Game on

Creditors go to bat against the rules of a hallowed American sport.

WHEN a company defaults on its debts, it typically enters bankruptcy; its assets are sold and the proceeds are divvied up among creditors under court supervision. Not so when one of those assets is a Major League Baseball (MLB) team. Under rules established by the league's commissioner, who is chosen by the clubs' owners, any sale of a team must be approved by at least 23 of the game's 30 franchises. The league says this rule is protected by its 80-year-old exemption from American antitrust law. The Texas Rangers' declaration of bankruptcy on May 24th will put that claim to the test.

In 1998 Tom Hicks, a leveraged-buy-out specialist, bought the Rangers for $250m from a group of owners that included George W. Bush. He soon authorised a bevy of disastrously expensive contracts for players, including a ten-year, $252m deal for Alex Rodríguez, a star hitter, which was twice as costly as the previous record. To pay its bloated salaries, the club had to ask MLB for a $25m loan in 2009. It also missed a mandatory $40m payment into a fund for deferred player compensation.

Last year Hicks Sports Group (HSG), the holding company that owns the Rangers, the Dallas Stars hockey team and the Stars' arena, stopped paying interest on its $525m of debts. (Britain's Liverpool football club, which is half-owned by Mr Hicks, is not held by HSG). HSG put the Rangers up for sale, and three bidders placed offers.

Mr Hicks chose to enter exclusive negotiations with a group led by Chuck Greenberg, a sports lawyer, and Nolan Ryan, a legendary former pitcher for the Rangers who is now the team's president. In January the two sides announced a $575m deal, in which Mr Greenberg would buy the team from HSG, and 153 acres of land surrounding its stadium from a different firm also controlled by Mr Hicks. The property in question includes the lucrative parking lots for both the Rangers and the Dallas Cowboys football team, who play nearby. Mr Hicks would also have retained a small stake in the club.

However, the sale has been blocked by HSG's creditors, led by Monarch Alternative Capital, a distressed-debt hedge fund. HSG used the Rangers as collateral for $75m of its debt, and so cannot sell the team without its creditors' blessing. But the creditors are not happy with the agreement between Mr Hicks and Mr Greenberg, under which they would receive around $230m of the $525m they are owed. They say other bidders might pay $300m.

By putting the Rangers—but not the rest of HSG—into bankruptcy, Mr Hicks is turning to the courts to resolve the stalemate. MLB argues that since the deal would give creditors far more than the $75m guaranteed by the Rangers, a judge should approve the sale. The creditors, it points out, would still be free to seek further recompense from HSG's remaining assets.

The creditors argue that this scheme would deprive them of their best chance of repayment. They say that too little of the sale price is being assigned to the Rangers, which belongs to HSG, and too much to the land, which does not. In effect, they are accusing Mr Hicks of selling them short by undervaluing the Rangers.

Moreover, the creditors claim that Mr Greenberg was not the highest bidder for the club, but that MLB encouraged a sale to him anyway. The league was certainly eager to keep Mr Ryan, a revered figure in Texas, involved with the team. Personalities may also have played a role: a rival bidder, Jim Crane, is thought to have annoyed MLB by backing out on a handshake agreement to buy the Houston Astros in 2008. Finally, the league has long sought to make sure new owners will respect the teams' collective interests, such as restraining players'

salaries and keeping the clubs' finances private. But HSG's creditors have little interest in ensuring that future owners of the Rangers toe this line.

The forthcoming bankruptcy proceedings will determine not just the fate of the Rangers but also the extent of the league's power. If the court orders a new round of bidding or increases the lenders' take, it will establish a precedent that MLB's prerogatives cannot trump those of an insolvent club's creditors. Conversely, if it approves the transaction, it would in effect grant the force of law to the league's claim that it has an absolute right to choose its members. That may make it harder for teams to secure loans in the future. In either case, someone will cry foul.

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