski, *1987*).

Adding to rising costs in production, in the spring of 1987 San Jose arts groups faced cuts in city funding. Downtown San Jose was in the midst of renovation, and construction had lowered hotel occupancy, leaving the subsequent transient occupancy tax earmarked for arts groups lower by $16 million (Green, "S. J."). Local arts organizations lobbied the San Jose City Council to use redevelopment money to cover the shortfall. The Fine Arts Commission recognized that newly-vitalized arts groups in San

Jose, such as CLO, "provided more than $34 million in direct economic impact to downtown San Jose" yearly. CLO was awarded $30,000 with another $110,000 in rental subsidies (Green, "Arts Panel Approves").

CLO rebounded from the cuts in funding, and by the fall of 1987, subscriptions reached 28,000 (Frymer, "How"). This rivaled only a select number of theatre companies in the United States, notably The Old Globe in San Diego with 51,965 subscribers, and the Alley Theatre in Houston, the Alliance Theatre Company in Atlanta, and The Mark Taper Forum in Los Angeles with each reporting 30,000 plus (Zesch, 27). Hoping to combine word-of-mouth from subscribers with consistently strong reviews to obtain an even larger subscription base, CLO kept individual ticket prices for 1987-1988 equal to the previous season (Frymer, "A Triumph").

Community Outreach, Awards, and More Record Growth

By 1987, Administrative Director Margaret Hardy had overseen summer workshops in acting, singing, and dancing for local youths for several years, and had initiated one of her own design – Gotta Sing, Gotta Dance (Hardy, interview). "The workshop is kind of our connection with the community," Hardy said in a 1987 interview. "The program is more than developing performing arts skills. Each year we set up in a different area of the community – from the inner city to the East Side…in order to make the program accessible to every interested 6- to 8-year-old in the county" (Cronk, "Light Opera Workshops"). Hardy and Shuster later formed Theater Arts Institute (TAI) for adult training by industry professionals. Shuster says: "I think it's good for the company because then we have our talented artists teaching classes, so then we are again able to continue to support people who have a real shot at a career doing what they do. And the artists get better too, because you get better at what you do when you teach it" (Shuster, interview).

Hardy's efforts resulted, in 1992, in CLO creating a Community Development Wing dedicated to utilizing the artistic resources of the organization for the betterment of the community. Some of the programs included performance accessibility for the vision and hearing impaired (Green, "CLO Reaches"), translations of performances into various languages (Viloria, "S. J."), discounted tickets to a preview performance of each production for high school Drama students (Slater, interview), and training in technical theater for high school students (Cronk, "Light Opera, Museum"). By 1993, CLO received funding from the California Arts Council to produce a videotape of accessibility services to the visually- and hearing-impaired. This videotape was presented to the National Alliance of Musical Theatre Producers as a model for developing similar programs across the country (Nichol, P-1).

Additionally, a program initiated by Slater in 1995 was High School Music Theatre Honors, which adjudicated and recognized local high school productions (Slater, "Talent"). Slater feels the program was instrumental in raising the quality of high school programs and the arts education of Bay Area students: "One of the things I always pointed to with a great deal of pride was the fact that when we started the Honors program, Independence High School had a pretty good working theater. In terms of high schools, it was one of the only ones with a good, working theater. And within ten years, there were working theaters of quality in a lot of the high schools, and now you can't build a high school where you don't have a good, working theater" (Slater, interview).

In the spring of 1988, Shuster's 1987 production of *Follies* was given four awards from the Bay Area Critics Awards (Frymer, "S. J. Follies"), and five awards from Los Angeles-based Drama-Logue Magazine (Esta, "A.J."). In a *San Jose Mercury News* article, Slater credited Shuster with much of the success of recent years, and Shuster suggested that as a woman director – something still rare at that time in the professional theater world – she offered unique interpretations of the productions created at CLO (Frymer, "Women").

By the summer of 1988, CLO was reportedly retiring its accumulated debt while some San Jose organizations – the Symphony in particular – were facing deficits of as much as $1 million. San Jose Symphony board member and bank president, James O. Brown offered advice to other arts organizations in a *San Jose Mercury News* article: "You can get into trouble fairly quickly. Getting out takes more time" (Green, "Arts Budgets"). The surpluses CLO enjoyed did not reflect the rest of the nation as reported by TCG, where nearly half of the 45 monitored performing arts organizations registered deficits (Ehrlich, 2).

CLO's method of financing a season involved borrowing money from themselves – rather than take out short- or long-term bank notes – in the form of revenue from advanced ticket sales. Slater explains in a 1986 interview: "Two or three years ago we had to begin borrowing from ourselves in October or November. Last year we delayed our borrowing until December and January" (Green, "The Fine").

CLO was able to further delay borrowing from themselves in the coming years. At the beginning of the 1988-1989 season, CLO boasted more than 29,000 subscribers and had an operating budget of $3 million (Frymer, "Curtains"). Slater explained to the *San Jose Mercury News*:

> We are producing shows of distinct quality that people want to see. San Francisco is not doing that. Just as Broadway has been decentralized, so has the Bay Area. We have people come to our shows from San Francisco and Marin. I think it's important for everyone to realize how important the arts are to this community. They are an investment in the community (Frymer, "Curtains").

That community was attending arts performances in record number, causing a space crunch for venues in downtown San Jose. The Fox Theatre, an abandoned vaudeville-era theater on First Street, was beginning to be considered as an alternate space for the Symphony, which would free dates in the CPA for CLO as well as the Ballet (Green, "Downtown").

By 1988, the momentum of support for the arts continued and the San Jose City Council endorsed a report called ARTS 20/20 which focused on maintaining arts programs and organizations in San Jose. Slater enthusiastically praised the report's findings and recommendations, and in the program for 1989's *Sweeney Todd* he made a call to action: "If San Jose is to have an Arts Industry of regional, statewide and national significance, each of us must be prepared to make a solid contribution while gathering support and momentum from all levels of the community" (Slater, "From," Jan. 89).

Slater was given a modest 3.1 percent raise in 1988-1989 as compared to double-digit raises for the leaders of other Bay Area arts organizations – some of which also possessed the highest deficits (Hertelendy, "Salaries"). The salary of Slater in 1989

($85,650) was, however, 14.2 percent higher than Shuster's ($73,500), despite the artistic successes enjoyed by the company (Donnelly, "The Price"). That year, the continued success of CLO and other companies prompted the city to institute a price hike for rehearsing and performing at the CPA, as much as 8% higher for some charges such as weekday rehearsal rates (Green, "Performing").

The renewal rate for the 1989-1990 season reached 84% – higher than the national average by 20% (Frymer, "San Jose CLO's"). This was despite CLO taking a risk the previous season with a production of Stephen Sondheim's *Sweeney Todd*. Some patrons felt the subject matter too grisly (Frymer, "San Jose CLO's"). Shuster remembers: "We had people around *Sweeney Todd* saying to me – *well, I really didn't like that piece, but it was really well done*. So the quality of what was going on the stage they could trust, and they had to appreciate that regardless of whether they liked the piece. And that ultimately, I think, had a whole lot to do with our success" (Shuster, interview).

By 1990 – the end of the first decade of Slater/Shuster management – the company had retired its debt (Green, "San Jose Groups"), and had 32,000 subscribers (Frymer, "The Curtain"). Productions had more union actors by this time. The May 1990 production of *Guys and Dolls* employed nine union actors at a minimum salary of $550.00 weekly (Cymanski, *1990*). The remaining actors in the 35-member cast were drawn from the pool of local actors CLO had been developing (*San Jose Performances*, 11). CLO expanded the performance schedule that season by adding an extra weekend to each show and by moving opening night from a Friday to a Saturday to accommodate two preview performances (Slater, "From," Mar. 90). These additional performances added over 10,000 seats to the run of each show (Slater, "From," May 90).

Partnerships and Bumps in the Road

In March of 1990, CLO announced a partnership with Music Theatre of Oregon (MTO). Under the five-year agreement, CLO and MTO shared the costs of sets, costumes, and performers on a season of four shows. CLO loaned MTO $150,000 to begin the venture (Green, "A Crash"). Slater explained in a *San Jose Mercury News* article: "This type of networking will benefit both communities. The cost of presenting high-quality entertainment will be shared by the two areas." He pointed out that CLO was currently financially healthy and although the company "did not need the agreement, it does give us more weeks over which to amortize our costs" (Frymer, "Civic").

Slater explains how the alliance began: "Fred Lueck, who was on our staff, had relocated to Oregon and said – *there's a possibility of doing your shows up here. We'll finance them; we'll sell the tickets; we'll pay you; bring the shows up here.* And it was an interesting enough of an idea for all of us that we said, okay, let's try it. None of us were enthusiastically wild about it because we realized the problems that it presented" (Slater, interview).

Shuster also remembers the alliance:

> I fought that tooth and nail. I said – *I think it's the right idea; I think it's the wrong person we're doing it with*. Because I think Portland is a pretty cool city, and their [performance venue] Center Theater is terrific; they've got two or three very credible theater companies up there, so the audience is there. It's a smart, literate crowd. Everything is in our favor except we've got the wrong guy sitting in the seat. He doesn't know how to go

> out and raise the money and put the financial pieces together (Shuster, interview).

Bob Bones, who stage managed all the productions produced in both San Jose and Portland, remembers the experience: "Fred Lueck started that company. I can't honestly say he mismanaged the company but he tried to start the company at a higher level than it had the financial backing to support. As far as the office space, the personnel – he tried to start it kind of where CLO was at the time as opposed to starting smaller and growing" (Bones, interview). Shuster concurs: "He went out and got himself a fancy office, and I'm thinking – *why?* You should be renting a shoe box. We should be figuring how to save every dime we can" (Shuster, interview).

David Pogue served on the board of directors for CLO at the time and recalls the decision to partner with MTO: "I know the board was actively involved in making the decision. I think that having another venue to move your product to, you can improve your product that you're doing because you have more audience. I still think philosophically the decision is appropriate. I'm not sure in the end if we were smart enough about the mechanics of the Portland market to understand how difficult it was going to be to build an audience there" (Pogue, interview).

The partnership lasted only one season. MTO ceased operations in August of 1991, leaving a deficit totaling more than $750,000 ($150,000 of which was owed to CLO) and leaving 5,300 subscribers with useless tickets (Green, "A Crash"). MTO, however, was not the only casualty of 1991. As the U.S. experienced a recession, TCG reported eight theatre companies in the nation declaring bankruptcy that year, as well as an unusually low amount of unearned income from individual donors (Janowitz, "91", 31). MTO's $1.6 million budget was based on selling 10,000 subscriptions in the first year (Green, "A Crash"). Slater says of the partnership: "We never shied away from taking a leap of faith. We didn't need it all nailed down before we went forward, and that was sort of the mantra of the company – that we tried new things. I always felt that every year we had the responsibility to try something new to see if something new worked. Because we were big, we had the money to try it, we could totally fail" (Slater, interview).

Undeterred by the failure, CLO refocused its efforts in San Jose and moved on. In the program for *Me and My Girl* in March of 1991, Slater wrote an article entitled "There's More To Our Business Than 'Show.'" In it, Slater chronicled a short history of musical theater, pointing out that the economic principles of the past were being threatened by economies of scale. A show produced in 1950 is still as labor intensive as today, but with increased costs and diminished returns. He coupled this with the growing propensity of Broadway producers to run shows for years, making titles unavailable to companies such as CLO. Slater concluded, "The future of the American musical lies in the regional companies such as SJCLO," and that premieres of new works would be presented by CLO in the near future (Slater, "There's"). Later that season, it was announced that CLO would offer an exclusive opportunity for its subscribers to purchase tickets to the tour of *Les Miserables* playing at the CPA in July (Slater, "From The Executive," May 91).

In early 1992, the business model designed by Danny Newman that was the cornerstone of CLO's marketing strategy was showing some cracks. It was announced that direct-mail subscriptions were becoming cost-prohibitive, and that the company would seek alternate marketing methods (Green, "Ex-Opera"). Subscriptions were below projections, but ahead of the previous season. Single tickets sales were also lagging, but Slater said he hoped to make up for the shortfall with fund-raising efforts. He credited the increase in unearned revenue with the stability of the company: "Dianna has been here 12 years and I've been here 11, and that's not the case with some of the other groups. When you have to change leadership, that has to affect what happens" (Donnelly, "Caught").

At the end of the fiscal year, CLO managed to avoid a deficit. "It used to be when we gave a party, everybody came," said Slater in a *San Jose Mercury News* interview. "It was a real new experience for us" (Donnelly, "Rough"). The worst U.S. economic crisis in two decades had a similar effect on the nation's theatre companies. TCG was reporting the closure of twenty-three theatre companies over the past five years, and those still in business were experiencing their first-ever loss of subscribers (Janowitz, "92," 2).

What had been new financial territory the previous season would become uncharted territory in the form of production mishaps and audience reaction for the company in 1992-1993. During the student preview of *Phantom*, a malfunction involving a stage elevator left the leading lady injured and unable to continue the run. The first weekend of performances was cancelled as a chorus member was rehearsed to replace the leading lady at a cost of $145,000 in ticket sales (Green, "The Gremlin"). The complex Ken Holamon-designed set took longer than usual to load into the theater and tech. Stage manager Bob Bones remembers: "It got to the point where it was too much, technically speaking, in the limited hours we had in the venue. That was the point where we went too far – not enough time" (Bones, interview).

CLO's next production, Stephen Sondheim's controversial *Assassins*, suffered a backlash from patrons for its language and subject matter. "Four hundred ninety-five people walked out on preview night," Slater remembers (Slater, interview). "I thought *Assassins* could put us on the map as a company," says Shuster. The National Alliance of Musical Theatre Producers had put great emphasis on the value of new works at the time. Shuster continues:

> Everybody was on to new works, new works, new works. Well, I said – *if we're going to do new works, let's do something that we know.* It [*Assassins*] had never had a professional production; it had only had the workshop. And it was a show the other companies across the country were afraid of. I thought it would be good for the company in terms of us being serious about elevating our reputation to the top strata of credibility and professionalism. We needed to continue to elevate the quality of what we did and the reputation and, in fact, the integrity of the work (Shuster, interview).

The ticket revenue differential for *Assassins* compared to projected figures was $15,000, but was offset by the production coming in at $15,000 under budget (Green, "CLO Will"). *Assassins* sold only 2,864 single tickets – the lowest since 1990's *Pirates of Penzance* – and at the beginning of the 1993-1994 season, subscriptions dipped from 31,722 to 29,172 (Table 1, page 30). Subscriptions would rebound, but tensions between Slater and Shuster escalated as a result of the difficult season (Shuster, interview).

In an interview with the *San Francisco Chronicle*, Shuster admitted of *Assassins*: "OK, it might have cost us some subscribers. This is where Stewart and I have a different opinion. I think it means we were doing our job, shaking things up a little bit."

Slater, in the same interview, added: "It reminded us what a conservative audience we have" (Winn, "San Jose").

New Works and a Name Change

As CLO began its 1993-94 season, Slater was elected President of the National Alliance for Musical Theatre. As the organization's fourth President, Slater served a two-year term ("Slater New"). Programming for subsequent seasons at CLO relied primarily on well-known titles designed to quell the anxieties of any patrons who had objected to the subject matter of *Assassins* or *Sweeney Todd* (Green, "CLO Will Stage"). Even the current President of the board, David Pogue, assured subscribers in his column in the program from *A Chorus Line*: "you can rest assured we will do nothing to jeopardize your confidence in us" (Pogue, "A Name").

Shuster feels the trust of the audience was never in question, as evidenced by the response to a 1995 renewal flyer. As reported in the *San Jose Mercury News,* CLO sent a notice to subscribers with no titles announced. Normally, a theater will designate a certain title as TBA – to be announced – until the rights have been formally secured ("SJCLO Reveals"). The announcement – or non-announcement – of the season resulted in a 1000-subscriber increase over the previous year (Table 1, page 30). Shuster recalls the moment as a milestone for the company, and points to a similar situation that had occurred ten years earlier:

> I remember it was the season we did *A Chorus Line* and *Evita*, both of which were hanging fire to be released, and they wouldn't release the rights and we needed to get our brochure out. And I said – *we have to do them. If they release, we have to be the first to have these.* So ultimately we put out a brochure with no shows, and 17,000 people sent in their

> money. And I thought – *we're there; our audience trusts us* (Shuster, interview).

At the same time, the company was putting together a long-range strategic plan for the development of new works (Green, "Boldly"). Shuster and Slater had shown interest in developing new properties before, and had gone as far as announcing *Grover's Corners* – a musical version of Thornton Wilder's *Our Town* – as a possible title for the 1986 season (Slater, interview). Of work submitted to CLO by authors and composers for consideration, Slater said in late 1993: "We have yet to find much work which we believe is ready for our main-stage season. This lack of worthy work is what has prompted us, instead, to recognize the need for our own development process" (Green, "Boldly").

Keeping with the plan for new works, in early 1994, CLO announced it would be co-producing the new musical, *Lunch*, after it had premiered at North Shore Music Theatre, in Beverly, Massachusetts ("Directing Lunch"). This first step in a five-year process of reading, work-shopping and producing new works was planned to culminate in a new work commissioned from CLO that would premiere in San Jose. By co-producing *Lunch*, CLO was intending to display itself as a proving ground for new works (Green, "Mission"), and with the production of new works on the decline in national theatres, CLO was succeeding where other companies exhibited reluctance. CLO was also out-performing its competitors with subscription sales, as TCG reported that in 1994 subscribers filled less than half the seats at a given performance among the 68 theaters monitored (Janowitz, "94," 5). In the program of 1995's *42nd Street*, Slater announced a new focus, based on the results of CLO's new strategic plan:

> SJCLO is a nonprofit arts organizations operating in the public trust. Under our charter, the Board and staff of SJCLO understand we have a responsibility to our audiences to present the full spectrum of musical theatre. That includes pieces from the mainstream of the genre, occasional works from the periphery and, with the beginning of this season, new works. If we ignore any of these areas, we are not being true to what our founders promised to the community over 60 years ago (Slater, "As We").

To further solidify its new direction, CLO changed its name in 1996 to American Musical Theatre of San Jose (AMT), ending the 1995-1996 season with a renewal rate of 81% and a subscription base of 35,700 ("CLO Ends"). AMT was not the only non-profit theatre company in the nation to experience this level of success. In 1996, TCG reported unprecedented stability in the income sources of 228 U.S. theatre companies over the previous five years, with average companies making 77% of revenue from earned income (Samuels, Dineen and Valade, 29). AMT was also not the only theater company to institute a name change. Los Angeles Civic Light Opera had become Broadway/L.A.; La Mirada Civic Light Opera had become Musical Theatre West; San Gabriel Civic Light Opera had become Music Theatre of Southern California (Shirley, "New").

In addition to a name change, Slater began to emphasize the originality offered from AMT productions. That season, in the program for *A Little Night Music*, Slater explained AMT's concept of approaching each production "as if seen for the first time," and went on to praise the completely original design elements from local artists: "The capability to create complete productions is especially dear to us – and especially costly. But it most assures us that we can bring you as fresh and exciting a production as you're likely to find anywhere, and one with a concept you won't see anywhere else!" (Slater, "Creating").

By this time, AMT employed an even larger percentage of union actors, using thirteen in *A Little Night Music* at a minimum salary of $625.00 weekly (Cymanski, *1996*). The remaining actors in the 18-member ensemble were cast from local actors, many of whom had benefitted from training at AMT (*UpBeat*, 12-18).

Re-asserting his desire to produce new works and joint ventures that would travel to other cities after San Jose, Slater announced in the *San Jose Mercury News* the support of the board of directors to search for a new musical. Dianna Shuster added: "It's just a matter of finding the right project and the time to devote to it," adding that she felt some apprehension about "yoking herself to a commercial producer" (Winn, "San Jose").

The job of finding new works went to Marc Jacobs, who had been running AMT's Theater Artists Institute and had been promoted to Associate Artistic Director. The new job description included "staying abreast of new repertory, coordinating staged readings of works that interest us, organizing workshops, developing commissions and more" (Pogue, "A Name"). Jacobs remembers:

> When I walked into that office there were boxes and boxes of unread new musicals that had been sent in but no one had read. I don't know how many boxes I went through, but I said we're not going to find the next *Les Mis* in here, we need to develop it. So that got us to change our way of thinking about how to go about new works. It wasn't going to be picking any lot out of a haystack; it was finding the composers and working with them (Jacobs, interview).

Jacobs also began directing outreach tours for AMT. Originally designed as a presentation of songs from the upcoming season, the tours served to promote current programming as well as entertain inner-city youth. Jacobs recognized that the predominantly Vietnamese- and Spanish-speaking youth audience members were not immediately potential subscribers, and revamped the program to include more significant issues. "I said – *let's show them that musical theater is relevant to them*." (Jacobs, interview). Jacobs wrote and directed shows dealing with issues of immigration and high-school life. The programs were given a NEA grant in 1998 (Hamlin, "NEA"), and by 2000, the program was receiving $12,000 yearly from the NEA ("Four").

Outreach to students was on the rise, but some new policies were beginning to distance the community from the organization. The organization had long kept an auxiliary of volunteers. In 1991, the SJCLO Auxiliary helped sew costumes, filled in with office work, and held fundraisers which had raised $60,000 for outreach programs ("SJCLO Auxiliary"). Margaret Hardy explains:

> In those days all non-profits had an auxiliary of some kind – the swells of the community, the wives of the movers and shakers of the community. Our auxiliary was gung-ho, and they contributed a lot to the organization with fundraising. [It was] decided we didn't need the auxiliary anymore and those ladies went by the wayside, which is too bad. If there had been a way to keep them involved in the organization we might have been able to increase our donors and keep our name at a higher level (Hardy, interview).

The End of an Era

By 1998, AMT reported 33,000 subscribers – down from a high of 35,700 ("CLO Ends") – with an annual budget of $6 million (Villagran, "Will"). Subscription sales had begun to stall. In 1998 – similar to the demise of Sheldon Kleinman's California Performance Group in 1983 – the Bay Area Great Performances series filed for bankruptcy leaving 6,900 subscribers with worthless tickets. As before, Slater saw an opportunity to expand the subscription base and offered the subscribers vouchers for AMT shows. He said at the time: "Call it enlightened self-interest. We don't like to see anyone who has purchased a subscription get hurt, but from a non-altruistic standpoint, it's a way of bringing more subscribers into the fold for us" (Lovell, "Arts Groups").

Although the strategy failed to pull in new subscribers, AMT was not the only theater organization to experience a slump in sales. A 1997 audience survey conducted by AMS Planning and Research concluded an almost equal amount of Santa Clara County residents attended entertainment attractions outside the county as did in San Jose (Wolf and Glaze, 21). Even San Francisco productions were not immune. In a 1998 *San Jose Mercury News* article, theater writer Mark de la Vina theorized why a current San Francisco production of *Dames at Sea* was drawing only 46% attendance. He pointed out that *Dames* had never been a Broadway hit and that it lacked the "spectacle quotient demanded by many theatregoers." Slater weighed in on the situation in the same article, suggesting the public had an increased tendency to tune out advertising. He said: "I know from my own experience it's becoming increasingly difficult to get out the message. If I had the right answers to this one, I could make a fortune" (de la Vina, "It's"). This slump was not indicative of national trends. TCG reported both strong attendance and performance numbers from 108 national theatres and a 6.8% increase in subscriptions in 1998 (Voss, Voss, Guido and Shuff, 4).

In the program for *City of Angels* in March of 1998, Slater announced the offering of corporate sponsorships for AMT productions and activities. These sponsorships were designed to cover the gap between expenses and revenues (Slater, "Covering"). Although subscription sales were down, some indicators were still positive. AMT's production of *Hot Mikado* that season set a record for post-opening night ticket sales (de la Vina, “Theatrical”), and AMT’s outreach program was going strong, presenting 40-minute performances of a variety of musicals in English, Spanish, Mandarin, and Tagalog at area schools and community centers (Weimers, “Prototype”).

Adding to the decrease in earned revenue, by 1999 the cost of using union actors had also risen. The March production of *Big River* employed fifteen union actors (*South Bay*, 12) at a minimum salary of $730.00 weekly (Cymanski, *1999*). By this time, many of the regular union actors performing in AMT productions were local actors who had come up through the ranks to obtain union status. The remaining actors in the 25-member cast were drawn from local non-union talent (*South Bay*, 12). AMT had added Wednesday matinees on the second week of each show by this time (“1997/98”), so the time commitment to the production for all performers, union or non-union, was increasing.

By 1999, AMT put greater effort into developing new works. They received a $50,000 grant from the James L. Knight Foundation to commission and develop a new musical called *Swing Camp*, which chronicled the experiences of interred Japanese-Americans in California during WWII (“Grant From”). Although *Swing Camp* would not make its premiere at AMT, the company would succeed in premiering an original musical in the following decade. However, over the following years, an overall trend began toward relying less on the local artistic base that had been developed by the company over the years in favor of co-productions, and presenting tours.

III. *Factors in the Demise*

1717 Technology Drive

In 1991, CLO began leasing a 65,000 square foot facility at 1717 Technology Drive at a cost of $25,000 per month (de la Vina, “Bay Area Actors”) fixed by a nine-year lease (Green, “New”). The space included 25-foot ceilings in the scene shop, a large costume storage space, a main rehearsal space larger than the stage at the CPA, and three smaller rehearsal studios, all fitted with sprung floors for dancing (Green, “New”). The administrative offices remained in downtown San Jose until July of 1993, when they were also moved to the 1717 Technology address (“San Jose CLO’s”), a move that was reported to have saved the company fifty percent in rent and overhead per year (“Civic Light”).

The company had outgrown its previous space on Old Bayshore Road in San Jose, which had cost $7,500 a month, and operations had become particularly difficult for the costume department. At the time, CLO was realizing between $130,000 and $150,000 a year on costume and production rentals (Green, “New”). Costume designer Catherine Edwards remembers moving to Technology Drive:

> The difference was night and day. The increase of space, the ability to organize things – it was like we’d died and gone to heaven. I remember the fitting rooms at Old Bayshore; they were just dreadful. The question is would they have been better buying a space and remodeling? Probably – but you look at that with hindsight. The space was ideal for us (Edwards, interview).

Costume designer Betty Poindexter saw the confined working conditions at Old Bayshore as beneficial to the theatrical process: “I think a lot of the glue in the early days was that everyone was on top of each other. Everybody had to walk through each other's work all the time. It was never about the money, it was about the work and the people, even though they made a living at it. When they moved into the new space, some of that continued, but everyone was spread apart and all of a sudden it was a much bigger company" (Poindexter, interview).

Nick Nichols, then resident technical director, was assigned to remodel what had been the former Fairchild Semiconductor plant on Technology Drive to desired specifications. He remembers: "I think it was my second year with the company that we moved over to the studios on Technology Drive and I was the principal architect and builder in laying out the studios, building the dance floors, deciding where the costume shop goes – all that – putting up the walls" (Nichols, interview).

Stage manager Bob Bones remembers the new studios as compared to the old:

> Well, it certainly made it easier and more pleasant. There was definitely more rehearsal space, just the environment everyone was working in, the shops, the rehearsals, everything was more comfortable, cleaner. We could accomplish more, the shops could get more done. It did affect, in a positive way, the quality of the shows, going to the stage, because we could rehearse in a space more closely suited to the space of the stage. We had scenery and props in rehearsal, so I think it helped a lot. And the way we treated people – I mean the old space was so cramped and dirty and cold – it had a lot of character. It was a step up (Bones, interview).

Stewart Slater contends the move to Technology Drive was a positive one for the company:

> I think it made the company stronger. It brought us all under the same roof, which is why I made the push to get the administrative side there, because for the first two years we were still downtown. It really made sense to do that. I think the company grew in a positive way. I think it was a very positive thing for us, to move uptown as they say. I remember when we moved into the new studios on Technology Drive, and Danny

> [Newman] came to tour the new studios, I said – *welcome Danny, this is the house that you built* (Slater, interview).

Former Community Development Wing Director Margaret Hardy remembers the move differently: "What broke us was moving to Technology Drive. It was way too expensive. It was a beautiful facility, it was fabulous, and we grew into it production-wise, but we never really overcame the nut we had to make every month in order to pay the bills" (Hardy, interview).

Mounting overhead costs soon created a situation where less money was being spent on productions. Shuster explains: "So we moved to that space and we finally had the facilities to produce the shows and now there was no money to produce the shows. So we only built a few shows in that shop, in truth. I bet you less than a dozen, because now our overhead was ridiculous" (Shuster, interview). Shuster had opposed the last move CLO made with their administrative offices in the late 1980s from offices on El Paseo to Second Street. "Stewart and I had a real falling out because of the office move…going from $700 to $4000 a month rent" (Shuster, interview).

When asked if he remembered the amount of the rent at Technology Drive, Slater responded that he did not, but acknowledged it was a substantial raise over the previous space. He added: "These were the days when we had the money to spend" (Slater, interview). Money for the move was obtained from a fund set up by former Board President Ken Anderson. Slater explains:

> He [Ken] said we must start saving for our future. We cannot ever be put in the situation where we don't have the money we need. So we started putting aside a dollar a ticket and that was the money that got us into that building because we spent about $650,000 in tenant improvement in that building to dress it out the way we wanted it – built dividing walls, put in

> the floors, put in the mirrors, did all of that stuff in the studios to get us in. And all that $650,000 came out of the money we were charging ourselves from the ticket revenue (Slater, interview).

David Pogue, served on the board at the time, and remembers the discussion about buying a space versus renting:

> It didn't make any sense really to own real estate, although at the time the Silicon Valley market had collapsed, there was a real tech downturn. Actually, there was too much space…there were a lot of vacant buildings, lots of non-profits buying buildings at that time because they were so cheap. There had been significant over-building (Pogue, interview).

But despite these favorable conditions, Pogue still maintains renting was a better solution than buying: "In the end, you have to have a lot of money. The mission is better served by being in a lease space and putting the money into the mission rather than real estate" (Pogue, interview).

Shuster feels the money could have been better spent: "We had at that point over a million in the bank. And real estate rents were through the roof, and real estate was appreciating at 15, 20% - it was crazy. I said we've got the money; we need to buy our own space. And I said – *it doesn't need to be a glamorous space, but it needs to be a place where we can have our costume and set shops*" (Shuster, interview).

Nichols remembers scouting potential spaces: "There were some places the company was considering buying, and unfortunately they didn't offer size. There was always some architectural reason why they weren't as good as that facility at Technology" (Nichols, interview).

Shuster, however, remembers seeing facilities she felt would be sufficient:

> We looked at places on Monterey Highway, south of town, down in there where there were some warehouse spaces that came up that were pretty

> good size. And I said – *we should do this, and we should buy it.* Because I'm a believer in real things. Because if you can control where you live, and not be at the mercy of the market, you have a chance. I loved having those rehearsal halls [at Technology Drive]. I loved having all that space. The problem was our rent was $300,000 a year. And then they spent another two, three, four hundred thousand on the build out. They basically took the money we had so we could have bought something and had a mortgage we could handle, and a mortgage we knew what it would look like in thirty years, and did this. And I don't even think it was a good business deal because we were paying taxes on it (Shuster, interview).

Nichols agrees: "In retrospect, it might have been better to have maybe not so quite ideal a space, but to own it – to have that asset on your books. But I was as caught up as everyone else in the euphoria of – *wow, this place is great*" (Nichols, interview). Bob Bones remarks: "Dianna always said that she thought moving into Technology Drive was a mistake. In hindsight, I think she was right. The company had millions of dollars in the bank at the time. We probably should have bought something and paid a mortgage, but it would not have been as large and would not have been as pretty, and probably would not have had the same location" (Bones, interview).

Along with the increased capability of AMT to build its own shows, the new space was intended to be used to build sets and costumes for other companies. In a 1991 interview, Slater said: "We want to run the shop 12 months out of the year, if not for us, then for others. I'm determined the space will pay for itself" (Green, "New").

By 2001, AMT was faced with the potential loss of the space and an increased cost to replace it. Slater said in a February interview: "We're getting ready to lose our space. A new space at market rates right now would cost us $100,000 a month" (de la Vina, "Bay Area").

The Death of Ken Holamon

Tensions between Shuster and Slater were kept in check by a mutual associate, Ken Holamon. Among his many talents, Holamon was primarily a scenic designer for AMT. He and Slater had worked with each other years before. Slater remembers:

> In that first year of AMT it was obvious one thing we were missing was a design and look for the shows. Because with that building [the CPA], people go to see theater, you don't go to hear theater. So the spectacle in that theater became very important to us. So I decided that probably one of the best things I could do is entice Ken to come to the West Coast. So he came out and did two shows and we all fell in love with him (Slater, interview).

Shuster recalls:

> Ken is a theatre person through and through. Ken loves, loves, loves theatre. And Ken was smart and I think a terrific designer and I liked working with him a lot, because he was very collaborative and supportive in a terrific kind of way. All the designers loved working with him, so it made it easy to do. He made it possible to make a team, which is the way you want it to work (Shuster, interview).

Costume designer Catherine Edwards remembers the professional process she shared with Holamon: "I could go to Ken and ask him – *okay where are you going with this?* And in the actual design process we could discuss the show from an emotional point of view before we even got into what's going on paper. That's a rarity" (Edwards, interview). Costume designer Betty Poindexter also worked for Holamon as a scenic artist on CLO productions of *Follies* and *Guys and Dolls* as well as productions at San Diego's Starlight Musical Theatre: "He had an extraordinary way with people. It's not surprising that disparate personalities all loved him" (Poindexter, interview).

While at AMT, Holamon designed sets for *Kiss Me Kate, Evita, Follies, Sweeney Todd*, and *Assassins* among many others, winning Drama-Logue awards for *Pacific*

Overtures and *The King and I* (*Performing*). Slater remembers: "By the third season, he had relocated to San Francisco, and was doing all of our original stuff and doctoring the sets we rented and was then beginning to branch out and work for the [San Jose] Rep, which had been founded out of our shop during my first year there, and with the opera as well and down in San Diego" (Slater, interview).

Shuster recalls working with Holamon to establish a set rental program at AMT:

> We knew X show was going to be released and we were the only place with a shop. Everybody else rented from C. Dell Jinks at Riverside CLO with his Air Force hanger out in the middle of the desert. He and his wife would buy the touring or Broadway sets and costumes when the shows closed and they had this huge rental business. So everybody got their stuff from C. Dale. And some of it was so beat up and deteriorated and while people were pissing and moaning about that, we were creating our own. Ken and I looked at each other and said – *we ought to start renting stuff* (Shuster, interview).

Shuster's collaboration with Holamon created a situation where higher quality sets and costumes could be constructed:

> So we started talking about what show we wanted to do next season. We know that *Evita* is going to be the thing, so we'll build the sets and costumes. If we can count that you're going to rent for X number of dollars and then I'd line up four or five [prospective renters]. Then I could make a larger budget so I could build better sets and costumes, because I had a guarantee. I could go 40% higher on my budget items. So I began making relationships across the country because I put these things together and it worked for everybody. So it ended up being a very cool thing (Shuster, interview).

In January of 1993, Ken Holamon died of complications from AIDS. Bob Bones recalls a change in the company:

> I don't think I recognized it until later on, until maybe a year after that, or two. Stewart and Dianna were both greatly impacted by his death. And I've come to believe that Ken was the glue that held the two of them together. I think he helped Dianna focus her energies and ideas, and I

> think he helped Stewart stay involved in the creative process, which he really wanted to do and be a part of. With Ken's death, they lost that connection. The friction between them began to increase over the years after (Bones, interview).

Shuster remembers the impact of Holamon's death: "Well, it was pretty huge. He was a good friend of all of ours. It was tough on all of us, but it wasn't really a surprise. We knew he was sick for years – he wouldn't acknowledge it" (Shuster, interview). She recalls how Holamon's death changed the artistic process of the company:

> What we had in Ken was a resident scenic designer, so as long as we had Ken there was money to design sets and build sets. Once Ken died, suddenly there was no money for that. And that then of course totally changes your ability to conceptualize a work and find a new twist to it and find a unique way to present the show. And so I had to figure out how to make it work. So then we had that beautiful 40,000-square-foot facility sitting out there just vacant – paying rent on it. Putting new L-joints on C. Dale Jink's sets was what it ended up being. We weren't reconceptualizing so there was nobody who was in competition for king of all he surveyed. And that's very real and I think part of what set us down a path, because it took away our ability to be unique (Shuster, interview).

Slater also recognizes the impact Holamon's death had on AMT, "Ken was the glue that held the company together. He was the glue. He had a phenomenal effect on everyone. I think, just as I date the turning point for the beginning of where I thought we could go was *Cabaret*, I think his passing was the turning point of the demise" (Slater, interview).

The 3hree Musketeers

In early 2001, AMT produced the American premiere of *The 3hree Musketeers*. Based on the Dumas novel, the musical had seen limited productions in Europe, and was brought to the attention of Marc Jacobs in 1998. In August of 1999, AMT had presented a staged reading of the piece, and later produced a workshop version in 2000, all the while making revisions to the script and score (de la Vina, “Brave”).

Slater explains the desire to produce *The 3hree Musketeers*:

> We’d made a history of doing shows that other people had developed. If we were going to truly be leaders in the musical theater world – which we were by default by being one of the largest in the country, and probably anything larger you could count on one hand easily – I felt that we needed to give back to the genre, and we had done a lot of things over the years, never really finding a product that we could believe in enough to spend the kind of time and energy and money to really do it (Slater, interview).

Shuster remembers how the decision to produce *The 3hree Musketeers* came about: “That was one of those things where Stewart was coming into my office and closing the door and saying – *you need to find a new piece and we have to do it.* And I said – *Stewart, I’ve read 72 new works this year; none of them even remotely have legs. We can’t do this in a 3000-seat theater*” (Shuster, interview).

Extensive re-writes and changes were necessary. Shuster remembers: “Oh my God, the book was awful, just awful” (Shuster, interview). Betty Poindexter costumed the production and recalls: “There was no way that the kind of editing that needed to happen to that script was going to happen. I think Dianna did the best she could in terms of staging it as succinctly as possible given that book. But that book was a huge problem” (Poindexter, interview).

In spite of the need for re-writes, Shuster felt *The 3hree Musketeers* was the best choice of new works to present, and expressed her reservations when presenting the piece to the board and staff for consideration: "I said – *okay guys, I need you to weigh in on this, because I'm not one hundred percent on this*" (Shuster, interview).

In addition to the stage production, AMT financed a cast recording, produced at Music Annex in Los Gatos. Of the decision to produce the recording, Slater said: "We're committed to helping this show to the next step. We think that the CD is a part of that process" (de la Vina, "Brave"). Slater now looks back on the experience:

> It was a very expensive process and in many ways a very frustrating process, as we knew it would be, and in some ways not a totally fulfilling thing to do. [Producing] is difficult to do even with a show that has won a Tony award on Broadway – to reproduce it or do it again. Well, to do it truly for the first time was mind-boggling. With all the ins and outs, ups and downs, meetings with the creative team, the variety of locals, and trying to pull them in one direction and they wanted to be pulled in three other, and it was not wonderfully fulfilling. We ended up doing the album, the CD, which was great and fun and a huge bucket into which we poured some money (Slater, interview).

Attorney Jim Eller was on the board at the time of the decision to produce *The 3hree Musketeers*. He remembers: "They dropped a ton of money, and the staff didn't make it clear what the risk was. And even though there was dissent on the board – I was one of the dissenters – with regard to spending that kind of money on producing a show, most people on the board were inclined to just follow along with whatever Stew [Slater] said" (Eller, interview).

Shuster recalls pressure for the show to succeed: "And so then I got pressured into this and as soon as we signed the deal I suddenly got – *well, you better be right about this*. And I knew either this piece was going to sail or it was the end of my career. I knew that" (Shuster, interview). Slater feels AMT owed a debt to the musical theater community: "It was something I felt we had to do; we owed it to the business, the genre" (Slater, interview).

The show was well reviewed in the *San Jose Mercury News*, with Mark de la Vina claiming: "On every level, 'Musketeers' drips talent and potential, although this production still has a few details to work out. It's a shame for this vastly promising show that critics must review the opening night performance rather than one later in the run" ("Musketeers"). Robert Hurwitt of the *San Francisco Chronicle*, however, panned the show on almost every level, citing author Peter Raby's book that "tries to cram so much of the complicated story…that he's left no room to develop any of the characters" (Hurwitt, "All").

The opinion of some former staff and board members reflect Hurwitt's review. Former board member Jim Eller remarks: "The show wasn't very good, and it was reflected at the box office" (Eller, interview). Yet, the production drew 60% of capacity at the CPA, the same percentage as *Singing in the Rain* produced by AMT earlier in the season (Table 1, page 30). Former Associate Artistic Director Marc Jacobs weighs in: "I think we made a big mistake with *3hree Musketeers* – the one thing that we produced – by putting that on at the CPA. It was a show that still needed a lot of work done on the book. We spent a ton of money on it" (Jacobs, interview).

Stage manager Bob Bones remembers the experience of staging the production: "I think financially it was more expensive, getting all the creators involved – the lyricist, the composer – doing the workshop in advance of it. Definitely more time and energy put into something like that than remounting an existing piece. But it was also fun and challenging, you know. There's a little bit of a tradeoff there, putting the energy into something like that and hoping it can be something" (Bones, interview).

Local musical director Billy Liberatore questions doing the show in the first place: "Millions of dollars for what? I still have no idea. It was all egos thinking – *we can do the next big thing.* And I'm thinking – *it has to be a hell of a lot better idea than that*. That show's already been produced [in Europe]; that show's already proven it didn't have legs" (Liberatore, interview).

Slater had announced his desire to see the show continue beyond the AMT production: "I have dreamed of taking a show to Broadway. Now I think that it's just another stop on the road. We want to do absolutely the best job we can to give the show its best shot for the next step, whatever that is" (de la Vina, "Brave"). But at a post-production meeting, Marc Jacobs recalls a change in attitude:

> After the production, we had a debriefing, and I said – *this is not the way to do new works, in a 2800-seat theater with two previews. You need to do something in front of an audience in a smaller venue where you can keep working on it.* And Stewart said in that meeting – *well, no, I think we've learned all we need to learn from 3hree Musketeers.* And in my head, I thought that meant no new works (Jacobs, interview).

The 3hree Musketeers was one of only three premiere works ever produced by AMT, along with *City of Broken Promises* in 1980 and *Christmas Dreamland* in 2006 (Table 1, page 30).

The best-selling show of the 2001 season had been a touring production of Barry Manilow's *Copacabana* that AMT presented rather than produced. Slater had acknowledged the change in an announcement in the subscriber newsletter of April 2000: "We will be breaking a 65-year tradition and presenting a national tour as part of our regular season. This is a big deviation from business as usual. AMTSJ has always produced spectacular Broadway-scale musicals and this divergence to presenting is simply leveraging AMTSJ's current expertise" ("Changing").

During the run of *Singing in the Rain*, in November of 2000, Manilow had made an appearance in the Ritter Lounge at the CPA to an invited audience of board members, donors, and press. Manilow – seated at a grand piano flanked by board members – answered questions and sang songs from the show ("Look Who"). Shuster remembers how the show became part of the season:

> What began to happen was that the board and Stewart were being wined and dined with notions of grandeur, of being co-producers on a Broadway show. They were enamored – *wow, we're doing a show with Barry Manilow!* It's that kind of stuff, this total star-screwing, totally missing the ball on how it works. I was so against it. I kept saying – *has anyone read the script?* I remember being at the party when Barry Manilow was there, and I knew I was on my way out by then by the way board people were acting (Shuster, interview).

The Partnership with the Nederlander Organization

By 2002 the philosophy of AMT had gradually changed. In the October 1992 edition of *Newsical*, Slater said:

> Our artistic mission is very specific – and not at all generic about just producing musicals. Our focus is to present established works as if for the "first time" by discovering the issues that give relevance to the work for a modern audience. We also seek to expand the standard repertoire by presenting new works or those overlooked productions that merit further attention. Prepackaged productions cannot serve this mission. ("A Challenge").

As late as 1996, Slater still spoke of the presentation of shows directed and designed "as if seen for the first time" with concepts "you won't see anywhere else" (Slater, "Creating").

In the *Annie* program in October of 2000, Slater solicited subscribers to contact him directly via email, phone, or mail with comments and suggestions about how they felt AMT could be better run: "We want your comments and suggestions. This is your company and we want you to take an active role in its future" (Slater, "From the Front," Oct. 1999). As the year progressed, Slater continued to mention audience response from his earlier request in subsequent programs. In the January 2000 program for *Children of Eden*, Slater claimed patron response was extensive and that "Your comments and suggestions have become required reading for all members of our senior staff" (Slater, "From the Front," Jan. 2000).

Not all members of the senior staff, however, recall these suggestions and comments being shared among themselves or others in the organization during this time frame. Marc Jacobs claims: "I was never shown any such audience survey, nor did I ever hear of one, or hear of anyone else at AMT who had seen one" (Jacobs, interview). Dianna Shuster concurs: "I don't recall seeing any of these responses. I doubt that there were many responses and I'm sure they were not shared with me. I thought the request for comments to go directly to him was just another way for him to control some imagined audience response, then he could put something out to the world that implied that the audience had made whatever requests or comments Stewart thought would support his point of view" (Shuster, interview).

In the June, 2000 program of *Phantom*, Slater announced a "new day at AMTSJ," and that AMT had begun "a process of revisioning and modification – a company-wide examination of looking at what we do, how we do it, and for whom" (Slater, "Good").

He further claimed he had been "reading your letters, engaging in phone and e-mail conversations, and listening to your comments in the lobby and in focus groups" and that the responses were being used to formulate programming at AMT in the future (Slater, "Good").

Seven months later, in the program of 2001's *Copacabana*, Slater announced: "Since national tours are what we know you crave, you'll love what we have in store for you next!" (Slater, "From the Front," Jan. 2001). Stage manager Bob Bones does remember viewing some responses from that time period: "I can't say I remember the response was a demand for national tours directly, but they were asking for more current, popular show that they heard were on Broadway or on tour" (Bones, interview). Shuster disputes results of any audience polls or offered comments or suggestions from patrons as having a desire to see national tours: "Our audience was not so savvy in show business terminology to have requested tours; that idea is a total fabrication" (Shuster, interview).

Audience surveys had been used by the AMT in the past. As early as 1988, Slater had mentioned one-on-one audience polls as a tool for selecting programming. In the May 1988 edition of *Newsical*, Slater claimed "the vast majority of the shows we present come directly from the lists you assist us in building each year" (Slater, "From The Desk"). AMT regularly used what Slater called coffee parties for patrons as a means of fielding questions and gaining information. He claims: "The first question would be – *why can't we get the tours that they get in San Francisco?*" (Slater, interview).

Marc Jacobs remembers conducting the audience polls:

> We used to do polls of the audience, and Dianna would do them, I would do them, I think Stewart would do them. We would go to a show and go

> up to audience members and would say – *okay, you're a subscriber, it's raining, you're having trouble getting a babysitter, what is still going to pull you out of the house to come see a show at AMT?* And the multiple-choice answers were: A, a star is in the show, B, it's a Broadway tour – and we weren't doing Broadway tours at the time – or C, I love the quality of the work here and I support the company. Almost unanimously, they chose C as their answer. Stewart often would say – *no, they like the tours; they don't like our shows*. Stewart had said to me at one point – *I could run this theater with a phone and just present shows* (Jacobs, interview).

The decline in subscription sales in the late 1990s had prompted Slater to call a meeting of the board of directors. He remembers:

> I could see a definite decline [in ticket sales]. And people kept talking about national tours and talking about national tours, and in the late 90s there was a retreat, a board retreat, that happened. We went to the San Jose Arena and got a room there, the board of AMT. And the thing that came out of that was – *we have to blow the doors open.* I told them about the numbers and I showed them, they were already privy to it, but I presented it in a chronological order. They said – *oh, we have to change what we do – we have to change how we do it. We have to move forward – we can't be the same community-based, light opera theater that we were in the past. We have to do other things.* So all of that was part of the momentum that took us to the door of discussing national tours – that brought us into the next phase of the company (Slater, interview).

The decline in subscription sales was indicative of a national trend. TCG reported in their annual 2002 report that subscription sales had been on a decline since 1999 (Voss, Voss, Shuff, and Jackson, 12).

Moving forward with the plan to import shows, in March of 2001 AMT announced an expanded season of five shows. Four would be produced by AMT and one would be a touring production of *Beauty and the Beast* (de la Vina, "Safe"). Slater stated in the *San Jose Mercury*: "this show is putting AMT on the national map. It opens up a market that has been closed to national tours for years. This prepares us to go farther, to maybe a seven- or eight-show season down the road that could include concerts" (de la Vina, "On The Map").

Shuster was not against the idea of augmenting seasons by presenting tours in addition to producing:

> I thought it was an interesting possibility, because our audience would buy more product if we were able to produce it. But I'm looking at staff, and unless we're going to move that staff up, move them from four shows to five or six shows a year, it was not something I was going to get a buy-in from the board. And the other piece of the story was that we were burning through product. It wasn't like the 1950s where there were thirty or forty new shows every year. So suddenly we were in a situation where there were one or two new shows a year coming on, maybe. And what was happening was the old shows were getting revived and bought up by the big producers and suddenly the rights were not available to *Damn Yankees*, *South Pacific*, *Showboat*, *Oklahoma* – so suddenly putting together a season that consisted of more than four shows became a real trick to figure out, and have a decent level of interest in your community to buy tickets. And so I thought it would be reasonable. And what I thought should work is that it would be reasonable for us to bring in two tour shows a year, so we had a package of six. With an anchor every three shows would be a Broadway tour. But of course it would be a bus-and-truck, we're not going to get first nationals. But I think we could do that, but I don't know if we could control quality. These people have been on the road for a year and a half – it would be a tired show (Shuster, interview).

The opportunity to present touring shows was made possible, in part, by the removal of a large orchestra shell used by the San Jose Symphony that was flown above the stage deck at the CPA when not in use, rendering the fly space it occupied unusable for other organizations. AMT had always designed sets around this impediment, but many touring shows found the obstruction unworkable. In Leigh Weimer's column on September 5, 2001, Slater thanked the city for getting a new, more compact shell for the CPA, and announced that another tour had already been booked for next season

(Weimers, "Shows"). Slater recalls: "That was our first foray into touring Broadway. We started it before the Nederlander conversation ever started" (Slater, interview).

In February of 2002, AMT announced a seven-show season; all but two were identified as touring productions brought in by the Nederlander Organization, a New York based production company and then-controller of nine Broadway theaters. According to Slater, AMT would also team with Nederlander to develop new musicals (de la Vina, "Touring"). In the March 2002 program for *Joseph and the Amazing Technicolor Dreamcoat*, Slater explained the Nederlander alliance to AMT audiences: "Early in our discussions with the Nederlander Organization, we discovered that your requests coincided perfectly with three goals AMT and Nederlander had in common – the desire to present touring productions in San Jose; to utilize our abilities to develop new musicals; and, to mount productions for national tours" (Slater, "From the Front," Mar. 2002).

Slater explains the decision to partner with Nederlander:

> I was approached by Nederlander…and we began a series of meetings in San Jose and New York and other places about joining forces. The nature of the agreement was a partnership that existed with an equal share of the profits from the Broadway shows. There was not a lot of legalese. It was a one-page letter, two-page letter. And it had some out clauses and things like that, but basically, San Jose had the right to reject any offer we make in terms of – you know, we want to bring this show to town and they had to check with us first; they couldn't just bring it in. And all profits would be split down the middle (Slater, interview).

Shuster had not been consulted on the change in programming, but was aware that dealings were happening: "I knew stuff was going on. I don't know exactly how it came to be, but I know they [Slater and the board] were wined and dined by the Nederlanders.

And the Nederlanders really played to all of Stewart's weak points in terms of making him big man on campus and someone truly important in the theatrical scene – they laid it on like butter" (Shuster, interview).

By May of 2002, the announcement of the Nederlander deal had drawn criticism from local theater artists. Mark de la Vina, in an article in the *San Jose Mercury News*, reported "charges are flying that AMT has turned its back on the very people who helped establish it, at a time when they already are being hurt by the high cost of living here." Slater responded: "the association with Nederlander is necessary for AMT to survive in an increasingly competitive arts and entertainment market" (de la Vina, "New").

Additionally, Slater claims the partnership had the support of the board of directors:

> We go back to that conversation about the retreat we had at the Arena – many of those same board members were still there. Many of those same board members remembered that conversation at that retreat. They were supportive – cautiously supportive. I told them at the time it was kind of like that lady riding on the tiger. We were operating in a league where we had never operated before. It could be a little nerve wracking. These were guys who knew how to do this, and knew how to do it on a big scale among producers who had done Broadway and had done Broadway for a long time, and knew how to do it. And indeed, they taught us a lot of tricks about how to make it work from a financial point of view and a marketing point of view. So they were very helpful about that. And the board was cautious, but optimistic, that we could make the thing work (Slater, interview).

San Jose actress Annmarie Martin remembers the consequences the decision had on her and fellow theater artists:

> It took away jobs. I remember when Stewart announced it. He had a meeting at the studios where he invited the actors to come and they were announcing it and I remember thinking this is going to take jobs away from us. I had a regular job so I didn't rely on AMT for health benefits,

> but some actors rely on these weeks for their health benefits. What do you say to those people? And he really didn't have a great answer to that. He assured us – *no, no, no we're still going to do locally produced stuff* (Martin, interview).

Slater claims he had planned to bring in a balanced mix the first season – three produced shows and three presented tours. But after speaking with a rights house about one of the produced properties, Slater found out the rights were being given to TheatreWorks in Palo Alto at the same time. He remembers:

> We can't do that. We have to do another show. And nothing matched because that was a particularly small-cast, low-budget show. So regretfully, I made the decision to go with the four [tours] and two [produced]. And that sort of set the tone – set a bad tone – for the Nederlander involvement, because for a lot of people, they could take the three and three, but they couldn't take the four and two. And I understood that, no matter how much I said we would balance future seasons, the horse was already out of the barn (Slater, interview).

John Traub, who was the board chair at the time of the adoption of the Nederlander partnership, remembers:

> It was very carefully presented to the board. I would say that most of the board – if management would present a plan, idea, or action item – they more or less felt duty bound to approve it. The Nederlanders – speaking of them specifically – I was very vocal with respect to my opposition, to bring Nederlander into the AMT family, because I always felt that they had an agenda. And I thought that agenda was to take the theater away from us. And I believe the feeling among the other board members – and I can't speak to this on their behalf – was that if we could do a deal with Nederlander where we could get one great show and make it part of our season, people that wanted to secure the very best seats for that one great show would be more inclined to purchase season tickets. In other works, I never, ever felt we would do more than one Nederlander show per year. And it was bait, from my perspective, to enhance season ticket sales (Traub, interview).

When asked if he felt the Nederlander partnership was necessary for the survival of the organization, Traub replied: "I don't believe that for a moment" (Traub, interview).

Jim Eller also served on the board during the time the decision to partner with Nederlander was adopted. He remembers: "There was a lot of discussion over it. I think the board had the tendency to support the recommendations of Stew Slater. And he wanted to grow the organization – what in his mind was growing – and make it more of a regional or national influence." When asked if he favored the proposal, Eller replied: "I thought having national shows come in was fine" (Eller, interview).

Board member David Pogue considered the consequences about the decision to partner with Nederlander from a community standpoint:

> We had access to stuff we hadn't had access to before. But at the same time there was a concern that we were now going to be presenting rather than producing. And there was a real philosophical difference obviously, between taking local talent and creating your own set and doing all the rest and owning, effectively, the property, or just bringing in a truck show. And so that was certainly a question that was debated – *where was the risk/reward?* But the view, I think, was we couldn't do *Fiddler on the Roof* anymore times; we couldn't do *Annie*. And this was part of what was happening on Broadway where producers were no longer releasing their shows to the market, and even if you thought you had an agreement for something, if someone makes a decision to go on tour [the rights are lost]. And the Broadway hits were such hits that we were never going to get a chance to get them. It just became more complicated to get current musicals. And the concern we have is that our audience wanted hits. We wanted to keep them from going to San Francisco for the hits. We wanted to present them in San Jose. So I think there's the risk/reward of losing a bit of the local but having the opportunity to become a player. Again, I think we made the right decision, but we became something different (Pogue, interview).

When asked if he remembers financial projections about the feasibility of the Nederlander alliance, Pogue replied: "I don't recall seeing any" (Pogue, interview).

Board member R. C. Staub does not recall any studies being done or presented to the board illustrating income projections with and without Nederlander:

> I don't think there was what you would call a study, but there were numerous attempts to do a comparison. And I think we always ruled out the idea that we would just be a presenting organization, because it came back to – *why are we in this business? We're not the Nederlanders. Why is there a local board to simply serve as an organization that oversees Nederlander shows?* That didn't make any sense. Yet on the other hand, I think Stewart was trying to figure out a way to become a Nederlander affiliate. I think in his heart that's what he wanted to do (Staub, interview).

When asked what his vote was on the alliance, Staub said:

> I'm sure it was yes. I won't pretend I was the voice of caution. Stewart was very, very aggressively courting the Nederlanders. That's what he wanted to do. I don't think in Stewart's heart he felt there was a future for AMT where it was only producing shows (Staub, interview).

Shuster, likewise, agrees that the desire to import tours originated with Slater and not AMT audiences: "No. Why? We didn't do national tours. What they were craving was quality, not a B+ bus-and-truck, which is what they got. Not even a B+, a B-. What a disaster" (Shuster, interview). Marc Jacobs agrees the decision to partner with Nederlander was ultimately a mistake:

> We were all very against it. And we felt that we had an operation that was working really well already – that we were a part of a community. The community knew the company, loved the company, respected the work, and were loyal to the company. Most of us knew that when you start bringing in tours and it becomes fewer and fewer produced shows, how are they going to keep that staff? Because with tours, you don't get to keep the money, it goes back to the Nederlanders. So we were against it for a lot of reasons. It meant less work for local actors and dancers and we've kind of seen the consequences by the fact you can't even find male dancers anymore because when AMT was producing four shows a season, those people could get their insurance, get Equity salaries, often in four productions (Jacobs, interview).

Musical director Billy Liberatore, who worked for AMT before, during, and after the Nederlander deal, describes the experience:

> That was horrifying. Just because I was sure they [AMT] weren't going to make any money. Nederlander isn't going to make money and give it to someone else. You're just a pawn, opening the door. It was a big mistake; I just don't think his [Slater's] intentions were bad. The end result was really bad (Libertore, interview).

Likewise, costume designer Betty Poindexter saw the alliance as a detriment to the locally-produced shows: "In a way, that kind of signaled demise to me. I never knew the particulars of the deal that Stewart worked with the Nederlanders, but I never thought that AMT was going to get the best side of it. I think the productions that we did suffered because of it" (Poindexter, interview).

Slater was quoted in the *San Jose Mercury News* that the Nederlander alliance was necessary to the survival of the company (de la Vina, "New Stage"). Today, he remarks: "I still think so. We had seen a downward trend in ticket sales, and we thought this was the right shot in the arm to turn things around and take us back into those years of high ticket sales" (Slater, interview). He points out that Nederlander makes a practice of investing in every Broadway show: "It assured them that show would play their theaters and if we were one of their theaters – as we were listed on their website and in their material – then we were assured of playing that show. So that's why that alliance was made – that was the basis of that alliance" (Slater, interview).

Board member K.C. Staub points out the difficulty of producing shows in the enormous CPA, and sees this as a factor in the decision to partner with Nederlander: "The problem was that by the turn of the century, AMT was kind of stuck in the sense that they had a venue that they were using – they didn't have another option – and it was becoming financially difficult to make that venue work. I remember us saying – *gee,* *wouldn't it be great to have a venue that was 1200 seats or 1500 seats or 800 seats?* In the end AMT was stuck with a very complicated, expensive facility with which to produce their shows" (Staub, interview).

However, by this time, the concerns of board members were wholly different from the philosophy of Bernie Barton and previous boards. David Pogue remembers the tenure of Board President Frank Greene during 1999-2000 as a turning point in board philosophy:

> One board president was Frank Greene who came from the tech field and he did IPOs. He was a startup guy, and he wanted to take the board in more of a direction of a controlling board and was looking at the organization as more like a technology startup rather than an arts organization. And I always had the view that they are different animals. An arts organization is about the art. A tech, it's about business (Pogue, interview).

By the turn of the 21st century, the board was concerning themselves with programming.

Of this new concern over programming, Shuster recalls: "I don't know if a lot of them even liked musical theater or liked theater at all. But it was good for them in their business to be on the board of the most successful arts organization. So they were there for the political power it gave them within their companies and in the community." She contends that the decision of programming had never before been a concern of the board of directors: "They never had anything to do with it. But with the Nederlander decision, that's what happened. So now you have a group of people who don't know how to do this, making the choices and determining the survival of the company" (Shuster, interview).

John Traub, board president during the transition to a partnership with the Nederlander organization, recalls his programming concerns during this time:

> What puts butts in seats is not *Assassins*. It may make all the artistic folks happy, but – actually it made me happy because I got a much-needed three-and-a-half hour sleep. What really brings people to the theater is *The Sound of Music,* or you know, a title. The Disney ones were of particular interest to me because they sell out everywhere. So basically we had agreed that we were going to formulate a business model that had great titles (Traub, interview).

Although Traub was in favor of a limited alliance with Nederlander, he recognized problems with the quality of the shows that would be provided in the partnership: "Nederlander is never going to send a first-run show here. We're always going to be second rate in San Jose. So we might get good shows, but after they've already toured all the primary venues, the Broadway folk who they've shifted over to the touring company, by the time they get to the second tier – places like San Jose – are gone" (Traub, interview).

Concern was also expressed over the audience's ability to recognize a presented show over a produced one. R. C. Staub says: "How will they understand the difference between a Broadway tour of *South Pacific* and a locally produced version of *South Pacific*?" (Staub, interview). However, during the time when both Nederlander shows and AMT-produced shows were being presented, Marc Jacobs found the problem manifested itself in the opposite way:

> What I found out when I directed *The Sound of Music* was that most people thought *Sound of Music* was a national tour and that *Les Miserables*, which was a national tour, was an AMT show. So they didn't know the difference. They just paid for a ticket and saw the show. And I think generally the quality of our shows was better than 80% of the shows that came through because it was a special occasion that was honed for

> that place and that company. It wasn't just a tour going to another city" (Jacobs, interview).

Concerning the board's desire to control programming, David Pogue questions if their actions were beyond the scope of their duties:

> I think the board was trying to exercise more input into that [programming]. I'll tell you, as a board member, I'm not sure that is the role of the board. We're not artistic. We're not artists. In fact, by the time we were getting to the end, there was pressure by certain board members who were trying to be executive producers or trying to influence. And I was always concerned that I thought the artistic talent ought to be the artists and that we support and we have input. But clearly for us to get involved in the specifics of the production is frankly beyond our skill set (Pogue, interview).

As far as the profitability of a presented show over a produced one, former CFO of AMT, Jane Sanchez, who controlled the finances during part of the run of Nederlander shows, says:

> It wasn't a pattern where AMT loses and Nederlander shows profit or vice-versa. It wasn't that clear. I think AMT shows tend to be smaller. So the revenue and all was smaller, so the whole scenario with the AMT show was smaller versus the Nederlander ones. But as far as profitable or not profitable, I don't remember a dramatic difference in the margin percentages (Sanchez, interview).

The partnership with the Nederlander Organization may have also been prompted by problems from within the company. Musical director Billy Liberatore points to the deteriorating relationship between Slater and Shuster as a motive to partner with Nederlander:

> He [Slater] was desperately trying to find a way out of a money problem. And he was trying to disempower her. And there are many chapters to that relationship. It's really the core of what made it not last – was their dysfunction. And they both know that. They wouldn't try to deny it – and I still love them both. I think he was trying to disempower her. But I think he was trying to save something that might generate money.

> Companies do that all over the country. They produce three of their own and they show somebody else's [production]. TheatreWorks is doing that. But he was trying to disempower her. And he succeeded (Liberatore, interview).

Tensions within the company were escalating. Shuster's opposition to the deal led to open hostility with Slater and those board members in favor of it. She remembers:

> I came to a board meeting and I was so angry at what was going on, I had trouble even being civil to people. And I did some self-destructing, there's just no question in my mind, I know I did. But I was so angry that this wonderful organization was being trashed by idiots. And I just didn't manage it well. I got an F in behavior. Over and above fighting for my own livelihood, I was fighting for the health of the company. I just said – *this is going to kill us. You guys are not Broadway producers. They're smarter than you and they're going to eat you for lunch.* And they sure did (Shuster, interview).

Former board member R. C. Staub points out an imbalance in the structure of the organization that inherently worked against the artistic director: the artistic director of AMT did not sit on the board while the executive producer did. Staub explains:

> Stewart, the executive producer, is the clear leader of the organization. He sits on the board, and the artistic director and assistant director don't get a vote. Whereas other organizations, like San Jose Rep, was an organization that largely existed because there was an artistic director that wanted to bring her [Artistic Director Timothy Near's] vision to the city. So you have an executive producer who doesn't passionately believe in the locally produced show, and the Nederlander deal just eventually happened because Stewart kept pushing it (Staub, interview).

Bob Bones questions the necessity of partnering with Nederlander in the first place, as opposed to booking shows individually with the various producing companies: "It was my understanding – and I don't know what the numbers were – a significant amount of money we were paying the Nederlanders on a yearly basis to book shows for us and bring shows in, which wasn't necessary. We could have booked our own tours" (Bones, interview).

Slater speaks to that issue:

> I thought up until a point that that would be possible. The point was when we had such good success with *Beauty and the Beast* and *Blast*. And our friends in San Francisco [producing entity Shorenstein Hays Nederlander, not affiliated with the New York Nederlanders] made it very clear – not in many overt ways – that we weren't going to get the product because they would book it. They have three theaters in San Francisco that need to be filled. They have huge clout, so they were going to in some way see that we didn't have access to that product. Knowing that we had one season, one theater, impacted dates – the Symphony was still playing, which meant we had certain time slots that we had to fit into – we couldn't take it a week earlier or a week later, so that there were a thousand and one ways to get screwed. So that's why we brought in Nederlander, because they are one of the heavyweights in the industry (Slater, interview).

Subscriber reaction to the change in programming, which was mixed, was recorded in a *San Jose Mercury News* article. Kay Thomson, a subscriber since the mid-1980s supported the change: "All of a sudden, we're going to get some high-caliber Broadway-type shows, and we don't have to drive to San Francisco to see them. This only enhances San Jose." Barbara Galiotto, a 15-year subscriber who donated $1,200 each year to AMT, said she would be ending her support of the organization: "Why would I give money to a company that just hires outside talent and is involved with a for-profit company like Nederlander? There is so much they're ignoring here" (de la Vina, "New").

Slater feels that lobbying was done by and on behalf of those opposed to the partnership:

> There were strong feelings on both sides. We had performers and people within the company who said – *oh boy, that's great!* I do remember

> getting a lot of emails and a lot of letters and a lot of phone calls, a lot of personal visits in the lobby. And people were on both sides of the equation. And the good folks – the ones who liked it – did not go out and recruit others to join their campaign. I think some of the people that were on the negative side went out and helped get people to go on their side of the campaign, which was fine. The company always wanted diverse opinions and diversity at the table when decisions were made. The die had been cast for a certain amount of time and we moved forward (Slater, interview).

Eventually, the partnership with the for-profit Nederlander organization led to problems with unearned revenue. Kimberly Kay, who worked in the development department at AMT, explains: "Some of our foundations didn't like that. And though I'm sure that was only part of the issue, I know we lost some grants from Packard and I know the feedback we got from them was that they felt we were moving away from our mission" (Kay, interview). Figure 1 on page 89, taken from 990 filings, illustrates the dip in donations from fiscal 2001 to fiscal 2002.

Kay also remembers individual donor reaction:

> When they brought shows in, it wasn't quite the latest stuff that people wanted to see. Besides that, there's also ticket price influence that happens then, because we don't have control over a tour's ticket price. So the subscription price went up and we had backlash from subscribers over that. That also had an effect on how the community viewed us, as being less than a non-profit. There was a lot of feedback from donors – *why should we give you money? You're this huge money-making organization. You're charging so much for tickets.* It was just a disconnect. I don't think it was the leadership style – I think it was just a mistake or a blind spot perhaps (Kay, interview).

There is evidence to suggest that the dip in individual giving was part of a national trend. TCG, in their 2003 annual study, reported average corporate support at a five-year high and also a substantial rise in government funding among 85 theaters monitored. There were, however, dips in individual contributions by 22%, and a significant decline in state funding (Voss, Voss, Shuff, and Taber, 10).

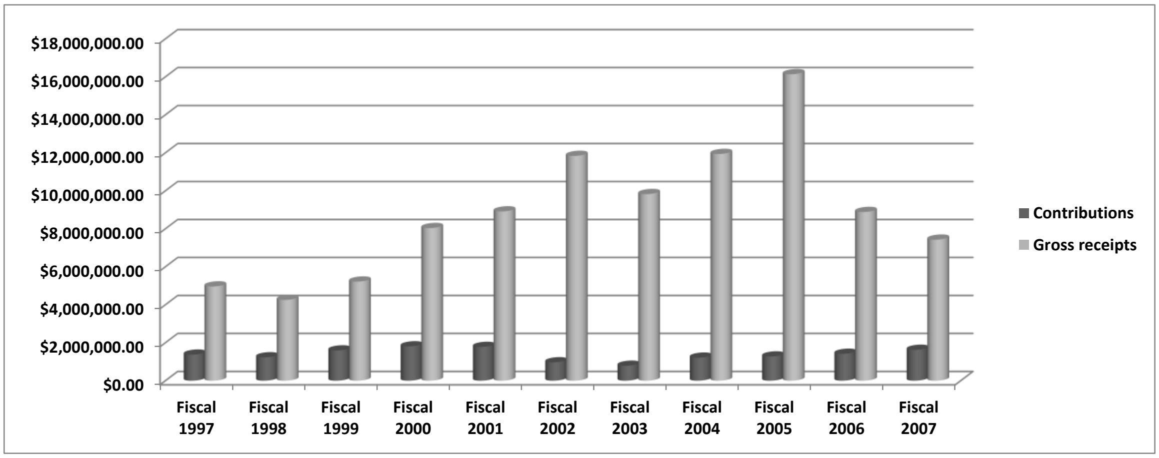

Figure 1: Contributions and Gross Receipts 1997 to 2007

In May of 2002, Slater said to the *San Jose Mercury News* that the Nederlander deal, although creating hardship for local artists initially, would eventually bring more subscribers to AMT and create a situation where more locally produced shows would be possible ("Theatre tradeoff"). Slater announced that plans were being made to use the Heritage Theater in Campbell as a venue for locally-produced programming. *San Jose Mercury News* reporter Mark de la Vina said Slater instructed Shuster and Jacobs to "draw up a plan using alternate performance spaces where the company can produce additional shows featuring local artists, although he wouldn't say how many productions or people the proposal involves (de la Vina, "New").

Slater explains the desire to expand to new venues: "Looking at second theaters goes all the way back to '81, '82, '83, in that area when we did *The Fantasticks* out on the fountain of what used to be the convention center and is now the Tech Museum. We had always looked for multiple theaters because we knew it was not wise to put all our eggs in the basket of the CPA" (Slater, interview).

Mark Jacobs remembers the plans for the Heritage Theater: "We did go look at it, I just know we were talking about a second space, and my thinking was – *this would be for new works.* Stewart's thinking was – *this will be for the local artist*. *We'll do tours at the CPA and we'll have the smaller theater so we can still be putting on shows that way.* Nothing was taken very far with that" (Jacobs, interview).

Bob Bones recalls concerns about the location of the Heritage Theater as a factor in why the plan never came to fruition: "One of the big factors that swayed us in not doing that was the fact that it was not in San Jose proper, and the feeling was that our audiences would not follow us there – the subscribers we had wanted to be in downtown San Jose at the CPA" (Bones, interview).

Dianna Shuster feels the idea itself was flawed:

> Have you seen that theater? It's a high school auditorium. So it's taking local shows and basically making them community theater again. It totally disregards and diminishes the value of local professional theater, and puts all the value on the bus-and-truck shows. And now people are paying $75.00 for their tickets and they're getting tired bus-and-trucks that don't hold a candle to what we were putting on stage (Shuster, interview).

Shuster does, however, admit change was inevitable with the organization, but feels the direction taken was key to its demise:

> To give Stewart credit, he was correct that we couldn't continue doing exactly what we had been doing. But remember, for ten years now we had been paying rent on that stupid place [1717 Technology] and not creating our own shows. And not doing what we had built our success on, which is reimagining, as if for the first time, the heart and soul of 'fill in the blank.' And I think had we been able to do that, had we been able to put the art first, I want to believe that we would have weathered it. Because we

> would have been that place of magic that we're talking about and that we were. And that disappeared when we were doing cookie cutters because those were the sets and costumes we could get our hands on. It [aligning with Nederlander] was a way bigger decision than anyone possibly imagined (Shuster, interview).

Costume designer Betty Poindexter remembers the difficultly working at AMT as plans for the Nederlander partnership progressed: "For those of us who had been friends on a personal level with both Stewart and Dianna, I kind of tried to keep it on an even keel with the both of them. And that was difficult. It became increasingly clear that this was a marriage that wasn't going to last for long" (Poindexter, interview).

In the midst of the turmoil at AMT, a casualty occurred in the San Jose arts community. On June 5, 2002, the San Jose Symphony announced it would be closing. They had not decided if they would file Chapter 11 bankruptcy, which would allow for a restructuring, or Chapter 7, which would require liquidation ("San Jose orchestra").

Elimination of the Artistic Director

Two weeks after announcing plans to expand into the Heritage Theater to produce more locally-based programming, on June 8, 2002, Slater announced the elimination of the position of artistic director at AMT. At the same time, he reiterated that the company would not become a presenter exclusively: "I have said before that we will continue to produce as well as present" (D'Souza, "After").

Slater reported to the *San Jose Mercury News* the elimination of the position was a restructuring of the organization: "We are looking for a different structure. We will be creating more of a director-of-production position, a more administrative and managerial position, someone who would not be as much involved in casting and directing. We feel that this is in the best interests of the company" (D'Souza, "After").

Slater claims the decision to eliminate the position came from the board of directors:

> I didn't eliminate it. The board eliminated it. Dianna and I had a convergence of opinion, which didn't want to resolve itself, and neither of us were able to resolve it. So, I turned to the board for help in seeing if something can be done. And people had been advising me for a period of time – *well, why not let her go, hire someone else?* I said – *no, that's not what we want to do.* So we had a board meeting, probably March of that year [2002]. Dianna spoke to the board and she brought several of her group with her. And almost immediately after that meeting, I had several board members come to me and say – you need to move that plan forward. And I was unwilling to do so at that time, but later on I figured we were in charge up to a point, and after that it was sort of the board's responsibility. And I reluctantly threw in the towel and let her go (Slater, interview).

David Pogue served on the board at the time. He remembers the decision: "Well, that was at a time when the board members were putting a lot of pressure on costs and all the rest, so I suspect, broadly, the board was supportive of it. Particularly because that now we were going into presenting rather than producing, where we were going to produce one or two, or one, or none, and so to have an artistic director was superfluous" (Pogue, interview).

John Traub was board president at the time: "There was some conflict, and I wasn't intimate with the specific nature of that conflict, between the business management and the artistic management of AMT. So to resolve the conflict it appeared that the only option available to us was to eliminate one of those two combatants. At that moment and time, based on our direction and needs, the board supported the termination of the artistic director" (Traub, interview).

Board member Jim Eller recalls the decision to remove Shuster as not coming from within the board of directors:

> No. That was at the direction of Stew Slater. I think Dianna was pretty well thought of – and I still do think highly of Dianna. I think she's talented. And I think it was just a function of a power play. For whatever reason, Stew was becoming increasingly disenchanted. So that relationship was going down. Whether Stewart had some ulterior motives in that regard, I don't know. But that's how it moved forward (Eller, interview).

In an interview at the time with the *San Jose Mercury News*, Slater made no mention of the board of directors, taking sole responsibility for the elimination of the position: "Dianna is not the only director we have here. This season, we did five shows and Dianna only directed one of them. I created the position of artistic director and I asked Dianna to take that job. Today, I had to eliminate that position." Dianna Shuster was asked in the same article about the prospects of AMT continuing to produce local programming. She responded: "I think you can draw your own conclusions about a theater that does not have an artistic director" (D'Souza, "After").

Marc Jacobs, who had been associate artistic director, was now given a title change: "It was all choreographed in a way that clearly had a lot of planning behind it. They said – *Dianna's been fired and you're now head of new works* – which I thought I was anyway. I couldn't be an associate if there's no artistic director, so I'm now head of new works" (Jacobs, interview).

Jill Bowers was running the costume shop at the time. She contends the decision lacked a basic understanding of the nature of a performing arts organization:

> I kept hoping things would sort themselves out, but, I don't remember when the date was, that Stewart had the meeting where he pulled the staff

> together and basically told us that he and the board had eliminated the position of artistic director. It was just Earth-shattering. For anyone who's been trained and worked in professional theater, it's like having the rug pulled out from under you. It's like pulling the sun out from the middle of the solar system. How can an artistic organization work without an artistic visionary person in the middle of it, coordinating it and keeping the goals clear? It just became so clear that the commercial ambitions had outstripped the artistic goals of the company at that point (Bowers, interview).

Bob Bones agrees: "Any art organization without an artistic director is floundering, I think, quite honestly. Because no one who's a business manager, general manager, or executive producer – even if they used to be an artistic director – will have the time, or should have the time, to worry about that part of it, because they need to be doing other things. They should be out raising money, and running a board, and dealing with paying the bills and all those things" (Bones, interview).

Marc Jacobs remembers hearing Shuster talk about how she saw this scenario happening: "She was saying for years she was seeing this coming. She actually said to me fairly early on that she thought the company had peaked and she said either – she's a very, very smart woman – either we're going to go up, or it's going to be over" (Jacobs, interview).

On the details of her firing, Shuster says: "From *3hree Musketeers* on, I'm kind of hazy, because by that time I was so beat up, I didn't have much strength, emotional strength for it. And I pretty much knew it was a lost cause. It was just a matter of when" (Shuster, interview).

Slater claims he had no intention of leaving the artistic director position vacant: "I certainly had no intention of not hiring someone else. As a matter of fact, Marc Jacobs was still on staff, and I told him I wasn't going to immediately let Dianna go and immediately hire someone else as artistic director; I didn't want to do that. But I said – *you know, hang in there and we'll see where this thing goes.* And obviously I leaned on him a great deal on the artistic decisions as I had leaned on him before" (Slater, interview). The position remained vacant until Slater's departure from the organization.

Spending Practices

In 2002, after the elimination of the artistic director's position, AMT hired Michael Miller as director of production. Miller had worked with AMT previously. While a producer with Holland American Cruise Lines, he had contracted Nick Nichols to build sets in the AMT scene shop. When Bob Bones was asked to stage manage a tour of *Angels in America* in 1994, Miller filled in as production manager and stayed in the capacity of what Miller describes as "kind of a GM" until accepting a position with New Jersey's Papermill Playhouse in 1998 (Miller, interview).

The change in management and programming was apparently working as planned. In August of 2002, Slater announced a 78% renewal rate and credited it to the touring titles that would be part of the next season – titles such as *Mamma Mia*, *Les Miserables*, and *Miss Saigon* (McCollum, "Silicon"). Those renewals, however would only translate to 19,670 subscribers by the start of the season – roughly 1,000 less than the previous season (Table 1, page 30).

The first show of the season was a touring production of *Blast!* *Blast!* had won the Tony award in 2001 in the category of best theatrical event, and *San Jose Mercury News* theater writer Mark de la Vina pointed out its lack of narrative elements: "To say that *Blast!* is musical theater is to say that ketchup is a vegetable. There's no story, no genuine emotion, no illuminating moments here" (de la Vina, "A 'Blast'"). Although *Blast!* played to only 51% of capacity, AMT rounded out the touring offerings with more traditional book musicals, some of which – like *Mamma Mia* – drew record crowds (Table 1, page 30).

By 2002 the cost of locally producing shows had increased when, in their November production of *Miss Saigon*, AMT used 21 union actors in a cast of 34 (*Theatre Publications*, 7). The minimum salary of a union actor in 2002 was $775.00 weekly (de la Vina, "New Stage").

The apparent success that AMT was enjoying was not shared by other local arts organizations. In February of 2003, Ballet San Jose Silicon Valley's executive director Andrew Bales announced his intention to approach the City of San Jose for a loan to cover payroll (Antonucci, Amirrezvani, and de la Vina, "S.J. Ballet"). Slater responded with $25,000 to aid the ballet's financial problem. Said Slater: "And if they'd said they needed $50,000 we would have done that. I don't think arts groups should always go running to the city for support. We need to develop our own resources" (Weimers, "4-Starbucks").

Reportedly, AMT was flourishing with its new business model and announced an expanded season for 2003-2004 in an article in the *San Jose Mercury News.* The season would expand to at least 13 productions at three different venues – the CPA, the Theatre on San Pedro Square in downtown San Jose, and the Heritage Theatre in Campbell. The article claimed that AMT had sold 102,000 tickets to its first three shows, already out-performing the last year where only 76,000 tickets had been sold all season (de la Vina, "AMT thrives"). Internal AMT documents cite the tickets sold in 2001-2002 as 119,915 admissions, or 150,956 including the tour of *Beauty and the Beast* (Table 1, page 30).

As before, Slater claimed AMT sought a balance between locally produced shows and touring companies: "We knew when the uproar happened that there was nothing we could say until we announced this new season. Everyone was saying, 'Yeah, sure,' but there are in fact going to be a lot of opportunities for local players and artists" (de la Vina, "AMT thrives").

However, financial trouble was brewing. Fiscal 2001, the last year under a model of producing shows with production budgets controlled by Shuster, saw a year-ending excess of $35,059. Table 2 on page 98 illustrates financial information about AMT taken from 990 returns. Fiscal 2002 – with the Nederlander alliance and a model of four touring productions and two produced shows – recorded a deficit of $710,000. There is evidence that a slump in theater attendance was widespread. TCG reported in its annual 2003 report that a post-September 11 economy had led to sluggish sales across the nation, and that expenses rose at nearly three times the rate of earned income (Voss, Voss, Shuff, and Jackson, 20).

However, long-time employees were beginning to see a lack of financial oversight. Costume Director Jill Bowers remembers:

> Often – even though there was a lot of money at AMT – there didn't seem to be as careful oversight in how it was spent. Money was thrown around in odd ways. Lots of money spent on parties and catering meetings and logo merchandise and stuff like that. It seemed this weird corporate culture that made no sense to me. And in retrospect, you wonder how

much money was wasted on stuff that could have been put into the art (Bowers, interview).

Table 2: AMT Financial History Fiscal 2001 to Fiscal 2008

Revenue	**Fiscal 2001**	**Fiscal 2002**	**Fiscal 2003**	**Fiscal 2004**	**Fiscal 2005**	**Fiscal 2006**	**Fiscal 2007**	**Fiscal 2008**
Earned revenue								
Admissions	8,474,128.00	11,270,723.00	9,229,486.00	11,620,643.00	15,730,900.00	8,441,219.00	7,010,943.00	2,099,230.00
Costume and set rentals	305,663.00	454,362.00	378,000.00	242,987.00	187,854.00	176,998.00	138,642.00	28,464.00
Construction of sets	0.00	0.00	0.00	0.00	0.00	90,086.00	9,384.00	0.00
Community outreach	62,496.00	49,339.00	112,850.00	27,488.00	85,390.00	40,658.00	27,460.00	0.00
Special projects	71,151.00	60,932.00	103,903.00	46,404.00	131,919.00	16,819.00	47,418.00	15,039.00
Ticketing service	0.00	0.00	0.00	0.00	0.00	116,539.00	184,178.00	0.00
Interest	62,058.00	89,035.00	17,036.00	26,994.00	62,904.00	6,306.00	5,242.00	0.00
Investment income	<154,307>	<81,346.00>	258,161.00	125,365.00	155,185.00	180,677.00	<38,367.00>	<76,376.00>
Other revenue	4,110.00	38,769.00	47,918.00	24,183.00	37,137.00	4,046.00	122,890.00	2,332,670.00
Contributed support								
Direct public support	1,448,038	808,869.00	721,450.00	1,058,280.00	1,106,126.00	1,116,580.00	1,392,677.00	376,728.00
Government contributions	330,348	158,509.00	64,746.00	153,273.00	168,479.00	298,429.00	232,115.00	0.00
Total revenue	10,603,685.00	12,849,192.00	10,933,550.00	13,325,617.00	17,665,894.00	10,488,357.00	9,132,582.00	5,153,162.00
Expenses								
Compensation of officers, directors, etc.	309,300.00	327,364.00	755,883.00	279,798.00	287,250.00	311,816.00	371,315.00	125,849.00
Other salaries and wages	3,035,117.00	2,826,350.00	4,539,196.00	2,653,437.00	4,346,661.00	3,154,790.00	3,103,031.00	1,438,520.00
Pension plan/employee benefits	9,000.00	13,758.00	11,568.00	309,512.00	447,635.00	340,738.00	377,291.00	0.00
Payroll taxes	640,603.00	838,052.00	82,814.00	216,141.00	335,396.00	259,820.00	255,214.00	101,111.00
Professional fundraising fees	0.00	0.00	0.00	12,120.00	53,041.00	40,272.00	16,961.00	0.00
Accounting fees	4,930.00	17,613.00	8,676.00	29,574.00	29,286.00	26,000.00	29,572.00	29,000.00
Legal fees	53,691.00	115,656.00	39,193.00	11,590.00	4,728.00	7,459.00	5,746.00	34,822.00
Supplies	72,347.00	98,071.00	77,477.00	113,205.00	158,552.00	36,817.00	45,228.00	2,956.00
Telephone	37,203.00	60,288.00	57,689.00	58,847.00	55,775.00	48,817.00	49,892.00	0.00
Postage and shipping	38,545.00	53,933.00	197,510.00	128,289.00	276,050.00	111,483.00	86,547.00	0.00
Occupancy	710,469.00	786,932.00	1,051,319.00	565,287.00	631,465.00	581,725.00	537,283.00	190,608.00
Equipment rental and maintenance	45,628.00	68,659.00	64,633.00	125,602.00	337,211.00	177,806.00	305,483.00	0.00
Printing and publications	238,315.00	301,083.00	244,118.00	213,808.00	246,471.00	156,804.00	160,239.00	0.00
Travel	26,145.00	79,533.00	237,094.00	82,019.00	182,237.00	134,299.00	261,010.00	110,840.00
Interest	0.00	0.00	2,069.00	0.00	2,891.00	25,883.00	39,165.00	0.00
Conferences, conventions, and meetings	77,790.00	97,230.00	0.00	6,976.00	10,440.00	2,737.00	2,111.00	27,511.00
Depreciation, depletion, etc.	115,218.00	139,129.00	213,326.00	261,562.00	198,802.00	191,515.00	84,838.00	0.00
Other expenses								
Bank charges	1,740.00	3,511.00	15,379.00	12,012.00	20,184.00	14,799.00	19,183.00	0.00
Organizational memberships	9,500.00	19,880.00	9,679.00	12,201.00	15,081.00	8,889.00	9,219.00	0.00
Royalties	575,178.00	124,075.00	245,034.00	236,412.00	335,284.00	284,007.00	408,176.00	129,116.00
Sets & Costumes	419,429.00	576,960.00	0.00	0.00	0.00	0.00	0.00	0.00
Other contractors' services	339,588.00	321,252.00	590,077.00	445,605.00	562,309.00	419,610.00	492,619.00	307,089.00
Other production expense	2,133,043.00	4,536,234.00	396,749.00	463,312.00	949,435.00	209,063.00	266,029.00	358,052.00
Other Marketing expense	1,390,209.00	1,770,073.00	53,487.00	90,649.00	119,101.00	80,727.00	455.00	0.00
Accessibility	0.00	0.00	0.00	0.00	46,080.00	0.00	0.00	0.00
Advertising	0.00	0.00	1,538,131.00	1,393,341.00	889,754.00	992,123.00	647,165.00	223,288.00
Agent bookings	0.00	0.00	0.00	198,833.00	0.00	0.00	0.00	0.00
Bad debt	0.00	0.00	85,517.00	0.00	31,725.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00	58,492.00	0.00	0.00	0.00
Festivals	0.00	0.00	8,140.00	8,363.00	20,024.00	0.00	0.00	0.00
Guarantee - weekly tour payment	0.00	0.00	2,940,528.00	4,322,328.00	6,629,056.00	2,376,742.00	1,000,660.00	0.00
Insurance	0.00	0.00	423,760.00	237,620.00	556,097.00	280,496.00	334,023.00	304,297.00
Miscellaneous	0.00	0.00	36,615.00	33,332.00	47,304.00	43,098.00	51,915.00	1,490,335.00
Parties	0.00	0.00	34,142.00	21,979.00	76,882.00	8,336.00	15,745.00	0.00
Software and website	0.00	0.00	0.00	52,308.00	53,564	78,204.00	92,501.00	71,452.00
Telemarketing	0.00	0.00	0.00	169,090.00	181,483.00	141,446.00	75,678.00	120,760.00
Ticket credit card fees	0.00	0.00	0.00	0.00	0.00	298,414.00	226,665.00	0.00
Other G&A overhead	285,638.00	384,103.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenses	10,568,626.00	13,559,739.00	13,959,803.00	12,765,152.00	18,195,746.00	10,844,735.00	9,371,949.00	5,065,606.00
Net income	35,059.00	<710,547.00>	<3,026,253.00>	560,465.00	<529,852.00>	<356,378.00>	<239,367.00>	87,556.00
Net assets from beginning of the year	1,996,036.00	2,031,095.00	1,376,185.00	<1,627,852.00>	<1,147,114.00>	<1,668,551.00>	<2,024,659.00>	<2,264,998.00>
Other changes in net assets	0.00	55,637.00	22,216.00	<79,727.00>	8,415.00	270.00	<972.00>	87,556.00
Net assets at end of year	2,031,095.00	1,376,185.00	<1,627,852.00>	<1,147,114.00>	<1,668,551.00>	<2,024,659.00>	<2,264,998.00>	<2,177,442.00>

Billy Liberatore agrees: "If she [Dianna Shuster] had never lost control of that, they probably never would have gone under, because the other people weren't very good at that. They wanted to show off with money. Stewart was a spender. He liked to spend" (Liberatore). Former CFO Jane Sanchez, who oversaw AMT's finances at the beginning of the Nederlander alliance, says: "My personal feeling was that the management – how can I put this – wasn't being managed as well as it could have been" (Sanchez, interview).

Costume designer Catherine Edwards, who designed costumes for AMT from the mid-1980s to the end of the organization, remembers: "The budgets over the years got incrementally larger. They were never ample, until Dianna was gone." She recalls the amounts budgeted for 2004's *Funny Girl*: "When I heard what my design fee was I asked them to repeat it because I thought I'd heard it incorrectly. It was four times the budget I'd had there before. And I thought – *where is this money coming from suddenly?* A year later, they were broke" (Edwards, interview). Costume designer Betty Poindexter concurs: "I was in the five digits and more for the last shows I did. Fifty-, sixty-, seventy-thousand in materials alone, which meant that the real budget for those clothes was twice that, because the labor was twice that or better (Poindexter, interview).

Additionally, design teams during this time were not integrated as during the Shuster era, but existed independent of each other. Catherine Edwards describes the experience during *Funny Girl*: "The set designer was doing anything he wanted, and I was over here doing whatever I wanted. I think we had one conversation. He did his show, I did my show, and we put it on stage" (Edwards, interview).

As a result of the $710,000 deficit – reported at the time by Slater in the *San Jose Mercury News* as $500,000 – the plans for producing local shows at the Heritage Theatre were abandoned. Slater said in the article: “We just couldn’t make the numbers work. We have to pull back now so we can venture forth in the future” (D’Souza, “San Jose, Calif.”). But cuts in programming did not stop the hemorrhaging. By the end of fiscal 2003, AMT recorded a deficit of over $3 million, depleting a fund balance from the previous year of $1.3 million (Table 2, page 98). Deficits were being reported among national theaters as well. TCG reported in their annual 2003 study that 58% of the 85 participating theaters had reported a deficit in fiscal 2003 (Voss, Voss, Shuff, and Taber, 1), however only 12% of those theaters reported a deficit of more than 20% of their budget (Voss, Voss, Shuff, and Taber, 4).

The dramatic decrease in revenue and increased spending seemed indicative of more than just a trend. “What was happening,” says Catherine Edwards, “was that people were making decisions to spend money and to fix things with money because there was no one giving them leadership. Money does not necessarily make good design, or make a particularly interesting production” (Edwards, interview). Bob Bones agrees: “There wasn’t as much focus artistically for the company, it was kind of adrift. More people had their finger in the pie, so there wasn’t the guidance that there had been – right or wrong” (Bones, interview).

Slater attributes the deficit to poor ticket sales:

> Eighty-five percent of our budget – from year one, from ’81 or ’82 – we were always making somewhere between 82 and 85% of our budget at the box office. And then the box office fell off. We had always lived and breathed on the subscription sales. That’s what Danny taught us. And we

> knew that as we moved more into the touring Broadway model, the subscriptions would fall off, because it would become too expensive. And we would have to deal more with the single tickets, which was a little of the Achilles heel of the Broadway touring model, because most of us had made our fortunes in subscription sales (Slater, interview).

Future Executive Producer Michael Miller saw the problem arising from continuing the practice of performing three weeks for each production rather than cutting back on performances:

> The big battle – and maybe part of Stewart's demise – was not going from three weeks to two. So he was making money in a two-week production and giving it all back – plus some – in the third week. It was just killing him. You have 20,000 seats a week in the CPA, basically – eight shows, 2,500 seats. So you have 60,000 seats and 13,000 subscribers. In order to have 60,000 seats in a model that works, you need to have 30,000 subscribers – at least 50% subscribed. So, going down to a two-week run would have been the thing, but he was very resistant to that. The board pushed and he didn't want to do it. And I understand why he didn't want to, but I think if he had the chance to go back, he would have pulled the trigger sooner (Miller, interview).

In addition to possible cuts in performances, Marc Jacobs points out the problems with presenting shows while continuing to rent the 65,000-square-foot space on Technology Drive: "When you present shows, you're not keeping the money. The money's going back to New York. So now they had this plant that was there to make theater without making theater anymore" (Jacobs, interview).

Jacobs also questions certain marketing decisions made concerning locally-produced shows in the post-Shuster era. The last show Jacobs directed with AMT was *On the Twentieth Century* in 2003. He felt pressure from Slater to cast a star, effectively returning the artistic philosophy of the company back to the star system used by CLO in the mid-1970s. Jacobs explains: "Stewart kept insisting we needed a name. So I said –

what about JoAnne Worley as the crazy lady? Because she was right for it. The ad campaign was abysmal. The whole campaign was about JoAnne Worley, meanwhile we had Judy Blazer and Mark Jacoby – you know – Broadway stars [playing the leads]" (Jacobs, interview).

Even the *San Jose Mercury News* questioned the marketing of the show in their review: "A well-worn piece of theater wisdom has it that good casting is as important as a solid script, as fundamental as keen direction. Much of the pre-opening hype for *Century* centered on former *Rowan and Martin's Laugh-In* star JoAnne Worley, and she shines as a loopy religious zealot traveling about a sleek, Gotham-bound train in 1932. But the show also has a pair of stunningly versatile leads (Judith Blazer, Mark Jacoby), supporting players who normally are given top billing (Jamie Torcellini, Edward Staudenmayer) and a bevy of Bay Area performers who rise to the occasion" (de la Vina, "AMT Cast"). Jacobs explains the result of the marketing campaign:

> The whole campaign was centered on JoAnne Worley, which is a minor part. I kept saying – *can't we use the marketing from the Broadway show? Because it's a classy Art-Deco design, which is the feeling of the show*. Instead, it was this horrible picture of JoAnne on the back of a photo-shopped train waving her scarf. With the ad, you couldn't tell what the show was about, and we couldn't sell tickets to it. Critically, it was a huge success; financially it wasn't, and I have to say the marketing sure didn't help it (Jacobs, interview).

Some areas of the plant were still making money, namely the costume rentals department. But soon after the Nederlander alliance, it became difficult to retain the costume personnel to create new costumes and maintain the enormous collection of rentals. Jill Bowers feels the model of a mix of presented shows and produced shows was not sustainable:

> I couldn't keep the talent. If you can only offer them twelve weeks of work a year, they're going to go where ever they can get forty weeks of work a year. There were people who left the field at that point. There were people who left the area. Same as what happened with the actors and the dancers and the stage hands. It's just not sustainable; the artisans you need to create new work are different from just putting an existing show on stage that comes in a box (Bowers, interview).

Pat Havey recalls a misunderstanding with Slater concerning the difficulty in obtaining quality stitchers and cutters in the early 1980s: "I always tried to keep our cutters and stitchers busy and employed for the summer so I didn't lose them," Havey said. When Slater asked her to dismiss the staff for the summer and rehire in the fall, she replied:

> Then you're going to have to hire two for every one you let go, because they work as such a team and they know exactly what we're doing and what we want. I said – *where am I going to find them?* And he said – *you can find people who sew everywhere.* And I said – *they don't teach it anymore.* At the time I had a Vietnamese, a Russian, a Columbian, a South African, a Chinese, and one from Santa Cruz – all foreign countries. Those are the people I found who could sew and would sit and do it (Havey, interview).

Costume designer Betty Poindexter agrees with Havey that an understanding of the costume-making process was not completely understood by Slater:

> Dianna understood that. I don't think Stewart ever did – the idea that there wouldn't be a steady stream of people available. It takes a lot of skill and experience to be a master draper, to be a really good stitcher, because you're constantly having to re-invent for one crazy figure or another or some crazy circumstance. The only thing that makes builds faster and smoother are layers and layers and layers of people with years of experience who you can turn to (Poindexter, interview).

The organization was beginning to take severe measures to reverse their financial situation. In January of 2004, citing declining donations and ticket sales, AMT announced belt-tightening measures would be adopted, including layoffs (D'Souza, "San

Jose Theater”). In the program for *On The Twentieth Century*, Slater had made an appeal to the public for help with declining public and private contributions (*Theatre Publications*, Oct. 2003). AMT was not the only local arts organization suffering drops in private sector support. The San Jose Symphony experienced a decline of 51% in the five years prior to 2002 (Wolf and Glaze, 35).

Adding to the financial state of the company were cuts made in funding by the City of San Jose’s Fine Arts Commission. The grant of $244,679 the previous year had been reduced to $208,509 for fiscal 2003 (de la Vina, “S.J. Arts Groups”). Slater told the *San Jose Mercury News*, “We are not immune to market forces. We have to make some tough choices,” adding that the rest of the season involved only imported shows, “so the need for a local production team right now has been reduced” (D’Souza, “San Jose Theater”).

Marc Jacobs remembers the firings:

> Every day you would turn around and someone else would be gone. A lot of them would happen when Stewart was out of town and Michael [Miller] would have to handle the firings. And one of the big ones was the gals who were in the costume [rental] shop, Beth and Chris. And Michael came into my office one day and said – *I’m having the worst day of my life. I had to fire Chris, and Beth said ‘I’m out of here.’* And that was when the costume rental department was bringing in a quarter of a million a year in pure profits (Jacobs, interview).

A 2006 article from the *San Jose Business Journal* reported that the firings were at the suggestion of CFO Robert Nazarenus. Hired in 2004 by then Board President Patrick D’Angelo, Nazarenus is credited in the article for implementing policies to curb the losses being suffered by the organization: “Like Donald Trump, ‘You’re fired!’ became his buzzword in the first round of cost cutting” (van Diggelen, “Harmonious”).

Pat Havey – who at the time had moved on to the costume department at SJSU – remembers hearing about the layoff of AMT costume rental personnel:

> When they let them go I was shocked. I thought – *boy you really screwed yourselves.* Because you couldn't go anywhere in the theater world without people saying – *oh your rentals are so phenomenal. Those people in your department take care of it so well; they have everything pulled and tagged.* And when rentals came in [from other companies] and we saw how others did them, we were miles above anyone else (Havey, interview).

Not only were personnel being laid off, but some outreach programs were suffering as a result of the Nederlander alliance. Keeping certain programs, such as the Musicals in the Neighborhood program was important to AMT. Marc Jacobs explains: "I think they wanted to hold on to those outreach tours because it was one the few things that would still make them a non-profit theater, and a theater that had any connection to the community. That was the only connection at that point" (Jacobs, interview).

By the time of the Nederlander alliance, Lorraine Gilmore was overseeing the outreach programs started by Margaret Hardy. She remembers trying to maintain certain programs in the face of resistance from the Nederlander Organization:

> There were a lot of issues. They [Nederlander Organization] were not willing to give us, for instance, a copy of the script two months ahead of time in order for our sign language interpreters to prepare and rehearse and make that happen, and the audio describers the same way. They just refused to give us the script. We actually had to threaten to sue to get it. The other thing the sign language and audio describers needed was an audio tape of the rehearsal, so they knew how the timing went, so they knew who was where, in order to rehearse and prepare their performance, and they were just not having it. Again, we had to threaten to sue and eventually we did get it, but it was usually two days before opening. They didn't always let us do the student preview. So, it was not happy for a lot of schools (Gilmore, interview).

Bob Bones also points to the loss of the student preview as having a significant effect on the demise of the organization:

> We weren't able to do the student previews with the Nederlanders because those are tours that open on a Tuesday. In order to keep this subscription thing making sense, we had to change our schedule to where everything opened on a Tuesday instead of a Friday or Saturday. Since we couldn't offer it for every production, it was decided that it [student preview] would be eliminated. And that was a connection we had with the community that wasn't there anymore. That was future performers, technicians, audience members. They would come to that student preview, and if they were excited, they'd tell their friends and family about it. So that was 2,500 kids, seeing a show out there, screaming and yelling and loving it. I think there was a big impact, losing that (Bones, interview).

But, in spite of problems with the Nederlander Organization and financial hardships, AMT continued to present tours. In April, 2004, a touring production of *Thoroughly Modern Millie* arrived in San Jose prior to a San Francisco engagement. Slater was quoted: "It's the first time, but it won't be the last" (D'Souza, "They Knew"). Its appearance in San Jose was made possible by AMT's investment of $50,000 in the Broadway production. Slater stressed that the investment was not to make money so much as gain prestige which, in turn, would result in booking "hot touring shows." Slater continued: "It also gives us the opportunity to bring the best shows here, to our audience here, which is how we make our money. We put up very, very little money. We just wanted to be able to say we were producers on the West End. It's great cocktail party conversation if nothing else" (D'Souza, "They Knew").

That same year, Slater was involved in the formation of an organization called Team San Jose. The non-profit organization was "founded for the exclusive purpose of ensuring that the city's convention and cultural facilities are managed with the overall goal of reducing costs, improving the local economy, and adding value for the residents, workers and businesses in San Jose." Slater served as board secretary ("Team San Jose"). As described on their website, Team San Jose controls every major performance venue in Downtown San Jose ("About Team").

Some were dubious about the motives behind the formation of the company. Former AMT board President John Traub explains:

> The city set up a non-profit called Team San Jose, transferred 95 city employees to the payroll of this non-profit, and it's just so they would have control over how the transfer and occupancy tax was spent. And, of course, much of it is funneled into Team San Jose. That money wasn't meant to pay plumbers, it was meant to pay musicians, and actors, and artistic directors, and to support the organizations. So, in my view, it was purely a means to avoid what the taxpayers had indicated at the ballot box, which is, no, that money should be for the arts. And now it's being spent on what was formerly city payroll out of the general fund (Traub, interview).

In February of 2004, AMT had announced its 2004-2005 season, consisting of nine shows, seven tours and two produced by AMT (D'Souza, "AMT Lineup Includes 'Rent'"). But by June, 2004, the *San Jose Mercury News* announced that Slater would leave the organization to work as CEO of San Jose Arts Management, "a for-profit AMT subsidiary." This new organization was reported to have been designed to work in conjunction with Team San Jose. Slater was quoted at the time: "I think I can be of better use to the community doing this. The goal is to figure out that the common good is to bring all the arts groups together, not just worry about my own castle" (D'Souza, "Shake-up").

In August, 2004, the *San Jose Mercury News* reported the earlier story that Slater was recruited to head a new organization was actually a disguised dismissal (D'Souza, “What Led”). Slater points out that it is uncommon for a CEO to depart an organization of their own volition: “Very few of us in this business who run these organizations who exist at the top have the opportunity to walk away. Most of us are helped out the door” (Slater, interview).

Former Board President John Traub remembers the board of director’s decision to remove Slater:

> He [Slater] put together a season that included more Nederlander than we had agreed. There was not a for-sure, slam-dunk moneymaker in the season. He never informed me. He announced the season and then I pulled together an emergency board meeting and called him on the carpet. And I thought, unless you change something, you can’t expect a different result. We were perilously close to death. I was the only member of the board who felt we should dismiss Stewart. But after a time, I’m not sure if the decision was unanimous, but it was very close to it, that we had to make a change in terms of the management team (Traub, interview).

Slater contends the changes he instituted during his tenure were a predictable progression of the company:

> This is a company that since 1934, instead of going out of business, had always morphed into something else. I was part of that reinvention in ’81 when they said – *we need to bring in professional management, we need to bring in somebody who knows how to do this and not depend on home-grown people.* Part of that, at one time, was to bring in stars; part of that, at one point, was coming to the Center for the Performing Arts; part of that was moving away from the light opera and moving into musicals, Broadway musicals. So every time it sort of kicked off and ratcheted up, and that was just another evolutionary step in that process because so many of our peers in the country were doing it. If not selling national tours, they were doing what we did, which was to split up the local and the national tours. So it was a natural evolution that was driven out of that board discussion at that particular retreat (Slater, interview).

David Pogue, who had served on the board from 1988 to 2001, offers his perspective on the morphing of the company: “When I first got there, we were just getting away from bringing in a name to sell a show. And we broke away from that thinking that the quality could sell the show, and it was a local thing. And then we transitioned again, and now it has to be the Broadway kind of thing. And so maybe it was a step too far – that we were bringing in second tier Broadway with no names, and we lost the local support, the local connection" (Pogue, interview).

To the end of his tenure, Slater continued to examine why the Nederlander alliance was not working:

> Maybe our stuff was getting a little stale. Maybe we were making wrong decisions, and God knows we made plenty of those over the years. So there were a multitude of reasons why it wasn't working out the way we wanted to. And we kept trying to find out. It was hard for us to figure out why. We had a lot of focus groups, and a lot of one-on-ones with people, and people's time was getting impacted more than money, more than interest – it was just time. They only had so much of it. And many of us were trying to do other things. We always knew our group was sort of an entrance group to the arts in San Jose or maybe for the region, I don't know. They would see us for four or five years and then all of a sudden they wouldn't renew anymore, and we'd call them up and ask why and they'd say – *well you know, we really like those musical plays, but we thought we'd go up to San Francisco this year, or we thought we'd try the Rep, or a thousand and one others.* So we were losing folks faster than we could make them. And our ticket prices were going up and that was driving some people off. And it's going to come out where people can't afford the ticket so they're going to have to pick and choose. We're going to have to make packages. And as long as you're making a package of all touring, or all locally produced, you can sort of make it work, but we were trying to mix the two. We did not have it right at that time, and we were still struggling with how to make the thing work. It wasn't for the lack of trying (Slater, interview).

Michael Miller feels Slater may have received inaccurate reports from CFO Nazarenus: "There were some financial missteps with who was hired to handle the finances. I don't think Stewart ever got an accurate reading" (Miller, interview). The losses incurred by AMT during the Nederlander alliance were counter to national trends reported by TCG. In their annual 2004 report, a reversal of 2003 was reported with 54% of 258 observed theaters ending the year in the black (Voss, Voss, Shuff, and Rose, “2004,” 1). Unlike AMT, theaters who had dipped into reserves in 2003 were replenishing them with income in 2004 (Voss, Voss, Shuff, and Rose, “2004,” 28).

Using a model of produced programming augmented by presented programming had been used by other arts organizations in the area. Stephanie Shiro-Ronco, former executive producer of the San Jose-Cleveland Ballet, also worked for her father’s company HAS Productions bringing in tours in the 1980s. She offers her perspective of the Nederlander deal from having worked for both non-profit and for-profit organizations:

> It’s no different from what we did at the Ballet when we had six shows on a subscription and that included *Nutcracker* and one other show that we became presenter for, because our artists at the time were in Cleveland. So we became presenters. There is a formula for making it work, and I think what Stewart did – and this is just my opinion – is to try to fit the presenter formula into what he had been doing before, rather than just accepting the presenter formula. You can’t keep an artistic director and an arts education person and a full-time box office and Nick Nichols and Pat Havey on staff if you’re a presenter. But he had to maintain that the whole time he was trying to become a presenter. It doesn’t work. You can’t be both things, because the reason why HAS was successful was because we had three people – it was my Dad, me, and Carol Friscia. We didn’t have a board of directors because we weren’t a non-profit. We didn’t have to run decisions by a host of departments to see how it affected people. We didn’t rent space. I worked in my house (Shiro-Ronco, interview).

A July 2004 internal audit showed that AMT was carrying a $2.2 million deficit (Miller, interview). Bob Bones, who by this point was production manager, remembers hearing about the size of the deficit:

> I think it was common knowledge that we weren’t making as much money as we used to make, selling the tickets we used to sell. And expenses kept

> going up, and I don't think anyone knew there was a deficit like that until it happened or we were told about it. I would hope somebody knew. Either somebody knew and didn't do anything about it, or they didn't know, and that's just as bad, because it's somebody's job to know what's going on. Or they knew and tried to do something about it, but they couldn't (Bones, interview).

Costume director Jill Bowers, who was at AMT until taking a position at TheatreWorks in Palo Alto in 2004, agrees, adding: "I was surprised that the board didn't see that this was not working" (Bowers, interview).

Production manager Michael Miller had been chosen as interim head of the organization in June of 2004 (D'Souza, "Shake-up"), and was confirmed as permanent executive director two months later (Weimers, "Rep Chief's"). Miller reported to the *San Jose Mercury News*: "We have a new team in house, and there's a lot of excitement right now…It is a great thing to bring Broadway to San Jose, but I do think we need to mix it up more. When a tour comes to town, that means none of our volunteers and actors and designers are working back stage, and that can affect the word of mouth of a show, if you don't know anybody in it" (D'Souza, "Theater Group").

A Mixed Model

In August of 2004, the *San Jose Mercury News* reported AMT had lost more than $2 million – most of it in the previous twelve months – and had exhausted its reserves. There had been a forty percent drop in single ticket sales, and a decrease in subscription sales and donations (D'Souza, "Theater Group"). Other national theater companies were experiencing dips in ticket sales as well. TCG announced in their 2004 annual report that sales for fiscal 2004 were at a five-year low among 92 theaters observed (Voss, Voss, Shuff, and Rose, “2004,” 14). However, AMT’s drop in donations ran counter to the national average, with an 84% increase in contributions by individuals being experienced by the same theater companies over the same five-year period, adjusted for inflation (Voss, Voss, Shuff, and Rose, “2004,” 10).

The new CEO, Michael Miller, announced AMT would be reconsidering its former decision to bring in touring shows. He explained: “We cut ourselves off from the community,” and expressed a desire to run the organization going forward as a 50 – 50 split of homegrown and imported shows (D’Souza, “New Executive”). Miller remembers his tenure with AMT fondly: “The next four years were the most fun and the hardest time of my career. When I left AMT [in 1998], there were 35,000 subscribers. When I took over in 2004, there were under 14,000. I don’t think I ever went ninety days without worrying about making payroll. We were in constant cash-flow problems” (Miller, interview).

AMT had experienced crowd capacities of less than fifty percent during the 2003-2004 season, with touring shows averaging anywhere from five to twenty-five percent better attendance than produced shows (Table 1, page 30). Slater offered perspective on the season in the same *San Jose Mercury News* article that announced Miller as his successor: “We got to a season where nothing sold, and we depend so heavily on ticket sales that we were exposed. We tried to get out the sandbags, but the water just kept coming in.” Slater had reportedly cut the $13 million budget by $2 million, “cutting staff from 40 to 22 (replacing the full-time production team with show-by-show freelancers), shortening the runs at the Center for the Performing Arts (with its hard-to-fill 2600 seats), limiting marketing, and negotiating a rent reduction" (D'Souza, "New Executive"). Internal documents show that any shorter runs negotiated were not implemented until the Miller administration (Table 1, page 30).

The appointment of Miller coincided with a change in board governance. Then Board President John Traub explains: "I got Michael in place and recruited a new board. I didn't want to interfere with all the new blood that was coming in. As soon as that was accomplished, I resigned to give them a clean slate" (Traub, interview). Marc Jacobs remembers the transition: "We were literally meeting for our Monday morning staff meeting and Michael Miller came in and said – *Stewart's gone. The board appointed me the new head*. And I thought, and I said as much – *good, let's get back to an all-producing company again*" (Jacobs, interview).

Miller reflects on the prospect of having moved the company back to an all-producing model: "I'm not sure that was a possibility." Obligations to shows that had already been booked under the previous administration would have to be honored. "We did extensive battles over what artistic product would come, but I don't think that was a very easy contract to get out of. And being so cash poor at the time, I'm not sure we could have put the shows up. I don't know how I would have produced the four-show season or six-show season. We didn't have any money, so those tour shows were actually bringing us some cash and were bolstering our subscriptions; we were starting to build our subscriptions back up" (Miller, interview).

In the fall of 2004, AMT sought to rebrand itself using local iconography. The previous logo had been dismissed in favor of one featuring an image of the CPA. An article – probably by Miller, but with no byline – in the spring *Newsical* stated: "As we examined the brand of the organization we listed adjectives that we feel describe AMTSJ and its place in the community. Some of the words we came up with include collaborative, opulent, first-rate, professional, people-centric, prolific, downtown, and homegrown" ("Nursemaid"). This change in rhetoric to reflect a different philosophy from the previous administration was summed up in AMT's new motto: "Back to the Community" ("A Year").

A legacy of the former administration – the agreement with the Nederlander Organization – would be reassessed by Miller. He described the existing agreement at the time: "I had a very undeveloped kind of agreement, nothing on paper. There really wasn't any definition of how this was going to work, what our commitment was, what they're involvement would be. It did seem clear how they would share in the profits. It was very unclear how, if there were losses, they would share in those" (Miller, interview). Miller began to renegotiate and formalize the agreement:

> When we finally finished the Nederlander contract, it was clearly defined who pays for what, what the management fee is, and what all the deductions are within the contract that came. And so I worked closely with New York and their general manager in San Diego doing what they call a delete memo, which is you go through the contract and say – *here's what we agree to and here's what we don't.* Having the Nederlander organization behind you with thirty-five, or however many venues they have, all of Chicago and Detroit, San Diego, and L.A., a lot of people didn't push back when you said – *no, we're not going to do this, we're not going to pay for that.* So there is definitely power there. And some of the shows did make money. And when we had our mix of producing, some of those shows made money (Miller, interview).

Miller also sought to cut costs in other areas: "We renegotiated our rent in half. We did a lot of things; we opened up every contract. We went back to all the unions, froze wages from everybody. We did a lot of things to save money" (Miller, interview).

Miller also made some significant changes in personnel. For Bob Bones, the transition led to a title change, and an opportunity to reestablish the integrated team ethos established by Shuster: "Michael certainly involved me more in the process, as far as budgeting, and I became director of production. We had a group of directors and we'd meet on a weekly basis. So I was more involved in the day-to-day activities" (Bones, interview). In October, 2004, AMT announced the appointment of Tim Bair as new artistic director. Miller had worked with Bair before at Papermill Playhouse in New Jersey. Miller explains the appointment:

> We had done a while without it [the artistic director's position]. Bob Bones and I were doing it for a while together. We were looking at putting creative teams together. And I brought a marketing director in from the east coast that I had worked with, Steven Favreau, who I think did a great job. His partner was Tim Bair – very creative guy – and I can honestly say to you, I think it was a mistake I made. It was a tactical mistake. I think Bob and I could have continued pulling creative teams together, and worked much better than bringing an artistic director in. But there was pressure from the board about reaching out and finding an artistic leader (Miller, interview).

Bob Bones thought the appointment of an artistic director was a correct move, but was premature:

> I think we needed an artistic director; I guess I felt it was too soon. I felt like there needed to be a kind of gathering of the troops and assessing where the company was and what direction we wanted to go in. I'm glad Michael realized that he wasn't the person to do both that job and be executive producer. I felt the decision was made to reestablish the company the way it was before, in a way, and I didn't think we could support that, financially (Bones, interview).

Marc Jacobs saw the new appointment of artistic director as creating redundancies within the company: "I knew they weren't going ahead with new works because the one thing we kind of commissioned and was in development for was a show called *Campaign of the Century*, and as soon as Stewart was fired, they pulled the plug on that. But I still directed there; I still ran the summer program; I still ran the outreach program. And suddenly Tim was at the table, and I said to Michael – *You just hired somebody to do what I do here. Where does this leave me?"* (Jacobs, interview).

During this transition, outreach programs continued without much change. Lorraine Gilmore remembers: "We hadn't cut any programming. In fact, it was the only department in the company in years that had not had any budget cuts and had hit its numbers every single year" (Gilmore, interview). Free performances of Marc Jacobs' *How to Make a Musical* – a show focusing on dating and self-image – were being offered in 2005 at various Santa Clara County schools and libraries (Lopes Harris, "Musicals").

In development, however, there had been much change. Kimberly Kay was writing grants by this time, and remembers: "There were a lot of development directors leaving and then me treading water until another person was brought in." Kay recalls how the new marketing director, Steven Favreau, took more control over the development department:

> I was already helping him in marketing, rewriting things and saving money. I'd say marketing and development became more intertwined, which was helpful in many ways. It's always good to keep a marketing eye on your development materials to make sure you're putting out a cohesive message. I know we were trying to increase the percentage of our unearned income, realizing we couldn't rely on our ticket sales as

> much as we had in the past. So there was a shift in how much we were expected to bring in (Kay, interview).

The move toward acquiring more non-earned income was different from the previous administration where most income was generated in the form of ticket sales. Slater explains development during his tenure: "We did not have, nor had we developed, nor had we wanted to develop, a huge development arm. At one point we said if you gave money to us, none of that went into overhead, it all went into programming, and it was true. We kept up that mantra for many years until we couldn't do it anymore" (Slater, interview).

By November of 2004, AMT announced in the *San Jose Mercury News* an increase in subscriptions from 15,850 to 16,650, a tripling of non-earned income from $58,661 to $182,302, and a $2 million cut in the budget since the 2002 – 2003 season. Miller pointed to lower pricing and an overall improvement of the economy in the Santa Clara Valley as factors in the upswing. He also vowed to keep costs down by maintaining the AMT staff at twenty-two (D'Souza, "AMT Reports").

In January of 2005, AMT announced a six-show season for 2005-2006, consisting equally of tours presented through the Nederlander Organization and locally-produced titles, two of which were to be directed by Bair (D'Souza, "AMT Lineup Includes 'Lion King'"). By the end of the season, AMT had added three more tours – *Momma Mia*, *Stomp,* and *Brooklyn* – while replacing the announced tour of *On the Record* for *Little Women* (Table 1, page 30). These tours were not part of the season ticket, although subscribers were offered discounts on these additional productions (*Theatre Publications*, "Sept. 2005," 13).

As the new artistic director, Bair stated his casting philosophy in an April, 2005 interview: "I am open to casting anyone, but I will always start at home first. I think it's very important that the people in the community who built this theater feel like we are a hometown institution." Citing the previous administration's focus on imported shows, he added: "So many subscribers have told us, 'We're happy to have you back!'" (D'Souza, "Artistic"). AMT's production of *The Wizard of Oz* in 2005 directed by Bair featured 17 local union actors (*Theatre Publications*, "Sept. 2005," 6) who were paid a weekly minimum of $1,155.00 (Equity).

The upswing in donations and tickets sales was bolstered by an increase in funding from the San Jose Arts Commission. For the first time in four years, 56 arts organizations received an increase in funding, with AMT receiving $176,999 (de la Vina, "S.J. Arts Panel"). An August 4 article by theater writer Karen D'Souza claimed sources projected a surplus at AMT (D'Souza, "Budget"), while a Mark de la Vina article on August 17 claimed AMT's attendance was projected at 50% higher than the season before (de la Vina, "Good Reviews"). Another article published the same day in the *San Jose Mercury News* reported AMT's contributed income at $1.5 million, as compared to $902,421 the previous season ("Encouraging Numbers").

By September of 2005, AMT had posted a $567,000 surplus, reducing its debt from $1.7 million down to $1.1 million. Other arts groups in the valley, such as San Jose Repertory Theatre and Opera San Jose, reportedly experienced similar increases (D'Souza, "Musical Theatre Posts"). However, by November, San Jose Repertory Theatre, who had begun the year in the black, projected a $1.5 million deficit (D'Souza, "S.J. Repertory"). The surplus reported by AMT is consistent with national averages. In their annual 2005 study, TCG reported earned and contributed income outpacing expense growth for the first time in the 21st century among 100 theaters observed (Voss, Voss, Shuff, and Rose, "2005," 29).

The increased focus on fundraising was paying off by September of 2005, with Miller announcing in the program of *The Wizard of Oz* that donations comprised 53% of total fundraising income (Miller, "A Message,"Apr. 2005), outpacing TCG's national average of 49% among 226 theaters profiled (Voss, Voss, Shuff, and Rose, "2005," 2).

Both Miller and Bair expressed optimism for AMT's January presentation of Disney's *The Lion King* (Bair, "A Message," June 2005), as well as *Christmas Dreamland*, an original production written by Bair which would be presented in late 2005. The development of *Christmas Dreamland* was based on an audience survey cited by Bair that was conducted a year previous among subscribers and single-ticket buyers which yielded "an overwhelming positive response for a 'holiday show'" (Bair, "A Message," Mar. 2006).

By far the most-attended tour brought in by AMT, *The Lion King* settled into the CPA for a 45-show run in January, 2006, selling over 100,000 tickets and playing to 93% capacity (Table 1, page 30). Miller describes the experience of dealing with Disney Theatrical:

> Disney leaves behind the crumbs. You get little percentages on tickets. You don't get all the money – not even close. The Mouse takes it all, and you get new subscribers. You saw the report in the *Mercury News* about subscriptions being up? That was all because of *The Lion King* season. We gained 2,800 subscribers because of *Lion King*. And then the next

> year, when we announced the [2006-2007] season, we kept two of them (Miller, interview).

The Lion King had required extensive modification to the CPA, and when Disney balked on paying the expenses, Miller turned to the Nederlanders for help: "I went to Nederlander and Nederlander said – *yeah, your battle. We're not paying for it. Your battle*" (Miller, interview). Miller was able – after six months of quarreling – to get payment from Disney for the theater modifications, but the strained relationship with the Nederlander Organization remained and intensified over time. Miller remembers:

> They were the largest, most successful producers in the world, and we were just a stop on the road. So if they had a show out, like *Three Mo Tenors*, they wanted us to take it. If they had a show out that wasn't musical theater at all, they wanted us to take it. And I didn't want to. So we were at odds (Miller, interview).

Adding to the tension of dealing with touring productions were feelings of questionable artistic decisions and money being spent unwisely on locally-produced shows. Musical director Billy Liberatore explains being assigned to audition *American Idol* contestant Diana Degarmo for Maria in *West Side Story*:

> They bring me out to New York to audition her, and I'm not even the musical director of the show. So I sing her, I work with her range and I figure out not only all the keys she needs to be in, but how you do it. They didn't change one note. But spending that kind of money? What are you doing? Some *American Idol* belter and you're making her Maria? (Libertore, interview).

The decision to spend money on pop-singer Degarmo for the soprano role of Maria was reminiscent of the star system used by George Costa in the 1970s. The practice of touting star performances would continue with the casting of Debby Boone in 2006's *The King and I* (Bair, "A Message," Oct. 2006), as well as in touring productions such as

Molly Ringwald in *Sweet Charity* and *Camelot* with Michael York (Bair, "A Message," Jan. 2006).

Despite the emphasis placed on star performers, Bair and Miller continually praised the talent of local artists in newspaper articles and show programs, and although tours that were added to announced seasons initially seemed to run counter to AMT's published commitment "to produce locally at least 50% of our seasons" (Bair, "A Message," Oct. 2005), the balance was achieved within three years. The 2005-2006 season offered nine shows total, three of which were locally produced. The 2006-2007 season consisted of three produced shows and five tours. The 2007*2008 season, although incomplete, was balanced with four tours and four produced titles that appeared at the CPA, with two more tours scheduled and one more locally-produced show planned (Table 1, page 30).

Loan from the City of San Jose

In September of 2006, AMT announced it would be approaching the City of San Jose and requesting $1.5 million – $470,000 of which would be a reimbursement for a sound system installed in the CPA (Winer, "Subject: American"). Miller indicated the company suffered losses in single-ticket sales, renewals, and donations over the previous two months (Lohse and Antonucci, "More Arts"). Although revenues had increased from $13,325,617 in fiscal 2004 to $17,665,894 in fiscal 2005, AMT's expenses had risen from $12,765,152 in fiscal 2004 to $18,195,746 in fiscal 2005 (Table 2, page 98). Figure 2 on page 122, taken from 990 filings, illustrates the total revenue and total expenses from fiscal 2001 to fiscal 2008. AMT's figures are not consistent with national trends.

TCG reported a steady increase in earned income among 105 theaters observed (Voss, Voss, Shuff, and Rose, "2006," 4), and only a 6% increase in expenses as compared to AMT's 30% increase (Voss, Voss, Shuff, and Rose, "2006," 7).

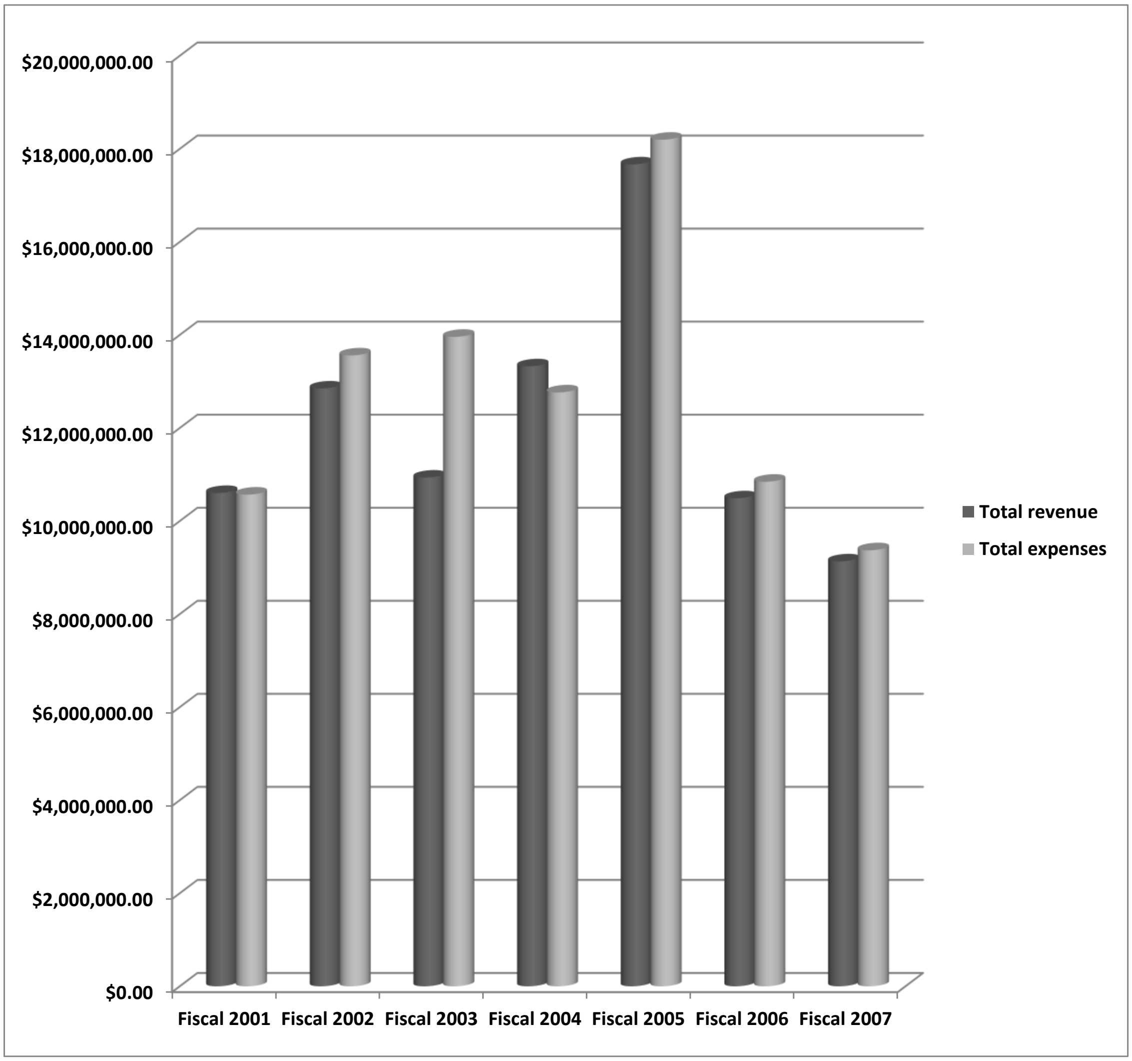

Figure 2: Total Revenue and Total Expenses 2001 to 2007

Miller explains the shortfall and the need to seek relief from the City of San Jose in 2006:

> Well it's two-fold. The income was up by half a million, but we were $2.2 million behind on our box office and debt – payments to everybody and their mother that we were late on. So having the half million dollars

> operating surplus just brought our deficit down to like $1.7 million, with still all this debt. And what you do is you keep sliding behind the eight ball. You're just pushing to get to January, so you can announce your next season, so you can sell subscriptions on that day and push them in January and February, so you can produce shows right then. But then you have next year's shows and you've already spent all the money that you've raised for those. So we were quite a bit behind, maybe a full season behind the eight ball – so far behind that even a successful season couldn't catch it up (Miller, interview).

According to a memo from San Jose Deputy City Manager Kay Winer to the Mayor and City Council of San Jose, a formal letter was sent by AMT on September 5, 2006 requesting a ten-year, no-interest loan of $1 million. Without immediate assistance AMT would have to cancel its Christmas production and essentially shut down operations while regrouping. In addition, AMT asked for the reimbursement of $470,000 for a sound system that had been installed in the CPA (Winer, "Subject: American"). John Sobrato, then member of the AMT board, commented on the financial request: "It's almost impossible to go to the general public and fundraise yourself out of an operating deficit. People just don't like to give money under those conditions" (Lohse and Antonucci, "More Arts").

Adding to the financial dilemma, San Jose Repertory Theatre found itself in the same position as AMT at the same time, and also lobbied the City for relief money. Councilman and future mayor Chuck Reed weighed in on the crisis: "I'm extremely concerned that we have two major arts organizations that are teetering on the brink of going out of business – on top of the fact that we lost the symphony not long ago" (Lohse and Antonucci, "More Arts").

In an article in the *San Francisco Chronicle*, Miller pointed out that the corresponding financial crises were indicative of a larger problem: "It was pure coincidence we went to the city at the same time as the Rep, which to me is an indication of a bigger problem in what's happening in funding for the arts. Not just in this valley, but in the state." Miller also acknowledged AMT's past deficit "now down to $1.6 million, since it lost $3 million in the 'disastrous' 2003-04 season, just before he took the job" (Hurwitt, "2 Bailed-out").

By this time, Nick Nichols had moved from AMT to the San Jose Repertory Theatre and was the interim managing director. Miller and Nichols sought ways both organizations could share redundant operations, such as the administration of box offices, scene and costume shop facilities, and the employees who run them. Nichols said: "When we talk about consolidating support operations, that makes a lot of sense – when we talk about the artistic product, not so much. They're not going to get into the play business, and we're not going to get into the musical business" (Woolfolk, "Two San Jose"). Former Board President John Traub had suggested cooperative ventures between arts organizations prior to his departure from AMT: "What I suggested was that we reduce cost by developing strategic alliances with the other arts organizations where we avoided unnecessary duplication and cost - and it went nowhere" (Traub, interview).

Kay Winer's memorandum had also spelled out a summary of events that led to the current crisis. The three points were:

- In FY 2000-01, a large new works venture failed financially that eliminated a $1.1 million unrestricted surplus that AMTSJ had managed to build up over the years.

- AMTSJ ended the FY 2003-04 season with an unprecedented net loss of almost $2.8 million on revenues of about $11.3 million, far more than could be managed with its Silicon Valley Arts Fund reserves held by the Community foundation of Silicon valley. In order to meet its cash needs, AMTSJ spent a substantial portion of its advance subscription renewal income that should have been reserved for the following year's production costs.
- Through a combination of cost cutting of more than $2 million in non-production expenses and a 50% increase in its fundraising over the previous year in the amount of $500,000, AMTSJ managed to end FY 2004-05 with an unrestricted gain of $545,000. However, this was not sufficient to replace the advance subscription revenues that had been spent prematurely. AMTSJ ended FY 2005-06 with another $500,000 loss (Winer, "Subject: American").

The memo also identified modifications made in the organization to help eliminate future losses. These included a redefinition of board responsibilities to an elevated importance on fund raising, and a termination of the agreement with the Nederlander organization – the reasons for which were defined in the following points:

- Since Nederlander owns three major theaters in San Francisco, it steered the best shows there. The shows that were presented in San Jose tended to arrive only after extended runs in San Francisco, leaving an insufficient number of patrons willing to pay the high ticket prices that the show producers demanded.
- Nederlander acted as AMTSJ's booking agent, which is unprecedented in the industry. In this capacity, Nederlander was paid show-by-show, a separate negotiated profit and loss statement. Due to this touring model, AMTSJ was unable to discount tickets, thus leaving a major shortfall in earned revenues.
- AMTSJ's management, appointed at the end of the 2003-04 season, began negotiations to terminate the Nederlander contract and succeeded in terminating the agreement, effective June 30, 2006. Due to a 12-18 month lead time for booking shows, AMTSJ was forced to book the FY 2006-07 season before beginning to embark on the new business model (Winer, "Subject: American").

A chief fundamental assumption in the recommendation for granting the proposal was "that the company will be more likely to be sustainable by returning to its selfproducing roots, but with a strong focus this time on sharing the cost of productions by collaborating frequently with other regional musical theaters throughout the country." According to the memo, productions would be reduced from nine a season to five, relying more heavily on artistic talent from the Bay Area (Winer, "Subject: American").

The bailout request created problems in the development department of AMT. Kimberly Kay recalls the difficulty of continuing to raise funds with individuals who had misgivings because of the request for funds from the City:

> It was a constant conversation with our donors, because no one wants to put money into a sinking ship. So there were conversations with individual donors as it came up, but more with our foundations and corporate sponsors, just explaining what the situation was as much as possible, explaining what our plan was. And probably, to some extent, we lost some donors. But I would say, at that point, it wasn't a complete disaster. We had good relationships with the Packard Foundation and the Hewlett Foundation. There were some years when we lost money from them because of the mission, but not because of the loan, as far as I know (Kay, interview).

Adding to the fundraising difficulties was a propensity for charitable contributions in Silicon Valley to be gifted differently than in past years. Miller told *Variety* that "foundations once supportive to the arts have either left the area or refocused on social issues" and that "corporations who once thought globally and acted locally now have a global one-track mind" (Schiffman, "Bay").

In late October, San Jose City Auditor Gerald A. Silva sent a memorandum to the Mayor and City Council with a financial assessment of AMT. Silva listed several positive financial attributes of the company, including: "a strong financial team; multi-year cash flow projections; limited short-term debt; no past due accounts payable; a new business model; and reasonable and achievable fundraising goals." Silva also noted:

“Cash flow projections show that it will fully repay an estimated $900,000 City line of credit by April 2008” (Silva, “Subject: Financial”).

Silva also identified a number of AMT fund sources held in trust at The Community Foundation of Silicon Valley. These included a board-designated endowment set up in 1991, a permanent endowment account set up in 1994 as a result of the Silicon Valley Arts Fund Campaign, a cash reserve fund that was available for operating expenses interest-free provided it was repaid annually, and a quasi-endowment set up in 1997 from funds in the cash reserve. From these funds, AMT would be obtaining a one-time cash infusion of $2,164,058 consisting of the following points presented by Silva:

- Using $1,194,058 in cash reserved funds for operating expenses as described above;
- Receiving $470,000 from the City for a sound system; and
- Receiving $500,000 from the sale of certain assets (Silva, “Subject: Financial”).

However, Silva made it clear that any cash flow projections were contingent on the new business model working as expected and that conclusions reached in his memo were based on revenue projections and overhead expenses provided by AMT. He added that “AMTSJ is aggressively downsizing its operational budget as part of its new business model” (Silva, “Subject: Financial”).

In November of 2006, AMT opened *Christmas Dreamland,* written and directed by Bair. Promoted as “surefire family entertainment” (Lovell, “A Make-or-Break”), Miller publicized the production as “an alternative for the entire family that truly reflects our style of theater. *Christmas Dreamland* embodies all the elements of big splashy musicals – like showgirls, comedy, drama, special effects, splashy sets and amazing costumes" (D'Souza, "In The Holiday").

A front-page story by Glenn Lovell in the *San Jose Mercury News* on November 28, 2006 announced *Christmas Dreamland* as a musical extravaganza designed to jump-start subscription sales and reverse the dire financial situation the company found itself in. Miller acknowledged his hopes the show would have life beyond its premiere run: "We're hoping *Christmas Dreamland* becomes our *Christmas Carol* – a perennial. With minor changes from year to year, we're looking for it to be around for at least five Christmases" (Lovell, "A Make-or-Break").

Christmas Dreamland appeared at the Heritage Theatre in Campbell. The very same venue Slater had earmarked for producing local productions three years earlier. The run of the show was extended to forty-five performances, adjusting to the capacity of the Heritage, just 800 maximum compared to the CPA's 2,677. Ticket prices ranged from $43.50 to $73.00. Miller admitted: "The tickets are steep, but there are all kinds of promotional discounts for kids. We're not looking to make tons of money on this. It's just an expensive show" (Lovell, "A Make-or-Break").

The show played to 67% capacity, making it the third best-selling show of the season, behind *The King and I* and *Camelot* (Table 1, page 30). The *San Jose Mercury News* called the show "A glitterific song-and-dance extravaganza overstuffed with tap-happy dance numbers, splashy costumes, glow-in-the-dark bubbles, even a magic show. All about plot, it's not" (D'Souza, "A Dizzying").

Two days after the front-page story, AMT reported that as a cost-cutting measure, Tim Bair had been laid off. Miller spoke of Bair in the *San Jose Mercury News* article: "He's been a great asset to the company, but as he himself has said, we just can't afford him anymore. It came down to the fact that there's just not a lot for Tim to do" (D'Souza, "AMT Forced").

In truth, Bair had been fired over *Christmas Dreamland*. Miller explains:

> It appeared to be a good idea. He really wanted to do this holiday show, and didn't really want to go through the whole workshop process. He just wanted to do some rehearsals and put it on stage. I let it happen. I have nobody to blame. It was a disaster and the board flipped. The show was a mess. The costs were overrun. The projections were that this was going to save the company – not even close (Miller, interview).

Bob Bones had advised against doing the show from a financial standpoint: "Just looking at what they wanted to do, I felt it was too expensive and too big and not enough substance" (Bones, interview). Local musical director Billy Liberatore felt the effort was commendable, but the team in place lacked the know-how: "It wasn't really their fault. There were well-meaning people who tried to swoop in to save something, but they didn't know how. Anyone who would hire Tim Bair and let him do *Christmas Dreamland* doesn't know what they're doing" (Libertore, interview).

In January of 2007, AMT announced a four-show season, down from six the previous year, making good on its promise to the City of San Jose to scale back its offerings. The all-locally produced season announced would still be augmented by tours (D'Souza, "S.J. Theater"). Changes in the current season were also announced. The tap-dance extravaganza *42nd Street* would be replaced by the smaller *Smokey Joe's Café* (Kosman, Baker, Hurwitt, and Vaziri, "Date Lines"), and *Cabaret* would be a co-production with Minneapolis' Ordway Theatre (Papatola, "Ordway"). In February of 2007 two additional tours were announced, *Go, Diego, Go Live! The Great Jaguar Rescue*, and Ted Neeley's farewell tour of *Jesus Christ Superstar* that had played in San Francisco the previous year (Jones, "Charles").

In December of 2007, the San Jose city council met to discuss support of Team San Jose. Miller co-authored an article in the *San Jose Mercury News* requesting that the city support Team San Jose. The article claimed Team San Jose was responsible for increasing the revenue of the theater spaces it controlled by 67% and suggested: "San Jose still hasn't figured out the true value of visitors attracted here for a conference or meeting. Did you know that $40 of every $100 in hotel revenue goes back to the city's general fund for programs and services?" (Southwell, Fernandez, and Miller, "Partnership").

Some people in the theater community felt optimism about AMT's future. Billy Liberatore remembers a time in between the departure of Bair and the production of *Flower Drum Song* in October of 2008 where he felt the company might turn itself around:

> There was a last minute of hope. Bill Berry came out and directed a few shows, and I thought – *oh my God, maybe we're going to survive this*. There was a *Guys and Dolls* that was a good show; there was a *Little Shop of Horrors* that was a good show. Okay, maybe they're going to find a way to restructure and do a couple shows a year and survive. But by *Flower Drum Song*, they knew what kind of money trouble they were in, and they were spending money all over the place. Never once was there talk of doing a reduced orchestration, or saving money in the pit. They just kept spending like everything's fine. Nothing was fine, obviously. As soon as Dianna didn't control the money, it was – in my perspective – tons of money being spent that didn't need to be spent (Libertore, interview).

Catherine Edwards was asked to coordinate the costumes for the locally-produced *Flower Drum Song*, which had been rented from another company:

> They were pretty; they were quite lovely. And the director wanted to change one of the numbers; it didn't fit with his idea of what he wanted the show to be. He wanted us to build some stuff. And I said – *we don't have the money to do that*. So he asked – *what would it cost?* So I asked [costume shop manager] Marina to do a cost estimate on building these clothes and present it to Michael Miller, and say – *this is what it's going to cost, and as far as we're concerned, you can say no.* And he said yes, which surprised me. I'm thinking – *you have no money, you're hemorrhaging, and you're spending money on a scene for a director who already has a set of costumes?* We were spending probably $3,000 we didn't have. We got the show open and the company lasted another month (Edwards, interview).

Flower Drum Song would be AMT's last show (Table 1, page 30).

Tarzan

The Atlanta Journal-Constitution announced in January of 2008 that Atlanta's Theater of the Stars (TOTS) would be producing a new version of Disney's *Tarzan*. Although the show had appeared on Broadway the previous year, this production was advertised as different from that production, and directed by veteran Broadway director Lynne Taylor-Corbett. The cost of the production would be split among TOTS, AMT, and Dallas Summer Musicals in Texas (Brock, "'Tarzan'").

Miller remembers how the deal was put together:

> Nick Manos [of Atlanta] came to Michael Jenkins [of Dallas] and I, and he said we've got the rights from Disney. The emails were there. They said – *yep, you can redo it*. The creative team was in place. We were told they were looking for just three partners – Atlanta, Dallas, and AMT. And then, potentially, it would go back to Broadway. And maybe, maybe not, we would have a piece of it. Those negotiations would happen after we opened. Went to New York and met with Michael and Nick and the set

> designer, who I knew, and looked at the designs. At this time, Atlanta was producing *High School Musical 2*. And, not unlike most musical theaters in the country, they were having a hard time (Miller, interview).

Michael Jenkins of Dallas Summer Musicals weighs in:

> Disney gave the rights to all three cities and it was decided that the Atlanta operation and Theater of the Stars would actually be the line producer and be the original developer of the show since the other two organizations were deeply involved in other matters. Both AMTSJ and Dallas Summer Musicals advanced $250,000 each to TOTS for our portion of the cost of the show and then we were going to tour it between ourselves (Jenkins, interview).

Miller attended the National Alliance for Musical Theatre annual meeting in New York in October of 2008 and while there had given Manos an update: "We've announced our subscription season and *Tarzan* is on it; we made a big deal about it being a pre-Broadway redo – an exclusive for San Jose. And we sold a bunch of tickets, four or five hundred thousand dollars' worth – I think about $600,000 worth. Plus we had put up a quarter of a million dollars. So we had about $850,000 into it" (Miller, interview).

Unknown to Miller or Jenkins, TOTS had used the advance money to pay for a current production. Miller remembers finding out: "In November I get a call from a subscriber whose kid was cast [in *Tarzan*] in New York, saying – *did you hear that everybody from Tarzan just got let go out of rehearsal? There's going to be no show*. So I immediately get on the phone, but can't get a hold of Nick Manos" (Miller, interview).

When Miller finally reached Manos, he offered little explanation: "He told me they didn't have our money. They didn't have the show. They had laid off all the actors and creative team, and they were sorry" (Brock, "Atlanta's). In Dallas, Jenkins was able to take another show, *Rain: A Tribute to the Beatles*, to replace *Tarzan*. The replacement show turned out to be hugely successful for Dallas Summer Musicals (Jenkins, interview).

Adding to the dilemma, the stock market dropped on November 20, 2008 to a new low of 7,552.29 (Amadeo, "Stock"). Miller spells out the problems facing AMT in the fall of 2008:

> We had no show in our renewal spot. I had no money. I had already given a quarter of a million dollars away, and sold a half-million in tickets. Plus I had my subscription base that also had that show [*Tarzan* was included in the subscription series]. Here we were with the economy in a tailspin and no money. So adding everything up, we had no show to produce, no way to produce it, and no way to go into renewals. We were going to lose subscribers, I mean, who would stay with us? (Miller, interview).

Jenkins took legal action for reimbursement of the $250,000. He recalls: "TOTS in Atlanta wanted to pay it back over a ten year period at $25,000 a year, which was rejected, and they ended up paying $25,000 per month until they could get it paid, and they did pay it in full" (Jenkins). Miller also developed a lawsuit: "[AMT] finally ended up with a pro-bono council here and they recommended an attorney in Atlanta who was outraged with what happened and agreed to represent us. They [TOTS] had used up all the money – there was fraud involved. Maybe they could liquidate their assets but this was not going to be a quick court thing" (Miller, interview).

Miller called the board together: "I had a pretty significant board of directors at this time with John Sobrato as my incoming chair, and we got together and talked. There were maybe three- or four-hour meetings, some of them back-to-back, one day after the next" (Miller, interview).

On December 1, AMT announced it would cease operations and file for Chapter 7 bankruptcy. *The San Jose Mercury News* reported:

> AMT officials say the decision was not prompted by the ongoing economic meltdown that affected many arts groups nationwide, but, rather, by the collapse of the touring production of Disney's *Tarzan* that the AMT was mounting with theaters in Atlanta and Dallas. Still, the company was running a deficit of more than $2 million, according to its latest tax statement, and had received a $1 million bailout from the city in 2006 (Quillen, "American").

On December 3, both *The New York Times* and the *San Francisco Chronicle* reported AMT's loss in the venture at $1.7 million (Itzkoff, "Trouble;" Hurwitt, "Theater").

In the *San Jose Mercury News,* AMT CFO Robert Nazarenus reported optimism about future prospects had the *Tarzan* incident not occurred: "We had a model in place that was going to work, and it just got snatched away from us, and it's very disheartening and very frustrating. We worked very hard to get here, and to have somebody take it away is unconscionable" (Quillen, "American"). However, actual figures dispute any reason for optimism. The proposed repayment of the loan to the City of San Jose by April of 2008 had not transpired, and AMT was currently experiencing a deficit of $2.2 million (Table 2, page 98).

TOTS later issued a statement confirming the receipt of $225,000 from both AMT and Dallas Summer Musicals, but claimed it had paid much more than that for *Tarzan* preproduction expenses: "The total of monies paid and contract committed exceeds the advances received from San Jose and Dallas" (Hurwitt, "Theater"). By December 6, AMT announced the cancellation of all outreach programs and the dismissal of thirty full-time employees (Hurwitt, "Dramatic").

Kimberly Kay recalls:

> When it was announced, we were completely shocked. I was seeing financials because of the grants, so I knew we were in trouble. I mean, all the time I worked there we were looking for more money. I had no clue we were in that much trouble. We certainly had no idea what happened with Atlanta, and that kind of shocked everyone (Kay, interview).

Board member Jim Eller, who left AMT in 2002, reflects on how similar mistakes seemed to influence both the Slater and Miller administrations:

> By the time I left, it was in serious trouble. It changed leadership; they rebounded a bit and then made similar mistakes that ultimately sunk it a second time. They invested money without controls and it's risky to invest in any musical venture period – extremely risky. But on top of that, AMT did it without any controls whatsoever, so they weren't watching their money. And they were put into a situation where people with less scruples than we would all hope for took advantage of them and that was a failure. It's a failure on the board; it's a failure on the leadership. You have to be more careful with money (Eller, interview).

Michael Jenkins, however, defends the practice of co-producing and would not hesitate to do it again: "What happened with Theater of the Stars was very unusual as I have been in the business for many, many years and have produced or toured over 456 productions and 130 Broadway shows. I have no problem doing co-productions and I don't think if AMTSJ was still in business they would either. This was a unique, one-of-a-kind thing, and it sent shock waves through the industry" (Jenkins, interview).

Miller remembers the board's decision to liquidate the company: "I'm looking around the table, and most of the guys are smarter about the world than I am. And I didn't want to do it, and they wanted to support me. Even Sobrato said – *this is a black hole.* I think it was a difficult road for us to go" (Miller, interview).

Bob Bones remembers reviewing the options at the time: "My opinion is that the company was so fragile at that point, that it just took *Tarzan* being yanked out from under us [to cause the closure]. I remember the conversations – *is there a show we can put in that slot?* Well, there was nothing we could afford to do, because we didn't have any money" (Bones, interview).

Stewart Fahmy, who served on the AMT board when the decision to close was made, comments on the financial picture from the beginning of his tenure:

> The writing was on the wall from day one. There were some issues, in fact, as to whether we were given the proper financial picture as a board. I felt it should have been saved; that some financial work should have been done. There should have been some savior of sorts. We live in the valley here; there are a lot of philanthropists and corporations that want to be involved in saving what I believe to be an essential part of the arts in San Jose (Fahmy, interview).

Jill Bowers also wonders why the City of San Jose did not come forward to aid the company:

> It bothered me that the people in the City who had supported the company were suddenly silent. Where were they when this was happening? And I see other organizations having trouble too, the Ballet is having a terrible time; the opera is hanging in there. Ballet, musical theater, and opera all need a pretty heavy level of subsidy to survive, just by their nature. And it just seems like no one's looking at the long-term health of the arts community in San Jose. Their priorities are sports and card clubs (Bowers, interview).

Stewart Slater weighs in on the decision to liquidate, criticizing the board of directors:

> What happened? Why after 74 years and 9 months did it close? Was there a financial impact? Sure, there was a financial impact. Could it have been overcome? Sure, I think it could have been overcome. You cannot lose faith around that table that you can solve the problem. And I think what happened around that table was that everyone looked at each

> other and they said – *nobody can solve this problem.* I think it was somebody, I was told, said around the table that night – *if we close now, we can blame them. If we don't close now, we'll close in six months and they'll blame us* (Slater, interview).

Billy Liberatore is similarly critical of focusing the demise of the company on the failure of *Tarzan* to arrive as scheduled:

> You understand that *Tarzan* had nothing to do with this company closing. It had nothing to do with it. I don't mind this being in a published thing – that's a lie. Money-wise, they were dead. They could never recover. It was beyond hope; it had been beyond hope. But the board had decided to shut it down and they had decided to take this opportunity because *Tarzan* didn't show up. So what? You advertise *Tarzan* and present something else. A show not coming in is not the end of the world for a place with those resources. Just send your subscribers a thing that says we're replacing a show, and then pick a show where you own the sets and costumes and start rehearsing. It's really not that hard to have a show not come in. You don't have to dig very far to realize that it was simply a way the board could shut the place down without being publically shamed (Liberatore, interview).

Miller looks back on the decision to close: "It's heartbreaking because it was an institution. And it was a national treasure in a lot of ways, of what we produced there and the people who spun out of that organization in seventy years. I felt a huge responsibility being in that seat, to save it. Having it go down on my watch – I can point my finger all I want. It was on my watch. It's my fault. I'm not being a martyr, but I don't shuck that responsibility for a second" (Miller, interview).

As a last-ditch effort to avoid the bankruptcy, Miller had tried to have the monies held by The Community Foundation of Silicon Valley released back to AMT:

> One of the immediate battles I jumped into was we had an endowment of a million dollars. And I fought a battle to have that endowment released to us. It was held in a twenty-year trust agreement with the original investors that put it together. So it was a big arts endowment. It was our money and The Community Foundation did not want to let it go because they get

> fees off of it and whatnot. So we died with a million dollars in the bank. And six or seven months later, it was dispersed to all the other arts organizations. They finally said – *you're right* – and released it (Miller, interview).

As CLO/AMT had done in the past when other performing arts operations became insolvent, more than a dozen Santa Clara Valley arts organizations offered to honor tickets to *Tarzan* for their own programming. A scheduled run of the touring company of *Chicago*, set for January 14 to 18, would still happen, since it was not part of AMT's regular season (Pizarro, "Pizarro: Don't"). But the departure of AMT would create a vacuum in the dates already scheduled at the CPA.

That vacuum would be filled quickly. Former Board President John Traub comments on the Nederlander Organization during and after the bankruptcy proceedings:

> The City [San Jose] was pretty enamored with Nederlander. Nederlander came in on the white horse – and by the way, I fought tooth and nail against having Nederlander in here. Nederlander knew it. His representatives knew it, because I knew what they were up to. They just wanted that theater. So AMT became insolvent, there was no appetite on the part of the city council to provide any further support, there wasn't an appetite on the part of the board, which was very disappointing to me because there were the necessary resources on the board to step up. It's my view that when Team San Jose got involved that they were subsidizing Nederlander millions, and had those millions been invested in local arts organizations, I think it would have provided a better outcome (Traub, interview).

The *Silicon Valley Business Journal* reported on December 7: "Dan Fenton, chairman of Team San Jose and CEO of the San Jose Convention & Visitors Bureau, said his organization had already been in contact with a number of Broadway producers to book shows at the Center for Performing Arts where AMT performed" (Weselby, "American").

In a front-page article in the *San Jose Mercury News* on June 10, 2009, Fenton announced the formation of Broadway San Jose, a partnership with Team San Jose and the Nederlander Organization (D'Souza, "Encore!"). Broadway San Jose offered former AMT subscribers 30% off and priority seating for a season ticket during the inaugural year (D'Souza, "Broadway"). Fenton was quoted: "This is not the end of Broadway in San Jose. We're very confident that San Jose is a market where they want to be" (Weselby, "American"). As of this writing, The Nederlander Organization – through Broadway San Jose – controls all musical theater productions presented at the CPA.

CHAPTER FIVE: DISCUSSION AND CONCLUSIONS

I. *Overview*

It would be incorrect to attribute any one individual, group of individuals, issue, or incident to the demise of American Musical Theatre of San Jose, but rather it was due to a combination of factors. The data gathered suggest the following conclusions.

II. *Conclusions About Internal Factors*

AMT Experienced Cycles of Expansion and Reduction

AMT experienced expansion in the 1950s with the change in programming to musicals from operettas, and the change in venue to the Civic Auditorium. The expansion caused a financial crisis and the company retreated to the smaller Montgomery Theater. In the 1970s, George Costa sought to expand the artistic scope of the company, but ran seriously over budget on the world premiere of *City of Broken Promises*. Costa was replaced, first by Dianna Shuster on the artistic side, and then Stewart Slater on the administrative side. This business model worked until the early 2000s when, faced with declining ticket sales, Slater assumed both artistic and administrative control with the elimination of Shuster and a partnership with the Nederlander Organization. A combination of spending practices, national economic problems, and further loss in ticket revenue caused the departure of Slater. Michael Miller took over, and while initially attempting to reestablish the organization as a producing entity that employed both professional and amateur talent from the San Jose community, he continued the practice of importing more than 50% of programming, essentially trying to continue a mix of producing and presenting that Slater had initiated. The company prospered under Miller for a short time, but, unable to ever emerge from serious debt, AMT closed when a risky partnership with two other companies to bring in a production of *Tarzan* folded.

There was also a cycle of major changes in the organization soon after a premiere of a new work. In 1980, *City of Broken Promises* was soon followed by the departure of long-time director/producer George Costa. *The 3hree Musketeers* in 2001was a contributing factor in the departure of Dianna Shuster. *Christmas Dreamland*, designed as a means to save the company, led to the departure of Tim Bair and put the company in a financial position from which it could not recover. Although not a premiere work, *Tarzan* was in the process of being retooled for a possible return to Broadway when the collapse of the production in Atlanta was publically cited as the downfall of AMT.

AMT Began to Focus More on Commerce than Art

Theatre Arts magazine editor, Edith J. R. Isaacs, wrote in 1934: "[A theatre] must have a goal that is essentially a theatre goal. There is no reason under the sun why the leader of a fine theatre should not hope to gain money, or power, or preferment from the enterprise. But these are by-products of theatrical success, not essential theatre goals" (Volz, 20). There is much evidence to suggest AMT shifted from a focus on making theater to a focus on making money.

AMT's artistic philosophy, as described by Dianna Shuster, was to create an existing theatrical property as if seen for the first time. Stewart Slater, as evidenced from his program notes and newspaper interviews from the mid-1990s, promoted this artistic vision as well. However, this ethos was abandoned in the early 21st century and replaced with an emphasis on presenting commercial Broadway theater in the form of a partnership with the Nederlander Organization.

Similarly, Michael Miller, although he stressed the importance of hiring local artists, also seemed to rely on Broadway tours. Whether Miller could have returned the company to a model of producing locally is not evident, but it is apparent that Miller touted the idea of Broadway shows in San Jose as a marketing tool.

Josh Ellis, publicist at La Jolla Playhouse, questions using Broadway productions as a standard of success for regional theaters:

> Regional theatres use Broadway success as a benchmark for the success of their theatres, and God knows the media pick up on that first, but I don't think the theatres themselves should use it as a benchmark. If you do a wonderful play that reaches your community and your community loves it, independent of what happens to the show if and when it goes to New York, it doesn't matter. It just means you've done a really great job for your audience and your people who loved it. I think it provides an artificial way of measuring success (Adler, 120).

This focus on commercialism rather than art displays, to many, a change in the mission of the organization. Former AMT Costume Director Jill Bowers agrees with this conclusion and suggests:

> It seems to me AMT lost sight of its mission. That has to be central and common between the staff and the board. They have to have the same goals. And there has to be resonance between the people at the top to achieve those goals. And the board has to be brave enough and involved enough to keep the organization on track if someone in the top of the administration falters (Bowers, interview).

Former AMT CFO Jane Sanchez concurs, and looks at the situation from a financial standpoint: "I think the mission has a lot to do with influencing the donor revenue stream. And I think it influences a lot of the decision making amongst the board and the committees that are established around the board membership. That would be my biggest piece of advice, is know who you are, stick to it, and let others know who you are and not start trying to mix the mission, the purpose" (Sanchez, interview).

The mix of producing and presenting first implemented under Stewart Slater continued during the Michael Miller administration. Although the company outwardly announced a return to a practice of producing shows using community artists reflecting a unique artistic vision, AMT remained primarily a presenter of shows. This practice proved unprofitable, as the cost to maintain the production facility and the ability to retain personnel became impossible.

Top Management Could Not Work Together Effectively

Jim Volz, in his book *How To Run A Theater*, stresses the importance of an effective partnership between the artistic manager and the business manager: "Many professional theatres have found that the hiring of an artistic director and a managing director provides checks and balances that are crucial to the credible operation of the nonprofit arts organization. Unfortunately, with any series of checks and balances, there may be institutional stress points related to artistic ambitions and financial realities. In the best of all worlds, a respectful partnership between the artistic director and the managing director contributes to an institution that lives up to its mission and the community's expectations of financial and management integrity" (Volz, 24).

Stewart Slater and Dianna Shuster were not able to agree upon the direction of the company. Musical Director Billy Liberatore agrees with this assessment, and remembers how vital the company was when the partnership did work: "The years where Stewart and Dianna could get along, where San Jose [AMT] was part of the community, where they had an identity, where they understood that they were about celebrating musicals, they weren't a house to show touring companies, and they weren't going to change musical theater with some new piece they found" (Libertore, interview). The death of Ken Holamon, whose mutual friendship seemed to keep the two in balance, added to the rift between them.

Marc Jacobs agrees: "I think the basic problem was that neither one of them appreciated the other's strengths and wanted more credit. I think Stewart was very good at the political end of it, at raising money. I think Dianna was incredible at the production element of it." Jacobs adds an example of what he considers the ideal partnership, as described by Sue Frost about her relationship with Michael Price at Goodspeed Opera: "She said – *we have a glass door between our offices. I can always see into his office – he can always see into mine*" (Jacobs, interview).

Shuster's Departure Led to Questionable Spending

With the exception of fiscal 2004, AMT was never able to reconcile its expenses with its revenues after Shuster departed. Expenses during fiscal 2003 were more than $3 million higher than fiscal 2001 (Table 2, page 98). A preponderance of the data suggests production budgeting and financial control were crucial to the success of the company during its most prosperous years, and that Shuster was central to that end. Some of the excessive spending could be attributed to the dismantling of the integrated design team principle developed by Shuster. As described by Catherine Edwards, Betty Poindexter, Jill Bowers, and Billy Liberatore, money was spent as a means to solve problems rather than exploring solutions through a team effort. Even during the tenure of Michael Miller, when the budget had been scaled back significantly and unearned income sources had returned, data suggest expenses could not seem to be controlled.

AMT Alienated Itself from the Community

Former Coca-Cola CEO, Donald Keough, in his book *The Ten Commandments for Business Failure*, lists as commandment three: "Alienate Yourself" (Keough, 45). By partnering with the Nederlander Organization, AMT alienated itself from the local artistic community and subsequently its audiences. A preponderance of the data suggests audiences supported the vision of the company as it had been built by Shuster. Not only had audience surveys conducted by senior staff indicated so, but the subsequent drop in subscriptions and individual donations when tours were presented suggest dissatisfaction among patrons.

Todd London, in his book *The Artistic Home*, argues that the strength of a theater company is a function of its ensemble. The large pool of both union and non-union actors that AMT had developed over the years functioned as a de facto resident company. London argues: "Many artistic directors long to develop companies in their theatres. These companies, they believe, would allow them to create a more coherent body of work, and a distinctive and consistent acting style, both of which serve as a defense against what one artistic director termed 'schmearing into indistinctiveness'" (London, 35).

Former AMT technical director Nick Nichols agrees, and recalls the talent pool during his time with the company: "Even though we were doing just incredible work when I was there, and had some huge Broadway names, the real strength of the company was that the chorus was still community players. So we were still very much rooted in the community. And after I left they moved away from that model, and I think that proved to be not a good choice" (Nichols, interview). Billy Liberatore adds: "I think you need to be a part of your community. If you put out entertainment they [audiences] have no investment in, then they can go anywhere" (Liberatore, interview).

The alienation goes further than just with local artists and audiences, but with the development of future audiences and the education of community children. Todd London argues: "Most artistic directors look for tomorrow's audience in today's classroom. They agree that it is the responsibility of the theatre community to condition audiences from school age on to see the theatre as an important part of their lives" (London, 52). The Nederlander Organization, a for-profit corporation, had no interest in continuing the student preview program, and as a result, those potential audience members and future performers were deprived of that opportunity.

The repercussions were economic as well, as money spent for artistic services went to New York artists and not into the local economy. Betty Poindexter came to this conclusion as well: "I think when it [AMT] separated itself from the community it cost them enormously in terms of being a San Jose institution. Why send your money somewhere else? That's really the issue" (Poindexter, interview).

In 1996, board President David Pogue wrote an article in the *Crazy for You* program in which he described the phenomenon of the multiplier effect: "funds spent by an arts organization in a community actually multiply through the creation of jobs, respending by related businesses, stimulating other expenditures (patrons at restaurants, shopping, etc.), and feeding the local tax base" (Pogue, "Public"). This is similar to Markusen and Schrock's argument that "Artists make important contributions to regional economies beyond those associated with arts organizations and events" (Markusen and Schrock, 1681).

The attraction of artists to a certain community, known as economies of agglomeration, can exist by virtue of inputs available through ancillary markets, or as argued by Heilbrun and Gray, within a single industry (Heilbrun and Gray, 338). AMT and other arts organizations that existed in the 1980s and 1990s created an economy of agglomeration whereby theater artists and technicians were attracted to the area because of the high-quality theater that was being offered as well as the possibility for performing artists to obtain union membership and be able to support themselves within the industry.

Markusen and Schrock's findings are consistent with this theory, adding: "Artists choose a locale in which to work, often without regard to particular employers but in response to a nurturing artistic and patron community, amenities and affordable cost of living" (Markusen and Schrock, 1661). Christine Lai argues: "The local accumulation of talent resulting from the agglomeration of cultural industries creates value adding to positive externalities and innovative energy. Hence the talent base of a city could be an important source of its locational advantage. In addition, a supply of performers can strengthen the marketing of PAOs [performing arts organizations] by enabling them to feature shows based on local talents" (Lai, 165).

Dianna Shuster's viewpoint supports Lai's findings: "If you don't have a community of artists from which to create the work, you don't have it. And all the artists that do all the things they do that make this community a better community by them living in it, if you take it away, this entire community – they won't know why; they won't know the specifics – will be weaker and poorer as a result. This is so key" (Shuster, interview).

AMT's Board Did Not Concern Itself Enough with Fundraising

William Byrnes, in his book *Management and the Arts*, argues a board of directors is instrumental in the fundraising process of a non-profit, performing arts organization: "When someone is approached to serve on a board of a not-for-profit organization the understanding usually is they are going to be part of the fund-raising team. The board members and the board chair need to be part of the fundraising activities for the simple reason that asking for support is rooted in the network of connections the board members have in the community" (Byrnes, 393). This philosophy is echoed by former Board President Anthony J. Mercant, who in 1980, while restructuring the board during the crisis created by *City of Broken Promises*, asserted: "We need fundraisers" (Weimers, "Light").

According to the 2002 by-laws of AMT, board members were required to "donate at a minimum giving level" (By-Laws, 2). According to the *Miss Saigon* program of November 2002, the minimum yearly giving level was $600 (*South Bay*, "2002," 20). Although there is this mention to give funds, there is no requirement to get funds. Former San Jose-Cleveland Ballet Executive Director Stephanie Schiro-Ronco comments on the lack of this requirement: "If you're going to sit on the board of the Ballet, you've got an obligation not only to give, but to get. Some boards have the obligation to give or get. Because there are some people who have connections to people who don't necessarily have any money themselves. Actually, what I've found in fundraising is that people who have access but aren't necessarily considered one of the wealthy are better fundraisers" (Schiro-Ronco, interview).

The by-laws of AMT had created a situation that made the organization vulnerable if donor activity was disrupted. When individual giving dipped in the late 1990s, AMT had to change their strategy. Kimberley Kay remembers:

> Our board of directors was not a fund-raising board, particularly when I came on [in 2000]. And I think part of that was because they were brought on for their financial expertise. But they were not brought on with the idea that they were going to be doing fund raising. And that was a gradual thing we started having them do, but it was never a strong point of our development. As I said before, about it being important to have a strong relationship with your donors, typically with organizations that raise a lot of money, the board is an important part of that (Kay, interview).

Marc Jacobs contends the lack of focus on fund raising created a situation where the board of AMT overstepped its boundaries:

> This is a problem with many theaters. You have a board whose job is really to raise money, but then they tell you – *well, we really don't like raising money, what we want to do is to start making artistic decisions for the theater* – which they never should have done. And from then on, it was one bad decision after another. It was get rid of Dianna, let's present shows, get rid of Stewart, put Michael in, let's keep presenting shows – it just kept spiraling down (Jacobs, interview).

The Acquisition of 1717 Technology Drive

The rental of 1717 Technology for $25,000 a month seems to contribute to the financial problems of AMT in the early 2000s. Had the company bought a smaller space in a less desirable area, the property could have been an asset with regular payments rather than a monthly expense vulnerable to the increase Slater spoke of in 2001 when the lease expired. Shuster believes the rental of the space rather than buying one in 1992 is central to the demise of AMT: "Had we done that [bought property rather than rent], that company would still be alive. I believe that to the tips of my toes" (Shuster, interview).

III. *Conclusions About External Factors*

The Boom and Bust of Silicon Valley

Like any organization that depends on revenue for its survival, for-profit or non-profit, AMT was subject to the effects of national and local economic factors. Located in the heart of the Silicon Valley, AMT was a product of a period of great expansion that began in the early 1960s. Wolf and Glaze, in their study on the demise of the San Jose Symphony, report: "In 1981 and 1986, the San Francisco Foundation conducted two surveys (entitled "Artsfax") of nonprofit arts organizations in the Bay Area. One of the findings of this work was that the number of nonprofit arts organizations in this region had grown from about thirty in 1960 to nine hundred in 1980, a growth rate that is probably unprecedented in almost any other city in the United States during that period. After 1980, the growth continued" (Wolf and Glaze, 25).

For the next two decades Silicon Valley businesses were at the forefront of the internet revolution, which by 2000 had created 1.04 million jobs in the area (Carey, “Valley”). Job growth had cooled in 2000 to 1.9% (21,200 jobs) over the previous high three years earlier in 1997 of 5.2% (61,400 jobs); venture capital investment doubled in 1999 to $6.1 billion; the region’s average wage was $53,000, compared to a national average of $33,700 (Halberg, 4); and IPO’s were at a record high, a 140% increase over 1998 (Halberg, 11). From this point in 2000, the subsequent bust was responsible for 40,000 workers leaving the Silicon Valley in 2002 (Wolf and Glaze, 52), and high-tech jobs plummeting to 862,000 in 2004, which was only slightly better than the number of jobs available in 1995 (Carey, “Valley’s”).

AMT was not the only non-profit performing arts organization to suffer from the downturn in the economy. San Jose Repertory Theatre was forced to approach the City of San Jose the same week that AMT sought funds. In 2014, San Jose Repertory filed for bankruptcy (D’Souza, “Solemn”). Both Shakespeare Santa Cruz (D’Souza, “Final”) and San Francisco’s Magic Theatre (Hurwitt, “Nationally”) faced closure within a month of AMT’s bankruptcy. Even Atlanta’s Theater of the Stars closed its doors in September of 2013 (Pousner, “Performing”).

The Decline of the Subscription Model

Since the late 1990s, the subscription model as envisioned by Danny Newman has been on the decline. Joanne Scheff Bernstein, in her 2007 book, *Arts Marketing Insights,* discusses the challenges involved with the declining model using data from the Bay Area: “…it is more challenging than ever for arts marketers to persuade people to renew and to attract new subscribers. In the San Francisco audience survey, 50 percent of former subscribers said that their primary reason for no longer subscribing was that they preferred to select specific programs to attend" (Bernstein, 215).

Michael Miller offers his perspective on the decline of subscription sales:

> What's had an effect on subscriptions is there is so much media. There's so much demand, so many people, especially in this valley, who are workaholics and behind their monitors. There's not a vibrant downtown in this area because of all these little campuses where you get your shoes shined and your car detailed and take a nap and go to the gym and you never have to leave – executive chef, the whole thing. I think that is part of it, but the overarching thing is that people aren't going to tell you in January what they're going to do in September. Even if you tell them it's a free exchange [for tickets to another performance] and all that, they say – *you know what? I want to see your season, but I just can't commit. I could be in India* (Miller, interview).

This is consistent with Billy Liberatore's memory of audiences during the height of AMT: "When San Jose was thriving, that's what every suit in San Jose did, they went. And they took their wives and they had dinner first and they went with four couples that the company paid for and it was part of the scene of being a lawyer or businessman in San Jose – you saw the latest musical. Things change – the business world changes" (Liberatore, interview).

As subscription sales decline, an organization must rely more heavily on single-ticket sales. However, the financial problems of a model where single ticket sales are predominately the largest form of earned revenue are explained by Bernstein: "Revenue comes in later, single ticket sales require significantly more marketing expenses and a different tactical focus, and financial planning and cash flow projections are more difficult" (Bernstein, 218).

The extent to which the subscription model is on the decline has yet to be determined. According to TCG's 2011 annual report, subscription sales are still the second highest form of earned income for the 113 theaters surveyed (Voss, Voss, Shuff, and Rose, "2011," 6). Subscription sales have actually always been rising since 2000, but have not kept pace with increasing expenses and have been eclipsed by single-ticket sales (Voss, Voss, Shuff, and Melia, "2000," 4).

The Motives of the Nederlander Organization

As of the writing of this thesis, the Nederlander Organization is the primary presenter of Broadway tours at the CPA through Team San Jose. Dianna Shuster suggests the objective of the Nederlander Organization: "I'm sure they had been watching, because that was their way. They would watch for a vital area, a sort of B+ city to be developing, and then they would come in and screw with the subscription base and try to take it. That's kind of what they did" (Shuster, interview).

Donald Keough, as his seventh commandment of business failure, lists "put all your faith in experts and outside consultants" (Keough, 97). AMT put a substantial amount of faith in the abilities of the Nederlander Organization to deliver profitable programming. The partnership, as described by the city auditor during the hearings to approve a loan and by former AMT employees, seemed to favor Nederlander more than AMT.

Although AMT was facing a decline in attendance, the model of presenting and producing simultaneously proved to be an unsustainable plan. Former board member R. C. Staub feels other options should have been explored: "AMT should have made a decision in the early 2000s to say – *we can't sustain ourselves. We should only be in this business if we are only doing our productions, and then maybe sometimes connect a tour.* But the minute it went to the partial presenting and partial producing was actually the minute it was closing up shop. It was a slow death" (Staub, interview).

Kimberly Kay had also concluded the organization was headed for a slow demise:

> I think Michael [Miller] jumped into a sinking ship, basically. And he was trying to listen to as many people as he could, which is maybe opposite from what Stewart was doing, where he had this blind spot. But then you have all this info coming in from different opinions and at some point you need to decide – *what are we actually going to do?* I think there was a little bit of going back and forth that didn't help at that point. I do not blame the entire bankruptcy on that, though. If I had to pick one thing, I would say it had to be the partnership with Nederlander that was the dooming factor (Kay, interview).

Although no evidence exists suggesting the Nederlander Organization actively sought the demise of AMT, they certainly benefitted from it. Catherine Edwards remarks: "If you're swimming with sharks, you'd better be prepared. And they weren't. It was just naivety as far as I'm concerned" (Edwards, interview).

The CPA was a Problematic Venue

The size of the theater AMT used with its 2,677 seats created problems for the company. Used not only by AMT but by San Jose-Cleveland Ballet and the San Jose Symphony, the CPA was described by former ballet CEO Andrew Bales as "a bastard to all art forms; it's fine for many but not perfect for any" ("Center").

Bob Bones agrees, and talks about the expense and scale of the venue:

> I don't know what model would have worked to keep the company going. In that large theater – I don't know. That venue was a problem because it

> was so large and so expensive. And we tried smaller shows in there, and it just didn't work. We needed to do big musicals (Bones, interview).

Unions

As AMT grew, the number of contracts for professional actors rose, as did the salaries of the actors, musicians, and stage hands. Billy Liberatore sees this as a factor in the company's demise:

> A huge part of it – and a part of why these things go down – is unions. When they only had to hire six Equity [contracts], not only were you saving money on that, everybody in the community got parts. And then we had these huge community ties, because kids came to the Thursday night preview, and they could actually get cast in a show. But once they had to have sixteen contracts, you're no longer the community's theater. You're another choice to spend your entertainment dollar on. All that community stuff gets eroded and it got eroded because we couldn't use non-Equity people anymore. And we couldn't take someone who was almost good enough to play a supporting role and they had to get good enough to do it, because we couldn't do it any other way. So now we had to hire sixteen Equity people and if the local Equity didn't have the talent, you had to fly them in. And all of a sudden you lose San Jose as a community feeling that the thing is their thing (Liberatore, interview).

Diana Shuster sees the rising number of union contracts as having an effect on the quality of the talent pool as well: "Often there were folks who lacked union-level skills [who attained union status], so we were forced to hire much less skilled people to fulfill our union numbers. These folks were not ready to be employed as full professionals. They would normally have been part of the non-union talent pool" (Shuster, interview).

Liberatore also saw increases in the salaries of the musicians as a factor in the demise: "The orchestra was always negotiating higher and higher pay. Why higher pay? The company's not surviving, why is your paycheck going up?" (Libertore, interview).

IV. *Opportunities for Further Study*

No single factor identified in this thesis can be pointed to as the singular cause of the downfall of this organization. But there are questions that have been raised from this study and issues that warrant further investigation. Foremost are questions concerning the intersection that exists between non-profit and for-profit theater. Is this intersection really necessary for the survival of regional theater? Who are these alliances really benefitting – regional theaters or commercial theater? Is the model for regional theater broken, or do arts administrators need to refocus on the resources that already exist in the communities they serve rather than rely on outside programming? And does an organization's definition of community include the artistic community as well the patrons?

Questions concerning board governance need to be explored. Do artistic directors need to be given as much opportunity to interact with boards of directors as business managers do? Should board learning be required to include some training in the arts so they are better able to understand and appreciate the artistic mission of the organization they serve?

Most alarming, perhaps, are questions concerning the future of the arts in the Bay Area. AMT has not been the only arts organization to become a casualty in recent years. San Jose was identified as the second most wealthy city in the United States by both *Time* magazine and *USA Today* in 2014 (Chiles, "These are;" Rawes, "The 10"). How can arts organizations have difficulty surviving in a city where its citizens are so prosperous? And can a city truly be considered prosperous if allows its arts organizations to die?

Perhaps AMT would not have weathered the storm that has claimed so many other non-profit, performing arts organizations regardless of the actions it may have taken. Certainly, the balance between making art and making money has not gotten any easier in recent years. And perhaps a model can be created for non-profit and commercial theater to exist to the mutual benefit of both parties. But for this to work, the focus of both parties must always be on the art created, not the revenues generated. The monetary yields being, as Isaccs said, by-products of theatrical success, not an essential theatre goal.

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APPENDIX: LIST OF AMT SHOWS PRIOR TO 1982

Season	Show	Season	Show
1935-36	*The Mikado*	1960-61	*Roberta*
	Chimes of Normandy		*South Pacific* (2)
1936-37	*The Gondoliers*	1961-62	*Damn Yankees*
	The Pirates of Penzance		*The King and I*
1937-38	*HMS Pinafore*	1962-63	*Flower Drum Song*
1938-39	*The Bohemian Girl*		*West Side Story*
1939-40	*The Red Mill*	1963-64	*Gypsy*
1940-41	*Naughty Marietta*		*Kismet*
	Rio Rita		*Carnival!*
1941-42	*The Firefly*	1964-65	*The Music Man*
	Mlle. Modiste		*The Sound of Music*
1942-43	*Madame Sherry*		*Carousel* (2)
	The Red Mill (2)	1965-66	*My Fair Lady*
1943-44	*The Merry Widow*		*Stop the World…*
	Naughty Marietta (2)		*Li'l Abner*
1944-45	*The Prince of Pilsen*	1966-67	*Camelot*
1945-46	*The Firefly* (2)		*How to Succeed in Business…*
	The Fortune Teller	1967-68	*Oliver!*
1946-47	*Sweethearts*		*Little Me*
	Rio Rita (2)		*Song of Norway* (2)
1947-48	*The New Moon*		*Funny Girl*
	The Mikado (2)		*West Side Story* (2)
1949-50	*Countess Maritza*	1968-69	*The King and I* (2)
1950-51	*A Waltz Dream*		*Annie Get Your Gun*
1951-52	no productions		*Sweet Charity*
1952-53	*On the Bridge at Midnight*		*Showboat* (2)
	Irene	1969-70	*A Funny Thing Happened…*
1953-54	no productions	1970-71	*Mame*
1954-55	*The Fortune Teller* (2)		*The Roar of the Greasepaint…*
	The Chocolate Soldier		*Man of La Mancha*
1955-56	*The Merry Widow* (2)	1971-72	*Cabaret*
	Song of Norway		*South Pacific* (3)
1956-57	*The Vagabond King*		*Fiddler on the Roof*
	Brigadoon	1972-73	*Company*
1957-58	*Carousel*		*The Sound of Music* (2)
	Guys and Dolls		*Hello Dolly!*
1958-59	*Showboat*	1973-74	*Promises, Promises*
	The Pajama Game		*Applause*
	South Pacific		*My Fair Lady* (2)
1959-60	*Guys and Dolls* (2)	1974-75	*The Boy Friend*
	Finian's Rainbow		*Follies*
			Guys and Dolls (3)

Season	Show
1975-76	*Mack & Mabel*
	Little Mary Sunshine
	George M!
1976-77	*The Music Man* (2)
	Peter Pan
	Seesaw
	Oklahoma!
1977-78	*No, No Nanette*
	Gypsy (2)
	Fiddler on the Roof (2)
1978-79	*Mame* (2)
	Oliver! (2)
	Showboat (3)
	Jesus Christ Superstar
1979-80	*Damn Yankees* (2)
	City of Broken Promises
	West Side Story (2)
	Carousel (3)
1980-81	*Funny Girl* (2)
	Man of La Mancha (2)
	The Sound of Music (3)
	Fiddler on the Roof (3)
1981-82	*Hello Dolly!* (2)
	South Pacific (4)
	Paint Your Wagon
	Anything Goes

(Palmer and Gilmore, 2-17)