

Jeffrey R. Fine
Texas State Bar No. 07008410
James H. Billingsley
Texas State Bar No. 00787084
Daniel I. Morenoff
Texas State Bar No. 24032760
K&L GATES LLP
1717 Main Street, Suite 2800
Dallas, Texas 75201
(214) 939-5500
Telecopy: (214) 939-5849

COUNSEL FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION**

IN RE:	§	Chapter 11
	§	
TEXAS RANGERS BASEBALL PARTNERS,	§	Case No. 10-43400-dml11
	§	
Debtor.	§	

IN RE:	§	Chapter 11
	§	
RANGERS EQUITY HOLDINGS, L.P.,	§	Case No. 10-43624-dml11
	§	
Debtor.	§	

IN RE:	§	Chapter 11
	§	
RANGERS EQUITY HOLDINGS, G.P.,	§	Case No. 10-43625-dml11
	§	
Debtor.	§	

**OBJECTION OF THE UNSECURED CREDITORS COMMITTEE TO MOTION TO
EXPEDITE HEARING REGARDING MOTION OF RANGERS EQUITY HOLDINGS,
L.P. AND RANGERS EQUITY HOLDINGS GP, LLC PURSUANT TO 11 U.S.C. § 363(B)
OF THE BANKRUPTCY CODE FOR AUTHORITY TO FILE MOTION FOR
SUBSTANTIVE CONSOLIDATION**

The Official Committee of Unsecured Creditors in the Texas Rangers Baseball Partners case (the “Committee”), by and through its counsel, objects to the CRO’s MOTION TO EXPEDITE HEARING REGARDING MOTION OF RANGERS EQUITY HOLDINGS, L.P.

AND RANGERS EQUITY HOLDINGS GP, LLC PURSUANT TO 11 U.S.C. § 363(B) OF THE BANKRUPTCY CODE FOR AUTHORITY TO FILE MOTION FOR SUBSTANTIVE CONSOLIDATION (the "Motion").

I. BACKGROUND

1. On May 24, 2010 (the "Petition Date"), Texas Rangers Baseball Partners (the "Debtor") filed a voluntary petition under Chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its properties as a debtor-in-possession.

2. The Debtor owns and operates the Texas Rangers Major League Baseball Club, a professional baseball team based in Arlington, Texas.

3. On the Petition Date, the Debtor filed the Disclosure Statement along with a Prepackaged Plan of Reorganization of Texas Rangers Baseball Partners under Chapter 11 of the Bankruptcy Code [Docket No. 31] (the "Prepackaged Plan"). The Disclosure Statement, as amended, has been approved, and an amended Prepackaged Plan has been filed with the Court and confirmation of the Prepackaged Plan is set for August 4, 2010.

4. According to the Disclosure Statement, (a) the Debtor is a Texas general partnership; (b) the Debtor's general partner is Rangers Equity Holdings GP, LLC, (c) the Debtor's only limited partner is Rangers Equity Holdings, L.P., and (d) Rangers Equity Holdings, L.P. is the only member of Rangers Equity Holdings GP, LLC.¹ The Disclosure Statement further indicates that Rangers Equity Holdings, L.P. is entirely but indirectly owned by Hicks Sports Group LLC ("HSG"), which is indirectly controlled by Thomas O. Hicks.

¹ Rangers Equity Holdings LP and Rangers Equity Holdings GP, LLC are collectively referred to as the "Equity Owners."

Accordingly, the Debtor's management and equity owners are owned and controlled by the same person.

5. On June 3, 2010 (the "Appointment Date"), in accordance with Bankruptcy Code §1102(a)(1), the United States Trustee appointed the members of the Committee and filed a notice of this appointment with the Court [Docket No. 128]. Undersigned counsel² was subsequently approved as counsel to the Committee.³

6. According to the Disclosure Statement, HSG owes approximately \$525 million to a collection of lenders (the "HSG Lenders"), secured by liens in substantially all of HSG's assets. According to the Disclosure Statement, the Debtor guaranteed \$75 million of HSG's indebtedness and pledged substantially all of its assets to secure the guaranty.

7. The Prepackaged Plan and the Asset Purchase Agreement contemplate the successful bidder assuming most of the Debtor's unsecured obligations, and the Purchaser, "thereafter in due course shall perform, pay and discharge, all Liabilities of Seller..."⁴ The assumed Liabilities of approximately \$204 million include player contracts, deferred compensation agreements, obligations owed to the MLB, trade claims and other assumed contract and related long-term unsecured obligations of the Debtor. By contrast, the bulk of the

² The CRO's Motion for Substantive Consolidation, if granted, presents a possible scenario where the general unsecured creditors of the Debtor may receive less than 100% recovery on their allowed claims. As such, this is the very type of situation in which it is appropriate and necessary for the Committee, and its counsel, to exceed the suggested fee guideline in the employment order. The Court asked counsel to advise it when such a circumstance occurs. Undersigned counsel is so advising the Court.

³ The Equity Owners are general partners of the Debtor and are therefore jointly and severally liable for the debts of the TRBP Debtor. Since the general unsecured creditors of the TRBP Debtor are the Committee's constituency, the Committee appears as an interested party in the equity owners cases pursuant to 11 U.S.C. §1109(b).

⁴ APA, ¶2.3.

cash portion of the purchase price will be paid out at closing to the HSG Lenders, in respect of the Seller's guarantee of the Senior Indebtedness, or as payment to the Class 12 Equity Holders.⁵

7. The Equity Holders are the subject of separate Chapter 11 cases and a Chief Restructuring Officer, William K. Snyder (the "CRO"), has been appointed for the Equity Holders. The CRO has requested that an expedited hearing be set on their *Motion Pursuant to 11 U.S.C. § 363(b) of the Bankruptcy Code for Authority to File Motion for Substantive Consolidation* on or before August 4, 2010. Rangers Equity Owners sole reason for seeking expedited consideration of the substantive consolidation motion is the CRO's assertion "that substantively consolidating the Debtor's and the Rangers Equity Owners' estates will result in a significant benefit to the Rangers Equity Owners' estates and their creditors, as the significant number of fraudulent midnight transfers that occurred on the eve of bankruptcy at the Debtor level will be preserved for prosecution for the benefit of the creditors at the Rangers Equity Owners' estates level, which would otherwise evaporate if the Court confirms the current plan of reorganization proposed by the Debtor."⁶ The Committee believes that the CRO can achieve his goals through other means that are potentially less disruptive to these cases than the distraction of spending the time now on deciding a motion for substantive consolidation. The Motion for expedited consideration should be denied.⁷

II. ARGUMENT

8. There are at least three good grounds for denying the Motion for expedited consideration.

⁵ APA, ¶3.2.

⁶ CRO's Motion for Expedited Consideration, page 2.

⁷ The Committee reserves all rights, defenses and claims regarding the Motion for Substantive consolidation.

9. The Court has just completed a three day hearing on a motion to reconsider bid procedures that contemplate an August 4, 2010 auction and confirmation hearing. Assuming the Court maintains the August 4 auction deadline, with less than two weeks to conclude an auction, it would be most appropriate for all of the parties to focus their efforts on obtaining Qualified Bidders who will make competitive bids at the auction. Simply put, if the parties must spend their time preparing for an involved substantive consolidation hearing, it is highly unlikely that the auction process will function efficiently. The Committee hopes that the CRO and his counsel will spend the next two weeks working diligently on the auction process---and not preparing for a potentially highly contentious substantive consolidation hearing.

10. It is the Committee's understanding that the CRO's main reason for bringing the substantive consolidation motion is to preserve potential causes of action that may be lost if the Prepackaged Plan, as now written, is confirmed. What the CRO is really requesting are changes to the Prepackaged Plan to remove objectionable provisions such as releases, indemnities and related matters that may affect the ability to later assert alter ego and substantive consolidation arguments that may impact debtors and non-debtors.⁸ First, the CRO could assert these matters as objections to confirmation—to be heard in the ordinary course of the confirmation process. Second, if the auction process is delinked from plan confirmation and is held as a standalone 363 sale process, then substantive consolidation issues can be heard at a later date.

11. Finally, substantive consolidation issues raise many concerns for the Committee. On its face, the Debtor's case appears to be very solvent and, as the Court has reiterated many times on the record, standing alone, the unsecured creditors of the TRBP case should be paid in

⁸ As pointed out by the Court, although not yet asserted in the CRO's motion papers, there may be similar alter ego and substantive consolidation issues regarding non-debtor entities. If so, the present motion practice would have to be modified to procedurally include additional entities—yet another reason to slow down the substantive consolidation process to allow it to be heard in a more fulsome manner.

full under any scenario. However, as the CRO acknowledges, unless the Lender claims are subordinated, the substantive consolidation motion would likely result in the unsecured creditors of the TRBP case receiving substantially less than 100% payment.⁹ Unfortunately, although suggested by the CRO, upon information and belief, the Lenders have not yet stipulated to subordinating their claims to those of the general unsecured creditors at the TRBP level. Negotiations on that issue alone may take up a significant portion of time in excess of the two weeks until the August 4 auction date. Absent consensual subordination by the Lenders, an adversary process to subordinate Lender claims would likely be very time consuming and could not be accomplished in two weeks. Recent testimony on the Motion to Reconsider the Bid Procedures suggests that there are many lenders and that they may take a significant amount of time to reach a decision on any particular issue.

12. Although the Committee does not believe the substantive consolidation motion should be heard at this time, there are issues raised by the motion that may impact the current sales process. As currently presented to the Court, the Greenberg/Ryan APA contemplates the purchaser assuming most, but not all, unsecured claims of the Debtor.¹⁰ The CRO's substantive consolidation motion does not make it clear whether those general unsecured claims assumed by the purchaser will be subject to the substantive consolidation motion and potential claw back claims of the consolidated entities. For example, if the purchaser assumes general unsecured obligations of the TRBP Debtor, if the substantive consolidation motion is subsequently granted,

⁹ "Critically, there is no resulting harm to the creditors of the Debtor's estate, if the Court subordinates the Lender Parties' claims at the Debtor level that are in excess of the TRBP Guaranty Cap of \$75 million." CRO Motion to Consolidate, ¶29.

¹⁰ Although there may be some changes made to the form APA, the Committee assumes that any competitive bidder will adopt the same mechanism, as in the Greenberg/Ryan APA, of assuming general unsecured obligations of the TRBP Debtor as part of its APA.

will the newly consolidated entities then seek to assert actions to recover the value of the claims assumed by the purchaser? The CRO's motion is silent on this issue.

III. CONCLUSION

WHEREFORE, PREMISES CONSIDERED, the Committee respectfully asks that the Court deny approval of the Motion for expedited consideration.

DATED: July 22, 2010

Respectfully submitted,

K&L GATES LLP

By: /s/ Jeffrey R. Fine

Jeffrey R. Fine

Texas State Bar No. 07008410

jeff.fine@klgates.com

James H. Billingsley

Texas State Bar No. 00787084

james.billingsley@klgates.com

Daniel I. Morenoff

Texas State Bar No. 24032760

dan.morenoff@klgates.com

1717 Main Street, Suite 2800

Dallas, Texas 75201

Telephone: 214-939-5500

Facsimile: 214-939-5849

**ATTORNEYS FOR THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS**

CERTIFICATE OF SERVICE

I certify that, on July 22, 2010, the foregoing was served via the CM/ECF system on all interested parties.

 /s/ Jeffrey R. Fine

Jeffrey R. Fine