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What a Difference The Right "Players" Can Make

Major Sports Franchises in Chapter 11

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The intersection between major league sports franchises and Chapter 11 was something, a few years ago, that many thought was unlikely at best and virtually impossible at worst. With the value of marquee major league sports franchises on the rise, coupled with rising real estate values, rising television and radio revenues, rising corporate box and license revenues, few thought that trouble was in their future.

Municipalities were offering remarkable deals to seduce and attract franchises, their fan base, and the related businesses and opportunities that are attracted by sports teams. Then, to the surprise of many, the bottom began to drop out and the bankers, the backers, the investors, the municipalities, and the fans began to question the value of sports franchises.

A brief look at the two most recent major league sports franchises to seek Chapter 11 protection suggests that the "players" can make all the difference between a successful "season" in the Bankruptcy Court and a not so successful "season" in the Bankruptcy Court.

The most recent major league sports franchise to seek the protection and the theoretical benefits of Chapter 11 is baseball's Texas Rangers. On May 24, 2010, the Rangers (perhaps seeking home field advantage) filed Chapter 11 in the United States Bankruptcy Court for the Northern District of Texas. Notwithstanding that the filing took place in the month following the commencement of the 2010 baseball season, and would perhaps seem to be potentially disruptive to the players, the fans, and Major League Baseball, the Bankruptcy Court is to be used as the forum within which to consummate a sale of the ballclub. The Chapter 11 case seems to be going as planned and the current ownership of the team and the proposed ownership of the team are looking to obtain Bankruptcy Court approval of the sale shortly after the All-Star break. If all goes as planned, the Rangers might enter the fall playoffs with new ownership and a brighter future.

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Just one year ago, on May 5, 2009, another major league sports franchise, hockey's Phoenix Coyotes, filed for Chapter 11 protection in the United States Bankruptcy Court for the District of Arizona (perhaps also seeking a home arena advantage). The Coyotes, as the Rangers, looked to the Bankruptcy Court for swift approval of a sale of the franchise. Despite the Chapter 11 case being filed during the hockey off-season, most observers would agree that the Coyotes' bankruptcy has not gone well for the players, the fans, and the National Hockey League. The case has been adversarial, long, and expensive and is yet to be concluded in any major way. The future of the Coyotes in the Phoenix metropolitan area does not seem all too bright.

What is the fundamental difference between the two cases and the lesson to be learned, if any? The difference is the "players." The line up for the Rangers has strong players. The case is supported by Major League Baseball and the Commissioner's Office and one of the new owners is to be Baseball Hall of Famer Nolan Ryan. The Rangers do not intend to move the team and therefore the municipality where they play is not opposed to the sale. Before filing the Chapter 11 case, the Rangers sought and obtained the approval to the sale, or at least the implied consent, of Major League Baseball. The line up for the Coyotes was weak, at best. The sale was opposed by the National Hockey League. The City of Glendale, Arizona, that built the Coyotes arena was to be left holding an empty bag of peanuts as the Coyotes proposed to move the team to Canada. While Hockey Hall of Famer Wayne Gretzky was involved in ownership of the Coyotes, his role was nowhere near as important or as prominent as Nolan Ryan's.

As in sports and as in the Bankruptcy Court, it seems that having the right players on your team is the difference between the thrill of victory and the agony of defeat.

Save the date for the Santa Clara Law School Sports Law Symposium, September 16, 2010

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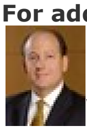

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