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Bankruptcy Fees for Philadelphia Orchestra Close to \$2.9m

The expenses and fees for the bankruptcy process incurred by the Philadelphia Orchestra to lawyers, consultants and other professionals are fast approaching the amount originally set, which is a sizable \$2.9 million. The amount outstanding as at the end of June is \$2.4 million, after the most recent bill of about \$750,000 was added to the overall expenses.

According to Orchestra spokesman Matt Broschious, “The \$2.9 million projection referenced in the most recent draft of the strategic plan reflects only bankruptcy-related professional fees and was based on an estimate of reasonable progress in the case.”

The Orchestra is within months of exiting Chapter 11 bankruptcy. However, there are yet some factors that may influence the cost of bankruptcy. Nevertheless, the Orchestra has no plans to revise the initial projected figure of \$2.9 million Broschious said, “There are any number of factors that can impact those costs . . . The orchestra does not plan on issuing a revised projection for costs of reorganization until sometime in early fall.

With the goal to provide ongoing financial sustainability for the orchestra, the bankruptcy process represents a set of onetime, short-term costs that will help us do that.”

The highest individual cost thus far is the professional fee amounting to \$1.05 million charged by the Orchestra’s bankruptcy lawyers, Dilworth Paxson LLP. The amount

comprises of billable hours of work by 12 lawyers and 2 paralegals. The chairman of Dilworth, Joseph Jacovini is a Philadelphia Orchestra member. As such, the firm enjoys certain benefits from the Orchestra that other contractors do not. The board of Philadelphia Orchestra has agreed to personally cover all of Dilworth's fees. That "demonstrates their commitment to this organization and its future," according to Broschius.

But the bankruptcy court has to approve all payments before they can be made by the Orchestra. And in the case of Dilworth, there is the possibility of conflict of interest because of Joseph Jacovini's position in the Orchestra. In its defense, Dilworth lawyer Lawrence G. McMichael told the judge that Jacovini had been "walled off" from the case within the firm and had recused himself from all discussions pertaining to the bankruptcy. In addition, McMichael said that Dilworth had made a donation of \$75,000 to the Orchestra.

Aside from Dilworth, the next highest amount to be paid is \$833,365 that represents fees by Alvarez & Marsal Holdings LLC, the Orchestra's bankruptcy adviser.