The Philadelphia Orchestra Association Files Its Plan of Reorganization and Disclosure Statement to Exit Chapter 11 Bankruptcy Protection

Since filing for financial reorganization in April 2011, the Association has reached consensual agreements with several key creditors while also establishing a new collective bargaining agreement with its musicians. With this critical filing, The Philadelphia Orchestra looks toward an emergence from bankruptcy this summer and will continue its robust fundraising efforts.

(Philadelphia, May 23, 2012)—The Philadelphia Orchestra Association (POA) and its wholly owned subsidiary, the Academy of Music, Inc. (AOM), today announced it has filed with the United States Bankruptcy Court its Plan of Reorganization (POR) and Disclosure Statement, signaling its organizational and financial preparedness to exit from Chapter 11 bankruptcy protection.

In filing for reorganization on April 16, 2011, The Philadelphia Orchestra Association detailed several goals that needed to be accomplished to ensure long-term financial health for the organization, including preserving artistic excellence. These goals included a renewed collective bargaining agreement with the musicians of The Philadelphia Orchestra; a shift away from its defined benefit pension plans, including an exit from the American Federation of Musicians and Employers’ Pension Fund (AFM-EPF); a renegotiation of its lease with the Kimmel Center; and a resolution of its challenged business relationship with Peter Nero and the Philly Pops (PNPP).

Every goal detailed at the outset of this difficult yet necessary process has been accomplished consensually through settlements and agreements-in-principle achieved via the bankruptcy process.

In its filing, the Association has agreed to pay $5.49 million to creditors. Of that total, $4.25 million will be paid on or before the POR effective date. Although there will be additional payments to some key creditors, the vast majority of claims will be fully paid on the effective date as established by the U.S. Bankruptcy Court and the Association. The breakdown of key creditors’ total payments—which reflects full settlement of all claims—is as follows:

- Pension Benefit Guaranty Corporation (PBGC): Currently estimated at $1,317,387
- American Federation of Musicians and Employers’ Pension Fund (AFM-EPF): $1.75 million
- The Kimmel Center: $748,000
- Peter Nero and the Philly Pops (PNPP): $1.25 million (This will be paid in full prior to the Association’s exit).
The remaining General Unsecured Claims against the POA will receive payment equal to 50% of the aggregate amount in U.S. dollars, without payment of interest (Estimated Total: $276,855). The remaining General Unsecured Claims against the AOM will receive payment equal to 100% of the aggregate amount in U.S. dollars, without payment of interest (Estimated Total: $85,891). Convenience Class Claims will receive 100% of their respective claim if the claim value is $1,000 or if the holder of the claim reduces the claim to $1,000 (Estimated Total: $38,616).

“With the number of business relationships that needed to be re-set within the Orchestra’s reorganization process, we are incredibly proud, and incredibly grateful, that we have been able to file a consensual Plan of Reorganization,” said Richard B. Worley, Chairman of the Board of Directors for The Philadelphia Orchestra Association. “It was always our goal to reach settlements with our partners in this process as we had a keen awareness of how valuable peace was within this difficult process. Our Board of Directors sought consensus at every turn and at every agreement. It took significant time but I believe that it is time well spent as the Association was able to address more than $100 million in claims, debts, and liabilities with a settlement of just $5.49 million. We have not only ensured that The Philadelphia Orchestra will remain vibrant through the Plan of Reorganization but we have restructured for long-term fiscal health, ensuring the Orchestra’s vibrancy for generations to come. I could not be more grateful to all of our partners who recognized the Orchestra’s important role as a cultural icon and found a way to reach agreement with us based upon our critical needs.”

In addition to the $3 million needed to settle creditors’ claims on the POR effective date, which is a condition to exiting bankruptcy, the Association incurred $8.9 million in professional service fees and other direct restructuring costs. All of the funds necessary to address the settlement of creditor claims on the POR effective date, the professional service fees, and other direct restructuring costs have been raised. The funds raised for the Association’s settlement of claims on the POR effective date come from gifts to the Transformation Fund made by members of the Association’s Board of Directors. The funds pledged to address the professional services fees and other direct restructuring costs also come from gifts to the Transformation Fund by members of the Association’s Board of Directors matched by a major funder who designated that its gift could be used for bankruptcy-related costs.

“The leadership of our Board of Directors in assuming the costs of our restructuring and reorganization cannot go unacknowledged,” said Allison Vulgamore, president and CEO of The Philadelphia Orchestra. “I am deeply gratified by their continued leadership and strong commitment to maintaining The Philadelphia Orchestra as a world-class ensemble. Their generosity has been a constant within this process. It is also important to recognize that today’s filing would simply not have been possible without the leadership support of Philadelphia’s philanthropic community, notably the William Penn Foundation, Wyncote Foundation, Neubauer Family Foundation, and Gerry Lenfest. The confidence demonstrated by these donors—and the positive reinforcement of our steady diligence and our accomplishments within this process—has been critical and it allowed us much-needed time and flexibility in reaching agreements with valued partners in this process, especially our treasured musicians and the Kimmel Center.”

Although the costs associated with professional service fees and the settlement of creditors’ claims on the POR effective date have been fully addressed, fundraising will play a critical role in the Association’s successful emergence from reorganization. To date, the Association has secured $36 million of a newly updated $49 million fundraising goal for the first phase of the Transformation Fund—the fund created in April 2011 to assist the Orchestra through its
financial restructuring and in executing its Plan of Reorganization. The increased total funding for Phase I reflects additional needs based upon the challenges, length, and complexity of the bankruptcy process and a lower endowment draw than was originally anticipated. In cultivating donations for its Transformation Fund, the Association has also been able to access several multi-million dollar challenge grants offered to the organization by the Philadelphia philanthropic community, which are reflected in the $36 million total. To fulfill the remaining challenge grants from major funders, the Association must raise an additional $5.7 million by August 31, 2012. This effort will take place concurrently with the Orchestra's Annual Fund campaign and special initiative funding, both of which are needed to sustain operations over the life of the Orchestra's POR. It is also separate from a larger endowment campaign, which will commence after fundraising for the Transformation Fund has been completed.

Said Mr. Worley, “Our work is far from complete, especially with regard to fundraising for our future. We made strategic decisions as a Board of Directors to reach consensus with key partners and those decisions increased our fundraising need. That said, I am deeply encouraged by the support we have received to date from the philanthropic community, and with our filing today I am anxious to continue conversations with major funders about their support of The Philadelphia Orchestra. Although our fundraising needs and efforts are ambitious, our goals are rooted in reality. We are having excellent conversations with prospective donors and we are heartened by the number of new and returning donors who have chosen to support the Orchestra in its time of need. Every gift is a vote of confidence in the Orchestra’s future and every gift directly supports the artistry of our world-renowned ensemble. I have no doubt that confidence will soar as we file our Plan of Reorganization and move toward an exit from reorganization.”

“The most important thing for us to acknowledge on this day is that despite the challenges, intensity, and length of this process, our incredible staff and musicians provided continuous exemplary performances to our audiences,” said Ms. Vulgamore. “Without my colleagues, for whom I have the deepest respect and admiration, The Philadelphia Orchestra would not be making this positive announcement. Our musicians and our staff are our heart and while these have been trying times, we look toward emergence with confidence in our future. We depart for our innovative China Residency in just a few short days. We will celebrate the legacy of Leopold Stokowski at the Academy of Music in June. And we welcome the infectious talents of Yannick Nézet-Séguin as he becomes our new music director in October. There is still much work to be done but together—and with such momentum we are succeeding in creating a stronger Orchestra for Philadelphia and the world.”

For more information regarding The Philadelphia Orchestra, its Plan of Reorganization, or its 2012-13 artistic season, please visit www.philorch.org. To support The Philadelphia Orchestra with a donation to the Transformation Fund, please visit www.philorch.org/support or call 215.893.3133.

The Philadelphia Orchestra

Renowned for its distinctive sound, desired for its keen ability to capture the hearts and imaginations of audiences, and admired for an unrivaled legacy of “firsts” in music-making, The Philadelphia Orchestra remains one of the preeminent orchestras in the world. While wholly committed to the exploration of classical music and repertoire, the Orchestra also continues to develop compelling programs that resonate with contemporary audiences. The Philadelphia Orchestra is focused on the future while inspired by a rich tradition of achievement and seeks to not simply sustain the highest level
of artistic quality, but to challenge—and exceed—that level by creating a powerful musical experience for audiences around the world.

**Artistic Leadership**

Demonstrating a deep and abiding commitment to the highest levels of artistic excellence, The Philadelphia Orchestra has cultivated an extraordinary history of artistic leaders in its 112 seasons, including music directors Fritz Scheel, Carl Pohlig, Leopold Stokowski, Eugene Ormandy, Riccardo Muti, Wolfgang Sawallisch, and Christoph Eschenbach, and the Orchestra's current chief conductor, Charles Dutoit. Under such extraordinary guidance, The Philadelphia Orchestra has served as an unwavering standard of excellence in the world of classical music—and it continues to do so today.

Yannick Nézet-Séguin joins this small yet illustrious group in the 2012-13 season, serving as the eighth music director of The Philadelphia Orchestra. An integral member of the Orchestra's leadership team since 2010 when he assumed the title of music director designate, Nézet-Séguin also serves as music director of the Rotterdam Philharmonic, principal guest conductor of the London Philharmonic, and artistic director and principal conductor of Montreal’s Orchestre Métropolitain. He brings a wealth of talent and vision that extends beyond symphonic music and into the vivid world of opera and choral music. Nézet-Séguin possesses a distinctive gift for reaching audiences, and arrives well-prepared to share his unmatched versatility and depth with Philadelphia and the world.

**Philadelphia is Home**

Philadelphia is home and the Orchestra continues to discover new and inventive ways to nurture its relationship with its loyal patrons who support the main season (September-May) in Verizon Hall at the Kimmel Center for the Performing Arts. The Kimmel Center, for which the Orchestra serves as the founding resident company, has been the ensemble’s performance hall since 2001. The Philadelphia Orchestra Association continues to own the Academy of Music—a National Historic Landmark and the oldest operating opera house in the nation—as it has since 1957. Each year, the Orchestra returns to the “Grand Old Lady of Locust Street”—where it performed for 101 seasons before moving to the Kimmel Center—for the highly anticipated Academy Anniversary Concert and Ball.

Beyond its robust concert offerings at the Kimmel Center, the Orchestra also performs for Philadelphia audiences during the summer months at the Mann Center for the Performing Arts, as well as in venues across the region, including Penn’s Landing, Longwood Gardens, and the Philadelphia Navy Yard. Many of these performances are part of the ensemble’s free Neighborhood Concert Series as well as its educational and community partnership programs—all of which aim to create greater access and engagement with classical music as an art form.

**Commitment to Education**

The Philadelphia Orchestra also has an important tradition of presenting educational programs for local audiences—a tradition dating back to 1921 when Leopold Stokowski initiated concerts exclusively for children. Today the Orchestra reaches Philadelphia-area families, teachers, students, and children through a multitude of education and community partnership programs. From Sound All Around (designed for children ages 3-5) to Family Concerts (aimed at children ages 6-12 and their families) to eZseatU (a membership program for full-time college students),

The Philadelphia Orchestra seeks to introduce orchestral music to a new generation of listeners through these special programs. Further, the Orchestra aims to engage adult audiences more deeply in its performances through learning programs, including free PreConcert Conversations, which occur before every subscription concert, and Lecture/Luncheons with guest speakers.
In an effort to more directly connect with the youth of Philadelphia, the Orchestra has implemented the Billy Joel School Concert Program, which improves access to the Orchestra’s School Concerts for underserved city schoolchildren and serves approximately 90 elementary and middle schools chosen from within the School District of Philadelphia. The Orchestra’s School Partnership Program also offers students incomparable exposure and access to The Philadelphia Orchestra and its musicians inside the classrooms of five selected schools in the Philadelphia region. The program’s teaching artists work side by side with classroom teachers using curriculum and materials created by the Orchestra’s education department. Finally, The Philadelphia Orchestra collaborates with schools interested in having Orchestra musicians work with their students through the Musicians in the Schools program. These school visits take the form of assembly programs, performances or demonstrations, clinics, and master classes or sectionals, and generally involve a solo musician.

A Cultural Ambassador Abroad
Through concerts, tours, residencies, presentations, and recordings, The Philadelphia Orchestra touches the lives of countless music lovers around the globe. Outside of Philadelphia, the Orchestra enjoys a three-week residency at the Saratoga Performing Arts Center in New York—a venue that was built for the Orchestra—as well as a strong partnership with the Bravo! Vail Valley Music Festival.

The Philadelphia Orchestra also has a long history of touring, having first performed outside of Philadelphia in the earliest days of its founding. The Philadelphia Orchestra was the first American orchestra to perform in the People’s Republic of China in 1973 and, in 2012, The Philadelphia Orchestra will reconnect with its historical roots in China and more deeply embrace its role as a cultural ambassador. The Orchestra will launch a new partnership with the National Centre for the Performing Arts (NCPA) in Beijing, with a pilot that will unite the Orchestra with talented young Chinese musicians and composers to further develop their orchestral skills. It will also serve to bring orchestral music, through performance and master classes, not only to China’s major cities but also further into the provinces.

An Orchestra that Understands the Power of Innovation in its Art Form
The Philadelphia Orchestra has long pushed the boundaries of convention in the classical music realm. Signature to such a reputation are world and/or American premieres of such important works as Mahler’s Symphony No. 8 (“Symphony of a Thousand”), Stravinsky’s The Rite of Spring, Schoenberg’s Gurrelieder, and Rachmaninoff’s Symphonic Dances. As part of its commitment to bringing classical music to audiences where they are listening, the Orchestra was the first to create an online store for purchasing music. To further expand such distribution, the Orchestra formed a new distribution with Independent Online Distribution Alliance (IODA), making its live recordings available on popular digital music services such as iTunes and Amazon, among others.

For more information on The Philadelphia Orchestra, please visit www.philorch.org.