

Message to the State Theatre Community from its Board

Over the past few months, frustration, confusion, and hurt have surrounded the State Theatre. For that, the Board wishes to apologize and inform our community about the recent events at the State Theatre and our hopes for the future.

While many of you reading this letter will already know that the State Theatre has filed bankruptcy, we hope that the information below will replace the frustration and confusion with knowledge and an understanding that the State Theatre, and its current Board, are committed to the State Theatre's values and will remain committed to these values following the court's resolution. We hope you will join us in continuing the Theatre's mission of bringing arts and community growth to the City of Bay City and our neighbors, however possible, in the future.

State Theatre's Mission

In 2000, the State Theatre was "re"-founded to restore the Bay City State Theatre, to permit concerts and other cultural events to be performed, and funds to be raised for other community non-profit activity (a vehicle for community development). During the Theatre's quarter century, it has helped secure hundreds of thousands in donations for various community organizations and projects and has become recognized as a regional leader in community development.

We hope the wider community is as proud of the efforts of numerous volunteers, contributors, and Theatre staff in the positive impact they have had in our area. You are the foundation of our community and will continue to be.

Recent Events

In 2019-2020, the City of Bay City began exploring the renovation of Wenonah Park. These plans included the renovation of the Friendship Shell. It was the understanding of the Board that the Wenonah Park project was to be generally headed by an individual – who until recently served as an employee of the City of Bay City, member of the Downtown Development Authority of Bay City, as well as served as an employee of the State Theatre.

At all times until the full Board was made aware of events below, the State Theatre Board believed that the Wenonah Park project was a City of Bay City project, funded through various grants, with fundraising support and facilitation through numerous community organizations – proudly including the State Theatre. The State Theatre Board did not agree to or authorize any loans or mortgages to be taken out against the Theatre's assets for this purpose.

In 2022, the Bay County Growth Alliance ("BCGA") met with two then board members of the State Theatre. It is our understanding that at this meeting the BCGA inquired as to why approximately \$800,000 was listed on State Theatre books as a BCGA "grant" when the BCGA understood this money to be a BCGA "loan." Following this meeting, one of these two members resigned the State Theatre without providing this reasoning to the Board or further communication regarding these topics. It is our understanding that the second board member approached the former employee of the State Theatre and requested they inform the entirety of the State Theatre Board of the BCGA information. This did not occur, the remaining Board members remained unaware of this, and, for a time, no further requests or inquiries were made to the State Theatre which indicated that anything was out of the ordinary.

Between 2022 and late 2023, the State Theatre – through its numerous and appreciated volunteers and team – continued to organize events aimed at raising funds for community organizations. For those familiar with our work, organizing and mobilizing the community – for the community – should have come as no surprise. What followed, infuriated the Board and many of the community members we have fought so hard to win the support of.

In late 2023, as we understand from more recent news reports and communications with other entities, the City of Bay City began reviewing documentation regarding MEDC grants for the Wenonah Park project and an alleged modification by the former employee of the State Theatre to change the grant fiduciary from the City of Bay City to the State Theatre. Also, during this time, inquiries were made by multiple entities (vendors, performers, etc.) to parties in the Bay City community regarding unpaid bills surrounding Wenonah Park events or construction. Some of these bills were allegedly owed by the State Theatre, City of Bay City, or other entities in our community. Around this time, a flurry of phone calls, emails, and in person conversations occurred amongst dedicated members of the community in an attempt to understand what bills existed, what they were for, and who was responsible.

To the surprise of this Board, certain organizations contacted our team and alleged that debts, including an \$800,000 BCGA loan, were owed by the State Theatre. The BCGA presented alleged State Theatre board minutes – presented by a former State Theatre employee – approving the State Theatre to receive a loan and – incredibly – granting a mortgage against the State Theatre building itself.

The State Theatre immediately investigated this, and other, allegations of debts. We are proud to report that the original meeting minutes approved by the State Theatre Board were reviewed, contained no authority to enter into the BCGA loan, and have been presented to the BCGA. Further, other internal debt investigations have found that no authority was granted for many of the debt obligations claimed by certain organizations against the State Theatre.

The State Theatre Board adamantly maintains that the BCGA loan: (a) was obtained without authorization of the Board, and (b) that the document the BCGA received was not the document it purported to be.

Further, the Board is at a loss to understand why any organization such as the State Theatre would, or why any loan granting / 3rd parties could believe that a charitable organization would, mortgage off its sole building to fund the construction of infrastructure for a government owned park.

While the State Theatre Board maintains that any obligations obtained without proper authority cannot be held against the State Theatre, this unfortunately does not mean that many individuals and members of our community have not been negatively impacted by these events. We are currently working with the courts, criminal investigators, and others to help find solutions to the situation we and the community find ourselves in.

Sadly, while the Board is confident in our positions regarding the unenforceability of certain debts, other factors have forced us to make the decision to pursue bankruptcy. Our reasoning largely involves the inability of the State Theatre, due to its mission to distribute to the community – not hoard – fundraising monies, to finance the costly litigation required to discharge improperly claimed debts. Additionally, the State Theatre does not have the funds to finance litigation against individual(s) believed to be responsible for the unauthorized loans and debts.

Moving Forward

While we hope the preceding information has clarified our current understanding of events (investigations of which are ongoing), we also hope it has demonstrated the need in our community for those of us – and hopefully additional members of our great communities – to get out and find ways to spur the next chapter in our community's growth. Due to the actions of parties involved in the matters above, our community has suffered a reputational loss with vendors, artists, and more who suffered real losses at the hands of these parties.

We are encouraged already by the actions of members of the community and City to rebuild our collective reputation and to restart the Wenonah Park activities that have driven our community forward for decades. Our prayers, hands, and hopes are with you. Many members of our Board will be waiting to assist the next organization wherever possible once we have resolved the current matters.

Finally, we leave you with a wish list of items we believe can help restart our mission (if not our organization directly) following our pending dissolution and ask that you assist in any way you can to ensure our mission continues:

- **Bay County Growth Alliance:** Encourage the Bay County Growth Alliance to release the improperly placed mortgage on our building and to pursue any individual(s) responsible for providing false documentation regarding the unauthorized "loan." In addition to this discharge, we also encourage the Growth Alliance to refund the approximately \$150,000 already improperly paid, without authorization, toward principle on the grant.
- **Write your state and federal representatives** to encourage:
 - The Michigan Economic Development Corporation (MEDC) to approve its possible grant for the Wenonah Park development.
 - The Small Business Administration to write down its claim and pursue any parties responsible for its improper debt.
- **Support the individuals and businesses** who have been hurt in this series of events. Even if we do not believe we are responsible, certain parties did perform services in our community and deserve our support.
- **Find individuals who can help retain the State Theatre Building:** Our community will lose a valuable resource and beacon for other development if the State Theatre building cannot be retained and placed back into service for our community.

Sincerely,

The State Theatre of Bay City / Bay County Board of Directors