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Texas Rangers Make Bankruptcy Play

By **MATTHEW FUTTERMAN**

The battle over the Texas Rangers baseball franchise escalated to an all-out war Monday, with the team filing for Chapter 11 bankruptcy protection in a prepackaged effort to force a sale to Hall of Fame pitcher Nolan Ryan and his partner, Pittsburgh attorney Chuck Greenberg, after a monthslong fight over the fate of the franchise.

The Rangers current owner, Tom Hicks's HSG Sports Group, now faces an angry group of creditors, who are owed more than \$540 million. They are vowing to oppose the bankruptcy, arguing that the deal proposed to the court doesn't provide them with the money they are entitled to under the terms of their loan agreements.

The bankruptcy filing was the latest move in a 14-month fight between the creditors and Mr. Hicks, whose company defaulted on loans in March 2009, when Mr. Hicks decided he would no longer prop up the company's operations with money from his personal fortune.

HSG Sports controls the Rangers and the National Hockey League's Dallas Stars, both of which he has been trying to sell to pay off his debts.

In January, Mr. Hicks reached a deal with Messrs. Greenberg and Ryan to sell the Rangers, the Ballpark at Arlington, and some 150 acres adjacent to the stadium in a deal valued at about \$530 million, although the value has escalated with the rising amount of liabilities the new owners are prepared to assume. According to court filings those liabilities include almost \$25 million that the team owes slugger Alex Rodriguez in deferred compensation and almost \$13 million it owes pitcher Kevin Millwood. Neither player is with the team anymore.

The deal received the blessing of Major League Baseball Commissioner Allan "Bud" Selig, even though people involved with the process say two other groups bid more for the franchise.

"Nolan Ryan has a proven track record with MLB club owners and I am prepared to submit this to the owners promptly for their approval," Mr. Selig said in a statement yesterday. Major League Baseball has lent the Rangers \$18 million to cover its expenses since last summer and has offered another \$11 million in financing during the bankruptcy proceeding.

However, the dispute between Mr. Hicks and the creditors has never been about the price tag but rather over the division of the proceeds from the sale. Monarch Alternative Capital LP, a New York hedge fund, is the largest HSG creditor, holding about \$100 million in the HSG debt and is a leader of those creditors opposed to the deal. Andrew

Herenstein, a principal of Monarch, declined to comment.

Under the current deal, Ballpark Real Estate LP, an entity controlled by Mr. Hicks, would receive nearly \$75 million for the 150 acres next to the ballpark currently used for parking. Mr. Hicks and a group of former partners had planned a major commercial development on the site, but the project collapsed after the financial crisis prevented the group from receiving financing for the deal.

A little more than \$500 million would go toward the purchase of the baseball team and control of the Ballpark at Arlington, the Rangers home since 1994. However, creditors say they would receive only about \$230 million from the sale, and they are seeking as much as \$320 million.

During the past two months the dispute became a high-stakes game of chicken between Major League Baseball, which threatened to seize the franchise and use Mr. Selig's powers to act "in the best interests of baseball" to force the sale, and the creditors, who threatened to force the team into an involuntary bankruptcy proceeding.

Behind the bluster, lawyers and bankers continued to try to negotiate a settlement. According to a member of the creditor's group, the two sides were about \$10 million to \$20 million apart at the end of last week but couldn't bridge the gap.

With prospects dimming for a negotiated deal that would hand the team to the Greenberg-Ryan group, lawyers for the baseball team and Major League Baseball decided to bring the prepackaged bankruptcy to court Monday in an attempt to maintain control of the process and pre-empt any efforts by creditors to force a sale to another bidder.

"We are proud to play an active role in resolving the deadlock in this complex sale process," Mr. Hicks said in a statement. "Rangers fans deserve management's full focus on baseball operations."

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