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Orchestra London struggles to get its financing in order

By **DEBORA VAN BRENK**, Free Press Reporters

Orchestra London is far from fiscally fit, in spite of meeting its first crucial deadline yesterday.

Under tight terms of a restructuring plan filed in court this week, creditors can ultimately decide if the band plays on.

Creditors still have to approve a plan that would hold the orchestra to stringent, twice-a-month fund-raising deadlines. They also need to vote on whether unsecured creditors may be repaid in advertising value, not in cash.

The restructuring proposal -- a legal document that can be either the first step away from bankruptcy or the first step toward it -- is part of an Orchestra London effort to clear itself of oppressive debt and start afresh.

"This is a course of action taken to resolve the problems that the debtor faces" and is not bankruptcy action, emphasized trustee Tim Carson of chartered insolvency practitioners Courage & Associates Inc. in Sarnia.

"It's stringent because you're dealing with an orchestra that's insolvent. It's really do or die," said John St. Croix, an orchestra board adviser helping with its money management.

The first day of the orchestra's fund-raising campaign raised \$56,266.21 -- about \$6,000 more than needed to meet payroll.

A creditors' meeting may take place as early as April 10. More than half the creditors, representing two-thirds of the money owed, would have to agree to the terms. Details of the proposal include:

- Unsecured creditors get 120 per cent of the value of their claim in advertising exposure in the next three years. They will not be repaid in cash.
- Secured creditors -- who include a bank and the city -- will be repaid over time.
- The orchestra must file a three-year business plan, including balanced budgets, by May 31.
- The orchestra must meet each of its twice-a-month fund-raising deadlines for a total of \$330,000 by May 31, dates that correspond with musicians' paydays.

- The orchestra must consistently raise enough money to meet current payroll and operating costs. It must also stop using next season's subscription money to cover this year's expenses.

If all that happens, the debt is cleared and Orchestra London has a new start, Carson said.

If the orchestra doesn't meet its goals or if creditors reject the proposal, it goes into bankruptcy.

The orchestra owes \$90,000 to two secured creditors, a bank and the city.

The organization also owes \$293,000 in unsecured claims. They include:

- \$70,000 in rent for Centennial Hall.
- \$128,000 to the city.
- \$15,000 to the musicians' union in pensions.
- \$80,000 to 48 assorted companies and interests.

"We're trying to be creative with (the debt), as opposed to walking away from it," board chairperson David Stelpstra said of the ads-in-lieu-of-cash deal.

"We're trying to treat everyone as fairly as we can."

Both he and St. Croix were buoyed by the fund-raising response so far but said each deadline is as important as the previous one.

"We need more than adrenaline at this point," St. Croix said.

The orchestra plans to increase its chances of long-term survival also with a stronger board, a more diverse program and by helping the existing London Arts Council better mobilize community support.