

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

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| In Re: |) | Case No. 10-43400-dml |
| |) | Chapter 11 |
| TEXAS RANGERS BASEBALL |) | |
| PARTNERS, |) | Fort Worth, Texas |
| |) | Tuesday, May 25, 2010 |
| Debtor. |) | 1:30 p.m. Docket |
| |) | |
| |) | FIRST DAY MOTIONS |

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE D. MICHAEL LYNN,
UNITED STATES BANKRUPTCY JUDGE.

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| | |
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1 FORT WORTH, TEXAS - MAY 25, 2010 - 1:34 P.M.

2 THE COURT: Please be seated. All right. This is the
3 Texas Rangers Baseball Partners case. I'll call the roll for
4 the telephone appearances first. We have Mr. Kheel for the
5 Office of the Commissioner of Baseball?

6 MR. KHEEL: I'm not going to be speaking, Your Honor.

7 THE COURT: All right. Fine. And we have Mr. Seltzer
8 for the Major League Baseball Players Association?

9 MR. SELTZER: Good afternoon, Your Honor, and thank
10 you for permission to participate by phone.

11 THE COURT: Glad to accommodate you. Could I have
12 appearances in the courtroom, please?

13 MR. SOSLAND: Good afternoon, Your Honor. Martin
14 Sosland of Weil Gotshal & Manges for the Debtors. With me
15 today in a speaking role would be my partner Ronit Berkovich
16 from our New York office, for whom we've filed a motion to
17 appear *pro hac vice* in this case.

18 THE COURT: All right. I've not signed an order yet
19 but I'll be delighted to extend you the courtesy of the bar.

20 MR. SOSLAND: And a couple of the people who are with
21 us in a nonspeaking role that I will mention, because you may
22 see them later in the case, include Vance Beagles and Michelle
23 Larson of our firm.

24 THE COURT: All right. I remember both of them from
25 prior cases.

1 MR. SOSLAND: And my partner Glenn West, who is also
2 admitted in this district, Your Honor, and is with us at
3 counsel table, --

4 THE COURT: All right.

5 MR. SOSLAND: -- although Mr. Berkovich and I will be
6 handling the matter.

7 THE COURT: It's nice to see you, Mr. West.

8 MR. SOSLAND: Also there are other people and I won't
9 take the time to introduce, but the people who are also here
10 today, Your Honor, the Debtor will be filing an application to
11 retain as conflicts counsel the firm of Forshey & Prostok, and
12 Mr. Prostok is in the courtroom with us today. We also have in
13 the courtroom today the President of the Texas Rangers Baseball
14 Partners, Nolan Ryan, and the Chief Financial Officer, Kelly
15 Fischer, Your Honor.

16 THE COURT: Very well.

17 MR. ROCHELLE: Afternoon, Your Honor. Michael
18 Rochelle and Scott DeWolf of Rochelle McCullough. Also, Joseph
19 Faviani and David Teh of Latham & Watkins for JPMorgan Chase,
20 the agent bank for the first lien facility.

21 THE COURT: All right.

22 MR. STEWART: Your Honor, Dan Stewart and Paul Heath
23 with the Vinson & Elkins law firm on behalf of the ad hoc group
24 of first lien lenders. And with us here today are Mr. Andy
25 LeBlanc and Dennis O'Donnell [*sic*] of the Milbank firm in New

1 York. We are processing written *pro hac vice* motions, and I
2 would move their admission orally today for purposes of this
3 hearing.

4 THE COURT: All right. For purposes of today's
5 hearing, and this goes as well for the members from Latham &
6 Watkins announced by Mr. Rochelle, I will be happy to extend
7 the courtesy of the bar to them for today. All right. And you
8 get your motions in and we'll take care of it from there.
9 Okay?

10 MR. STEWART: Thank you, Your Honor.

11 THE COURT: Thank you, Mr. Stewart.

12 MS. O'NEIL: Good afternoon, Your Honor. Holly O'Neil
13 with Gardere Wynne & Sewell on behalf of GSP Finance, LLC,
14 who's the second lienholder's agent. Also on listen-only are
15 various gentlemen from my co-counsel at Clifford Chance.

16 THE COURT: Very well.

17 MR. SIMON: Good afternoon, Your Honor. Robert Simon
18 of Barlow Garsek & Simon, and I represent Rangers Baseball
19 Express, LLC. I have with me Zack Garsek of our office, who I
20 don't think will speak today. And also Michael J. Small of the
21 law firm of Foley & Lardner in Chicago, from whom a *pro hac*
22 *vice* motion has been filed. We would request that the Court
23 extend the courtesy of the bar to him.

24 THE COURT: As I said, I will be happy to do so.

25 MR. SIMON: Thank you, Your Honor.

1 MR. MCDOWELL: Good afternoon, Your Honor. Luckey
2 McDowell with Baker Botts on behalf of the Major League
3 Baseball Players Association. I believe you also heard from
4 Mr. Seltzer of the firm Cohen Weiss and Simon, who's appearing
5 by phone today. We will also have *pro hac vices* on file
6 shortly, Your Honor.

7 THE COURT: Thank you, Mr. McDowell.

8 MR. SELTZER: And Your Honor, it is Richard Seltzer.
9 If it would be all right if I could appear *pro hac* today, we
10 will file --

11 THE COURT: I will extend you the courtesy of allowing
12 you to participate. I think extending you the courtesy of the
13 bar is inappropriate when the bar is nowhere near you.

14 MR. SELTZER: Thank you very much.

15 THE COURT: All right. Go ahead.

16 MR. FINE: Thank you. Your Honor, Jeffrey Fine on
17 behalf of Vratsinas Construction Company and RTKL Associates
18 Ltd.

19 THE COURT: All right.

20 MR. FINE: Thank you, Your Honor.

21 MR. CHEVALLIER: Good afternoon, Your Honor. Mark
22 Chevallier on behalf of my firm, McGuire Craddock & Strother,
23 appearing here representing Ballpark Real Estate, LP.

24 THE COURT: All right.

25 MS. LAMBERT: May it please the Court, Judge Lynn, my

1 name is Lisa Lambert. I represent the United States Trustee,
2 William Neary. With me today is Meredyth Kippes.

3 THE COURT: Very well.

4 MR. ESSERMAN: Good afternoon, Your Honor. Sandy
5 Esserman representing the Office of the Commissioner, Major
6 League Baseball, and we've moved *pro hac* to admit Steve
7 Shimshak, Jordan Yarett and Diane Meyers, who are in the
8 courtroom today. And those papers have been filed with Your
9 Honor, and I would request that they be allowed to speak
10 today.

11 THE COURT: I will extend them the courtesy of the
12 bar. My apologies to all of you. I went through my order
13 queue yesterday and none of you were in it yet. So I will get
14 to you shortly.

15 MR. ESSERMAN: No problem.

16 THE COURT: All right. Thank you.

17 MR. ESSERMAN: No problem. Thank you, Your Honor. I
18 would also like the Court to know that in the courtroom today
19 we've got the President of Major League Baseball, Bob DuPuy,
20 as well as the General Counsel, Tom Ostertag, and counsel
21 Chris Broome.

22 THE COURT: All right.

23 MR. ESSERMAN: Thank you.

24 THE COURT: Nice to have everybody here. Any other
25 appearances?

1 (No response.)

2 THE COURT: All right. Mr. Sosland, how would you
3 suggest we proceed?

4 MR. SOSLAND: Your Honor, my suggestion is to begin in
5 this first day of this Chapter 11 case by providing the Court
6 with, if you will, an opening statement, a summary of why we're
7 here and what will be heard today. I don't know -- and then to
8 segue from that as the first motion into the DIP financing
9 motion. I have been advised by Mr. Stewart that I believe his
10 clients would also like to speak before --

11 THE COURT: All right.

12 MR. SOSLAND: -- go into the DIP motion, and then we
13 would do that.

14 THE COURT: All right. We'll do it that way.

15 Before we begin, let me ask you to observe a couple of
16 rules. One is, when you come to the microphone -- this would
17 not be a problem for some of you, including Mr. Sosland or Mr.
18 Stewart -- please announce your name and who you represent
19 again for the assistance of the court reporter, to say nothing
20 of me. And secondly, keep in mind that if you speak and you do
21 not speak into a microphone, your comments will not be part of
22 the record and you will have trouble convincing an appellate
23 court that you said anything worth their attention at the time.
24 So please keep those two rules in mind.

25 All right. Mr. Sosland, you may proceed.

1 MR. SOSLAND: All right. Thank you, Your Honor.

2 THE COURT: And by the way, I have attempted to read
3 through all the pleadings, including the U.S. Trustee's
4 response brief. I trust you will forgive me if I have not
5 fully mastered all the motions yet. Getting hit with 500 pages
6 to read at 9:00 in the morning for a 1:30 hearing is a little
7 beyond my capacity.

8 OPENING STATEMENT ON BEHALF OF THE DEBTOR

9 MR. SOSLAND: We appreciate all of the time that you
10 did give us, Your Honor. And obviously we're not before you on
11 the disclosure statement itself today.

12 Your Honor, Martin Sosland; Weil Gotshal & Manges; for the
13 Debtors. As we explain in the summary of how we got here, I
14 have a couple of demonstratives. And if the Court will allow
15 me to approach, I have copies of an organizational chart. I
16 have hand-sized copies for you and your law clerks, and a few
17 extras.

18 THE COURT: All right.

19 MR. SOSLAND: I don't know if I have enough for
20 everyone in the courtroom, but I have a number of additional
21 copies.

22 THE COURT: All right. Bring them on up. Two there,
23 one here.

24 (Pause.)

25 MR. SOSLAND: Your Honor, we're here today

1 representing as Debtor-in-Possession Texas Rangers Baseball
2 Partners. And this Chapter 11 plan was filed in order to
3 implement a Chapter -- a sale of the assets of Texas Rangers
4 Baseball Partners through a plan that was filed at the time
5 that the petition was filed. And that plan will pay all of the
6 creditors of the Debtor in full, Your Honor. But there's -- I
7 think it's -- it will be important, because the issues will
8 come up, to understand not just the TRBP, or the Debtor, in
9 isolation, but where it fits within a larger organization,
10 including debt that is guaranteed in part by the Debtor. And
11 so before we actually get into the substance of the motions
12 before the Court, I thought that we would offer that
13 explanation by way of a diagram.

14 On the chart that we've prepared, highlighted in green is a
15 triangle, and Texas Rangers Baseball Partners. That is the
16 Debtor before Your Honor. The Texas Rangers Baseball Partners
17 is a Texas general partnership. Its general partners consists
18 of the entities above it: Rangers Equity Holdings -- I won't
19 go through all of the appendages for the formations, but
20 Rangers Equity Holdings and Rangers Equity Holdings are the two
21 general partners in that, and they in turn are ultimately owned
22 by entities known as HSG Sports Group, LLC and its parent, HSG
23 Sports Group Holdings, LLC, Your Honor. Those are -- those
24 entities are ultimately controlled by Thomas O. Hicks, who is
25 often referred as the owner of the Texas Rangers.

1 HSG Sports Group, LLC has borrowed \$525 million from first
2 and second lien lenders that are present in the courtroom
3 today, or representatives of them are. And that debt is
4 guaranteed in part by Texas Rangers Baseball Partners. The
5 other assets of HSG Sports Group, Your Honor, which are shown
6 on the chart include a 50 percent indirect interest in an
7 entity called Center Operating Company that is -- that
8 basically operates the American Airlines Center in Dallas,
9 Texas. The Dallas Stars and entities affiliated with the
10 Dallas Stars, which you see on the lower right part of this
11 chart, is the Stars organization. And the baseball ownership
12 is through the Debtor before you. There is a sister company to
13 Texas Rangers Baseball Partners called Emerald Diamond, LP.
14 That entity basically owns or owns the economic interests in an
15 office building that's in centerfield of the Ballpark in
16 Arlington. And then underneath it there are two -- underneath
17 the Debtor there are two subsidiaries, one of which simply
18 holds the -- is the lease for the stadium itself, all of the
19 economic benefits and burdens of which basically flow through
20 to the Debtor and the -- or did own it. And then the Rangers
21 Club Trust, which has certain assets affiliated with Major
22 League Baseball, primarily, Your Honor.

23 Now, under the -- the Texas Rangers Baseball Partners, the
24 Debtor, has guaranteed \$75 million of the \$525 million loan to
25 HSG Sports Group, and has pledged all of its assets,

1 substantially all of its assets, in support of that loan, Your
2 Honor. That guaranty and the lien, the security interests, are
3 capped at the \$75 million amount.

4 Emerald Diamond, which has the centerfield office building
5 asset within it, is also a guarantor, but not a capped
6 guarantor. And the parents, if you will, the two partners in
7 TRBP -- so the owners of the direct equity interests in the
8 Debtors are also guarantors of the HSG loan, and those are --
9 that guaranty is also not limited at the equity level. So it's
10 limited at the Debtor -- for purposes of this discussion, it's
11 limited only at the Debtor entity. The Stars, there's separate
12 limitations that relate to the Dallas Stars, but those are not
13 assets that would be before Your Honor.

14 The other principal debt obligations of TRBP consist of an
15 obligation to Major League Baseball in the amount of \$18.45
16 million in principal amount, as of the commencement of the
17 case, and an obligation of \$5 million to Thomas O. Hicks, as of
18 the commencement of the case. The obligations to Mr. Hicks and
19 to MLB were for funding liquidity shortfalls in the operation
20 of the Debtors leading up to that case.

21 So, what do the Debtors do? The Debtors, Your Honor, run
22 the Major League Baseball club called the Texas Rangers down
23 the road in the Ballpark in Arlington that just completed a
24 successful home stand. And although they only took one of
25 three from the Cubs, did have 120,000 fans in the stands for

1 three one-run games over the last weekend.

2 Your Honor, the business of running the baseball club, in
3 terms of revenues, expenses, is not unlike any other business,
4 but also comes with it significant interest to the public and
5 to sports fans across the Metroplex and the nation, given the
6 number of fans who participate in baseball each year as
7 spectators, either directly at the games, watching on TV, or
8 through other avenues of participation.

9 Each club that the -- Major League Baseball, which the
10 Texas Rangers are part of, is itself an unincorporated
11 association of the 30 Major League clubs in the American and
12 National Leagues. That they do business, as you'll see in the
13 papers, as the Office of the Baseball Commissioner, are doing
14 business as Major League Baseball, Your Honor.

15 It is important, because it will become an issue in the
16 case, to note that the very organizational documents of the
17 entities that comprise the Debtors and their equity holders are
18 subject to the constitution of Major League Baseball and the
19 rules and regulations governing Major League Baseball, and thus
20 there are transfer restrictions and transfer regulations that
21 govern the transfer of ownership of a baseball club. And among
22 those are -- among those, there's certain approval requirements
23 that -- the transfer of any baseball club to a new owner
24 requires the approval of the Baseball Commissioner and the
25 approval of 75 percent of the -- by affirmative vote of 75

1 percent of the owners of the other Major League Baseball clubs.

2 Your Honor, baseball clubs do not necessarily always
3 operate at a profit, and they don't operate with smooth or
4 regular cash flow. So, by way of example to the latter, much
5 of the revenue of a baseball club, and in particular the Texas
6 Rangers, comes from the sale of tickets. The ticket sales
7 start in the form of season ticket renewals immediately after
8 the prior season ends. So the regular season, the championship
9 season for Major League Baseball, generally runs from the
10 beginning of April to the end of September, adjusting for
11 weekends that it may -- there may be a few days' stretch one
12 way or the other. And the ticket sales -- ticket revenue sales
13 start -- begin coming in November, shortly after the regular
14 season is over.

15 Most tickets for the games are sold between November and
16 the start of the season or early in the season, and so the club
17 tends to build cash revenues during that point in time. By the
18 same token, players' salaries, which are by far and away the
19 biggest cash expense of an operating baseball club, are
20 generally paid out only during the season itself, so from April
21 to September. So, from November to April, the club is building
22 up cash. Although it has some operating revenue between April
23 and September, it's not nearly the level of the ticket sales in
24 the first -- before the season started. And then the large
25 dollars that you may have read in our First Day papers for

1 players' salaries start coming.

2 When we get to it, the reason for the debtor-in-possession
3 financing, Your Honor, that we will be requesting later in the
4 hearing is that we've come to the part of the season where the
5 cash that has been collected early on is starting to decline
6 and we need some -- we likely, based on the projections, will
7 need some additional liquidity to fund the operation of the
8 club between the middle of the season and the end of the
9 competitive season, Your Honor. So that's how the cash flows
10 work.

11 During the course of Mr. Hicks' ownership of the Texas
12 Rangers Baseball -- of the Texas Rangers club, Your Honor, the
13 operations have -- the cash needs of the club have often
14 exceeded the cash revenue generated by the club. And as a
15 result, over the course of Mr. Hicks' ownership, as we've
16 stated in the papers, he basically funded almost \$100 million
17 or in excess of \$100 million in operating losses over time, or
18 cash losses over time, and ultimately reached a point where he
19 just wasn't willing to do it anymore, Your Honor. And so
20 beginning in 2008, HSG, the holding company, in conjunction
21 with the team and the other entities that are subs of HSG,
22 began looking and exploring for how they could infuse more
23 capital into the company. They looked at a variety of methods
24 of doing so, from selling a minority stake to some sort of
25 capital raise to sale options, and ultimately concluded, Your

1 Honor, that there was no viable option for the baseball club
2 but to sell it.

3 And so the company went through a competitive bidding
4 process. All of the details are spelled out in the First Day
5 papers. It's not unlike competitive bidding processes that you
6 seen inside court proceedings, Your Honor, where a variety of
7 potential purchasers were contacted. There were first and
8 second round bids. Ultimately, three parties were invited to
9 participate in a final bid selection. And in December of 2009,
10 TRBP, in conjunction with the approval and participation of
11 MLB, of Major League Baseball, selected the Greenberg/Ryan
12 Group as the winning bidder in the auction. And ultimately on
13 January 23rd of 2010, of this year, entered into a purchase
14 agreement for the sale of the club to the Greenberg/Ryan Group,
15 a purchase group headed by Chuck Greenberg, who's here in the
16 courtroom today, and Nolan Ryan, who, as I mentioned earlier,
17 Your Honor, is also the President of the Texas Rangers today.

18 Because of the liens of the lenders at HSG, and because of
19 the interrelationship with contracts and other rights that
20 relate to HSG, Your Honor, that agreement required the consent
21 by its terms, January 23rd contract, required the consent of
22 the lenders. And that consent has never been obtained, Your
23 Honor.

24 So we have the club operating without its historic source
25 of subsidy, if you will, in the form of Mr. Hicks. It did

1 enter into, during that period of time, enter into a
2 relationship with MLB, referred to as the "Voluntary Support
3 Agreement" or "VSA." In connection with that, MLB advanced
4 operating funds to the Debtors, and that resulted in the \$18.45
5 million obligation that I referenced at the beginning and that
6 is a liability of the club as we came here.

7 THE COURT: Do I understand that it was partly in
8 exchange for that advance of funds that Major League Baseball
9 nominated a monitor who, as I understand, participated in the
10 bidding process?

11 MR. SOSLAND: In connection with that loan, Your
12 Honor, and pursuant to the terms of the Voluntary Support
13 Agreement, Major League Baseball did install a monitor, and
14 also obtained certain consent and approval rights related to
15 the operation of the club. And in one of the motions that we
16 filed today, in connection with the DIP motion that has been
17 proposed, the Debtors seek to borrow from Major League
18 Baseball, there's a new agreement called --

19 THE COURT: The Interim --

20 MR. SOSLAND: -- the Interim Support Agreement that
21 removes some of the consent rights that were contained in the
22 VSA that maintains the monitoring and consulting provisions and
23 a reimbursement of MLB's expenses in connection with that,
24 which the reimbursement was also a part of the VSA, Your Honor.

25 THE COURT: Did I misunderstand? I noticed in the

1 Trustee's brief that the Trustee expressed concern about
2 payment of prepetition claims under the support agreement, but
3 did I understand that that was being deferred at this time?
4 That's the way I read your motion.

5 MR. SOSLAND: The --

6 THE COURT: Prepetition obligations for --

7 MR. SOSLAND: The prepetition obligations to MLB under
8 that \$18.45 million note would be satisfied under the plan,
9 Your Honor.

10 THE COURT: Right. Right. As opposed to --

11 MR. SOSLAND: Not under -- not as part of the First
12 Day motions.

13 THE COURT: All right. All right. Go ahead.

14 MR. SOSLAND: So, Your Honor, stuck on high ground, if
15 you will, with the desire to transfer ownership of the team and
16 the inability to reach agreement with the lenders on that, the
17 Debtor, Texas Rangers Baseball Partners, with the approval of
18 Major League Baseball, basically is -- has negotiated,
19 renegotiated the agreement by essentially taking assets that
20 otherwise were outside of the Debtor. Although they're not
21 particularly -- they don't comprise a lot of the purchase
22 price, there were sponsorship agreements at the HSG level that
23 under the terms of the original agreement would have been
24 transferred directly by HSG to the buyer. Those sponsorship
25 agreements, which HSG cannot perform itself if it doesn't own

1 the Texas Rangers, because it has things -- it's for things
2 like signage in the ballpark, for example.

3 Just by way of what are the differences between the
4 contract that's dated this week versus the one dated January,
5 that is -- those assets now reside in the Debtor. The
6 centerfield office building, which was -- a lease related to
7 that which was in a sister corporation has been valued,
8 transferred to the Debtor, to Texas Rangers Partners, in
9 exchange for a note representing the fair market value of the
10 lease rights in the centerfield office building. That note
11 would be satisfied by the purchase price, and proceeds of that
12 would ultimately go to the HSG lenders who are creditors of
13 Emerald Diamond at the time of closing. But it puts the asset
14 in the Debtor, Your Honor.

15 And there's a few other assets that are described in the
16 papers that we've filed, but the two -- the most material
17 represent either the office lease related to the real estate or
18 the contracts, even though -- in terms of number, even though
19 the contracts themselves didn't really shift any value, because
20 the contracts -- the benefit and the burden of those contracts
21 were borne by the baseball club anyway, were simply
22 administered by HSG.

23 I'd also note that HSG -- the HSG transfer of the contracts
24 into the Rangers was by way of capital contribution down from
25 the parent, so there's no consideration out of the Debtor in

1 exchange for those assets.

2 In any event, Your Honor, an agreement has been executed.
3 It has been filed with the Bankruptcy Court as an exhibit to
4 the Chapter 11 plan and disclosure statement that was filed
5 yesterday. I don't expect that Your Honor would have had time
6 to look at it, but what the plan does provide, Your Honor, is
7 that upon the closing, which would occur promptly after
8 confirmation of a Chapter 11 plan, the asset purchase agreement
9 would close. Under the asset purchase agreement, the purchaser
10 assumes virtually all of the operating obligations of the
11 company, the day-to-day -- the contracts associated with
12 running the ball club, the vendor contracts associated with
13 running and sponsorship agreements associated with running the
14 ball club, the continued employment of every single employee of
15 Texas Rangers Baseball Partners, and the assumption of all of
16 the agreements that the ball club has under the collective
17 bargaining agreement that governs Major League Baseball, which
18 dictates the terms of the -- terms that relate to the salaries
19 and compensation for the players.

20 We'll get to it when we get to the employee motion, but the
21 players themselves comprise a minority of the total employees
22 of Texas Rangers Baseball Club, but they, because of the way
23 Major League professional athletes are compensated, it's a
24 disproportionately large share of the compensation, and we've
25 put those numbers out there.

1 THE COURT: Sort of like large law firm partners.

2 (Laughter.)

3 MR. SOSLAND: Sort of like that, Your Honor.

4 THE COURT: Yes.

5 (Continued laughter.)

6 THE COURT: I like watching all the partners giggle
7 when I say that.

8 MR. SOSLAND: And also, a number of players, pursuant
9 to terms of the collective bargaining agreement, Your Honor,
10 when they negotiate their contracts, have provisions in the
11 agreements for deferral of their compensation, so that the big
12 headline numbers that you read about in the newspaper
13 associated with a player's contract, the player receives, but
14 may not receive all or even large portions of that amount until
15 sometime in the future. So, for example, at the top of the 30
16 largest creditors list that we filed are, indeed, obligations
17 to a number of current and former players for the Texas
18 Rangers, most of which --

19 THE COURT: I wanted to ask about that. It wasn't
20 clear, in reading the papers. Does your request to continue
21 paying that compensation, that deferred compensation, include a
22 request for those players who are no longer with the Rangers?

23 MR. SOSLAND: Well, the short answer is yes, Your
24 Honor. But not in the wage motion, but in the other vendor
25 motion. But among those -- I would like to be clear. We would

1 have done this in context of the motion.

2 THE COURT: Well, you can wait --

3 MR. SOSLAND: Most of --

4 THE COURT: You can wait until then, if you want.

5 MR. SOSLAND: Most of the -- but most of those
6 obligations are not due any time soon.

7 THE COURT: Yes. As I understand, January and March
8 or something like that is when you pay them once a year?

9 MR. SOSLAND: Well, yes. And the top two creditors on
10 that list, there are no obligations due under their deferral
11 agreements until 2016. So under the purchase agreement, the
12 purchaser will assume those obligations.

13 THE COURT: All right.

14 MR. SOSLAND: But under none of the First Day motions
15 will any of those amounts be paid anytime soon. There are two
16 former players, Your Honor, who receive monthly compensation of
17 \$11,000 and \$54,000 per month for the two players. So our
18 motions actually do request continuing to pay the \$65,000 a
19 month that would go to those two players. But there is nothing
20 -- none of the other relief that we're seeking, Your Honor,
21 really relates to any deferred compensation arrangements. So I
22 wanted to point out why -- that the numbers were large, but
23 they didn't -- those are amounts that will be assumed by the
24 purchaser under the plan and not actually paid by the Debtor.

25 THE COURT: Thank you. I was not clear as to that.

1 Go ahead.

2 MR. SOSLAND: And then the balance of the purchase
3 price -- so the purchase price, Your Honor, of the Debtor's
4 assets under the contract that we'll seek approval of in the
5 plan, not today, is a little bit over \$500 million, Your Honor.
6 About -- almost half of that is comprised of assumptions of
7 liabilities. There are about \$240 million of liabilities that
8 are assumed, but current assets also go to the purchaser, so
9 the net is a little bit over \$200 million. And then the
10 balance of the purchase price for the Debtor's assets is paid
11 in cash, Your Honor. There is basically a formula that's in
12 the asset purchase agreement that starts -- for the cash
13 portion, starts with a headline or nominal purchase -- nominal
14 cash portion, Your Honor, of \$304 million, from which about a
15 little over \$3 million is subtracted based on an adjustment in
16 the agreement, so that leaves about \$300 million, Your Honor.
17 Of the \$300 million cash purchase price, there is a requirement
18 in the sale, Your Honor, that -- there's also some land not
19 owned by the Debtors, not owned by any in the HSG structure,
20 and I think in a minute I will explain that so this makes
21 sense.

22 THE COURT: That's the parking?

23 MR. SOSLAND: That's basically the parking. In fact,
24 if you don't mind, I'll digress here. I think -- if anybody
25 wants to -- this is purely demonstrative also, but if anybody

1 wants it, let me bring -- Your Honor, if I may approach, I also
2 have copies of this.

3 THE COURT: I was going to going to say: if you think
4 I can read that ...

5 (Laughter.)

6 MR. SOSLAND: Your Honor, you don't really need to
7 read it, but it's just sort of to explain what the purchaser
8 and, indeed, every single bidder that was approached was
9 interested in. Let me -- if I could walk over to that. I know
10 --

11 THE COURT: Sure. But make sure -- take the
12 microphone from the front of Mr. West there, why don't you? Or
13 that one's fine, if you want.

14 MR. SOSLAND: Does this one work?

15 THE COURT: Sure.

16 MR. SOSLAND: Or in front of Mr. West, so I don't
17 stand in front of the chart.

18 Your Honor, in the center of the diagram is the physical
19 location of the Ballpark in Arlington itself, the actual park
20 where the baseball games are played. Going back to 1998, when
21 Mr. Hicks acquired the team, this -- it doesn't matter so much
22 for purposes of this discussion what colors are which parking
23 lots, but the -- some of the land in connection with the
24 parking that's parking for the operation of the ballpark for
25 Major League Baseball is controlled or owned within the club,

1 but a large portion of it is owned by another entity called
2 Ballpark Real Estate, Your Honor, that's also owned indirectly
3 by Mr. Hicks but not through HSG. And as I say, that's been
4 the case since '98. But essentially this -- Your Honor, the
5 parking lot here, which is known as Lot A; the Parking Lot J,
6 immediately adjacent to the park; and Parking Lot N are owned
7 in fee by this entity called Ballpark Real Estate. And various
8 of the other parking lots around the club or around the park
9 have long-term leases that are controlled by that entity, Your
10 Honor.

11 And because of the importance of having the proper capacity
12 for parking to the operation of the team, of the club, during
13 baseball season, every single bidder who approached HSG and the
14 Rangers about being interested in acquiring it said that they
15 would only acquire the club if BRE were also willing to sell
16 its real estate assets associated with the parking on the club
17 as well. And so there is a separate asset land sale agreement,
18 Your Honor, between BRE that has value in the \$70-\$75 million
19 range for that land that surrounds the ball club.

20 Your Honor, in connection -- and that was where I was going
21 to get into Emerald Diamond, Your Honor. BRE actually borrowed
22 money or has a note to Emerald Diamond, the sister company of
23 the Debtor, for -- I believe the amount is \$12.8 million. That
24 land would be sold free and clear. Part of -- under the
25 contract, part of the \$300 million headline or nominal purchase

1 price for the club is used to satisfy the Emerald Diamond note,
2 BRE's Emerald Diamond note, so that's a deduct from \$300
3 million before you get to the amount of cash that actually
4 comes into the Debtor. That \$12.8 million is used to satisfy
5 BRE's obligation to Emerald Diamond so that the land can be
6 transferred to the purchaser free and clear. Emerald Diamond
7 will then -- will receive that cash and also -- will receive
8 that cash and also some other that we'll describe in a minute.
9 And that, what Emerald Diamond receives, would ultimately go to
10 the HSG creditors, because Emerald Diamond guaranteed the HSG
11 debt.

12 So if -- I'll go -- I'm going to put the other chart back
13 up.

14 So, then for the -- after that note is satisfied, Your
15 Honor -- so \$12.8 million of the \$300 million ends up going
16 into the Emerald Diamond entity for satisfaction of BRE's
17 obligation to Emerald Diamond, leaving approximately \$287
18 million of cash purchase price for the Debtors.

19 Of that amount, about \$30 million is placed into an escrow
20 under the agreement. And of the remaining cash, at closing,
21 and assuming the Court's confirmed the plan, the remaining cash
22 that's not placed in escrow would be used to satisfy the \$75
23 million direct obligation to the lenders, the \$18.45 million
24 obligation to MLB, the \$5 million overdraft note to Mr. Hicks.
25 In connection with the transfer of the centerfield office

1 building assets into the Debtor, there was a \$15 million note
2 that was executed, representing the fair market value of those
3 assets. That money would then satisfy that note at closing, so
4 that money would go into Emerald Diamond, Your Honor. So the
5 combination of the two notes is about \$28 million that would be
6 in Emerald Diamond for the benefit of the HSG lenders. There'd
7 be the \$75 million that's paid directly to them as TRBP's
8 creditors by virtue of the guaranty, and then the remaining
9 cash purchase price, before any costs of administration, Your
10 Honor, would be about \$162 million, of which, as I said, \$30
11 million is going into escrow. Whatever is not in escrow would
12 be, under the terms of the plan, would be distributed to equity
13 and for the benefit -- and ultimately, because of equity's
14 obligations, also go to the HSG lenders, Your Honor.

15 So that's basically what the plan provides for. All of the
16 employee obligations, all of the day-to-day obligations of the
17 company, the subsidiary relationships with -- that are owned
18 through the trust that you see underneath the Debtor, which
19 includes the Rangers' share of obligations on a line of credit
20 for the -- basically, for Major League Baseball; for the
21 industry, if you will, Your Honor -- all of those are
22 obligations that would be assumed by the purchaser under the
23 agreement, so would not have to be satisfied in cash from the
24 other -- from the cash portion of the proceeds of the sale.

25 That's the transaction that we will be seeking approval of,

1 Your Honor, in connection with the approval of the sale. The
2 purchaser, Your Honor, as I stated, is led by Mr. Greenberg,
3 Chuck Greenberg, who's in the courtroom; by Nolan Ryan, the
4 current president of the club. It includes -- 90 percent of
5 the other investors in that group are local investors who
6 agreed to support that ownership group, so that there will be a
7 continuity of employment for all of the Rangers employees and a
8 continuity in the community of continued participation in the
9 club, all of which we think benefits the club. It pays in full
10 the creditors of the Debtor, Your Honor. And so that's what
11 we're going to be seeking approval of.

12 Now, to bridge the gap -- and at the conclusion of the
13 hearing, the last item we'll take up, Your Honor, is our
14 request for scheduling a confirmation hearing. Because there
15 are no impaired creditors under the plan, Your Honor, and
16 because the two partners have already approved the plan in
17 connection with the filing of the Chapter 11 case, there's
18 really nobody to solicit, Your Honor, so we don't think that
19 the disclosure statement needs to be separately approved. As I
20 said, we'll address that at the end of the hearing.

21 The first thing we'd like to address substantively, Your
22 Honor, among the first thing motions, although we can answer
23 any questions that you have before then, would be the DIP
24 financing motion, which will ensure that we have the liquidity
25 to get to the confirmation of the plan. But as I -- I don't

1 know whether anybody else wants to speak, but I know for Mr.
2 Stewart that either he or his co-counsel would like to address
3 the Court.

4 THE COURT: All right. Mr. Stewart?

5 MR. STEWART: Thank you, Your Honor. Thank you, Mr.
6 Sosland. That was a very good and helpful introduction.

7 Your Honor, on behalf of the Ad Hoc Group of First Lien
8 Lenders, we would like to make an opening statement. And if I
9 might, I'd like Mr. Dennis Dunne of Milbank to do so.

10 THE COURT: Very well. Mr. Dunne?

11 OPENING STATEMENT ON BEHALF OF THE AD HOC GROUP OF FIRST LIEN HOLDERS

12 MR. DUNNE: Good afternoon, Your Honor. Dennis Dunne
13 from Milbank Tweed Hadley & McCloy, LLP on behalf of a number
14 of the first lien lenders.

15 At the outset, we appreciate the Court's granting us the
16 opportunity to address Your Honor before we get into the
17 details of the First Day motions. We hope it will be helpful
18 in placing those motions into the context of the relevant
19 capital structure, the prepetition efforts to sell these
20 assets, and the view of all the lenders.

21 Up front, Your Honor, this is the first case that I've been
22 involved with where the Debtor has come into court knowing they
23 have not maximized the value of the assets. They know there is
24 a higher bid out there from another party that MLB had
25 previously welcomed into the auction process. Nevertheless,

1 they chose to file a Chapter 11 case for the team and avail
2 themselves of the protections of this Court, but show no
3 intention of complying with the fundamental precept of
4 bankruptcy, to run a fair and open and transparent market
5 search to obtain the highest realizable value for the estate.

6 In addition, they are asking Your Honor today to fast-track
7 this case on the grounds that it's a prepack -- we don't
8 believe it is; we'll come back to that in a moment -- and to
9 approve their decision to avoid obvious value-maximizing steps.

10 Your Honor mentioned at the outset that you had a
11 relatively short amount of time to read a voluminous amount of
12 documents, and I'd like to go through a number of what I think
13 are salient, material facts that are either not disclosed in
14 the papers or are buried in. What is not clearly said is that
15 the Debtors know of another higher and better bid for these
16 assets. It's also not said that MLB had previously welcomed
17 that bidder into the process. Similarly, it's not said that
18 the bid that's on the table today is not even the best bid from
19 the Greenberg Group. A number of changes were made to the
20 Greenberg bid on the day before this case was filed. Virtually
21 all of those changes worsened the bid, lowered its value, and
22 reduce the net recoveries to the lenders.

23 It's also not said or highlighted, Your Honor, that they
24 have offered critical stalking horse-like protections to the
25 Greenberg Group. For instance, they agreed to grant Greenberg

1 a \$10 million break-up fee.

2 THE COURT: Well, until I approve that, it doesn't
3 exist, now, does it?

4 MR. DUNNE: I think what they're saying, Your Honor --
5 I agree generally with that, but I -- it's not up for approval.
6 I think what they're saying is, because we have a solvent
7 debtor, don't need your approval. It's going to get paid in
8 full.

9 THE COURT: Well, it may be, and to some extent it
10 seems to me -- for example, if equity chose to give its share
11 away, to the extent that equity can speak on its own, I'm not
12 sure that maximization of value is a key point. Now, that's
13 something we're obviously going to get to, and we're going to
14 set a schedule for getting to that.

15 MR. DUNNE: Right.

16 THE COURT: But I do understand that --

17 MR. DUNNE: And I --

18 THE COURT: -- that's part of -- shh. When I start --
19 and that goes for you, too, Mr. Sosland -- you stop. Go ahead.

20 MR. DUNNE: Yes, Your Honor. And on the equity point,
21 I will spend a fair amount of time talking about that, because
22 there's a number of legal and factual errors or oversights.

23 THE COURT: Well, again, I'm not going to decide that
24 today. I trust you understand that.

25 MR. DUNNE: Yes.

1 THE COURT: All right.

2 MR. DUNNE: But I just want to get the issues and the
3 facts out there, Your Honor.

4 THE COURT: Go ahead.

5 MR. DUNNE: But on the break-up fee, Your Honor,
6 what's unusual, and you wonder how it is an exercise of their
7 fiduciary duties, is that it was granted not to the better bid;
8 it was granted to the lower bid. And it wasn't even granted to
9 the best Greenberg bid. And the prior version of the APA, for
10 more net recoveries, did not include a break-up fee. I think
11 it's an example of what precisely is going on here. They're
12 trying to increase the economic costs of switching horses at
13 this point in time. They're trying to discourage, not
14 encourage, bidding.

15 The Debtors have also not told the Court that MLB told them
16 to stop the search for other solutions, for higher offers, and
17 has directed them to do this particular deal.

18 There are a number of provisions in the First Day motions
19 which we believe constitute poison pills, in essence, that will
20 make this case basically guaranteed to emerge the way they
21 envision because it will be prohibitively expensive to change
22 tracks. I will not get into the specifics of that now, but we
23 will come back during the motion.

24 The Debtors also have not disclosed our position
25 accurately, which has been consistent throughout the process.

1 Unlike Major League Baseball, we are not trying to steer the
2 assets to a particular group. We are not trying to manage the
3 team. We're not trying to operate the team. We're not trying
4 to move the team. We are aware of one fact: that there was a
5 higher bid and there was an aborted sale process. Our
6 objective is clear: run an open, transparent sale process.
7 Don't fast-track the sale to the lower bidder. Whatever comes
8 out of a fair and open sale process will be acceptable to us.
9 This strife for transparency, however, seems to be unacceptable
10 to Baseball. We're glad that they filed for Chapter 11,
11 because we believe it requires that marketing effort.

12 Let me turn for a second to MLB's consent rights, because a
13 lot of the Debtor's strategy in their proposed plan ultimately
14 rests on the indisputable right that MLB has to consent to the
15 purchaser of the team. Its applicability in Chapter 11,
16 however, is not clear. In most contexts, that consent right
17 would be abrogated as an anti-assignment provision, and we'll
18 reserve all our rights to so argue in the future. But even
19 were they to be recognized in this process, it does not give
20 MLB the right to run roughshod over the bankruptcy principle to
21 maximize value. It does not allow MLB to dictate the
22 acceptance of a lower bid. It does not, in essence, transform
23 the Commissioner of Baseball into some type of freewheeling
24 medieval chancellor who can dole out property rights as he sees
25 fit and in a capricious manner.

1 The Court could, if it chose, reconcile both values. It
2 could run a process that identifies the highest and best offer,
3 and then see whether Baseball consents, and if not, whether it
4 is an unreasonable exercise of their right to not consent.

5 We understand that as of today the Greenberg Group has not
6 been approved by the requisite amount of the owners, and
7 neither has the other bidder and voted on by the owners. We
8 are only aware, I think, currently, of those two and perhaps
9 one other bidder, but this today is not about MLB's consent
10 right. It is whether we are going to slow this case down, take
11 a breath, and run a process to maximize value, a sacred right
12 in Chapter 11.

13 In addition, the markets have improved since they started
14 this process and terminated it. We owe it to all constituents
15 to find out what is going on and what is out there in the
16 market.

17 One of the more obvious and objectionable facts in the
18 proposed deal, Your Honor, concerns the many conflicts and the
19 insider nature of the agreements. Mr. Hicks, for instance, is,
20 when you navigate your way through the complicated family chart
21 there, is the ultimate equity holder when you get to the top.
22 Here, he is both a buyer and a seller. He is receiving 1
23 percent equity interest in the Greenberg Group's bid. He also
24 sold his real estate that he owned as part of this deal. One
25 of the last-minute changes to the deal before the filing gave

1 him season tickets, parking passes, and the title "Chairman
2 Emeritus" for several years. He also received an
3 indemnification in the event he is sued for agreeing to this
4 very transaction.

5 I want to pause there, because Mr. Sosland pointed out what
6 he thought were a number of benefits -- namely, on-the-eve-of-
7 Chapter 11 asset transfers into this Debtor. They were from
8 affiliates. A number of them were from affiliates who owed the
9 bank group the full amount, the \$480 million a first lien debt,
10 into an entity that, as Mr. Sosland pointed out repeatedly,
11 owes the first lien lenders only \$75 million. This will be the
12 subject of investigation, but it has all the earmarks of a
13 fraudulent transfer, Your Honor. No wonder he insisted on the
14 indemnity.

15 This is simply another reason why this transaction should
16 be subject to heightened, not reduced, scrutiny, and why there
17 must be a market test of the asset.

18 Let me pick up now on Your Honor's question about the
19 equity, because let's talk a bit about the structure --

20 THE COURT: Mr. Dunne, let me interrupt you. Again,
21 we're going to get to that. One of the things that I want
22 everybody to understand is you're going to have ample
23 opportunity before the case is committed to a given course to
24 address that question. And I don't want to argue it today
25 because, among other things, if you delve into it too deeply,

1 then Mr. Sosland is going to want to respond at some length.
2 I'm guessing Mr. Esserman is going to want to talk about it. I
3 think the purchaser is here and they're going to want to talk
4 about it. And I don't have that much time for you. I can't
5 stay until 8:00 or 10:00 o'clock tonight.

6 MR. DUNNE: Your Honor, may I give you a --

7 THE COURT: You may --

8 MR. DUNNE: -- a shortened version of it?

9 THE COURT: You may do that, but I want you to
10 understand: you will have a full opportunity both to address it
11 after I've fully prepared and after you have had an opportunity
12 to fully brief me on it. All right? Go ahead.

13 MR. DUNNE: I appreciate that, Your Honor.

14 In essence, Mr. Sosland's argument about the prepack is
15 that we have a solvent debtor who's going to pay off the \$75
16 million that's owing to the first lien lenders, and equity is
17 unimpaired, and therefore no one has any cause to complain.
18 Buried in this belief, Your Honor, is the notion that the
19 Debtors do not have a duty to maximize value for equity
20 holders. We believe they do. We don't believe that as long as
21 equity is in the money for a penny, their fiduciary duty to
22 maximize the asset is out the window.

23 THE COURT: Well, but -- and again, I don't want to
24 pursue this too much now, but it would seem to me that if
25 equity itself -- and you may be able to speak for equity. I

1 understand that to some extent that that's your argument, Mr.
2 Dunne, is because equity -- the ultimate equity owner owes you
3 a lot of money, or owes your clients a lot of money, that that
4 entity, the ultimate equity owner, Mr. Hicks, whatever, is
5 under a duty to maximize value. But if equity elects on its
6 own by 100 percent -- I mean, even under the old Chapter 10
7 rules -- that's probably too old for you, but Mr. Stewart will
8 remember it.

9 (Laughter.)

10 THE COURT: Even under the old Chapter 10 rules, you
11 could give up the absolute priority rule so long as 100 percent
12 of the people in the class agreed to it. So it would seem to
13 me that the same thing to some extent is true here.

14 Now, you may be able to say that they have no right to
15 agree to it, given their obligations to you.

16 MR. DUNNE: Your Honor, I -- are you finished?

17 THE COURT: Go ahead.

18 MR. DUNNE: I agree with you. We're missing one fact,
19 and let me just get it out there, which is the intermediate --
20 the entity right above the team, Rangers Equity Holdings, LP,
21 is obligated to the first lien lenders, full amount of the
22 debt, \$480 million.

23 THE COURT: Yes. Yes.

24 MR. DUNNE: They also pledged the equity. We are
25 secured in the equity. They didn't file that entity, which

1 typically you would. Why would you? For this reason. The
2 pledge agreement says they cannot agree, consent to anything --

3 THE COURT: And that may well --

4 MR. DUNNE: -- when there is a default.

5 THE COURT: That may well be enforceable, and I
6 understand what you're saying. But it seems to me that I
7 assume that's one of the contests that we're going to have.
8 And I'm even going to tell you now, it's probably going to be
9 June 15th, so you can all mark your calendars right now. If
10 you had something planned on June 15th, change it. Weddings,
11 funerals, whatever: change it. And at that point, it seems to
12 me, I mean, I think it's a fascinating issue: can equity --
13 and I don't know what your pledge agreement looks like because
14 I haven't read it, but can equity give up value by choice? Can
15 they say, "We'd rather have the magic beans than the cow" by
16 choice? And I don't know the answer to that, but we will get
17 to that, among other things, on June 15th.

18 Please proceed. I'm not trying to shortchange you. But
19 Mr. Sosland, though I grant you he was very good at making it
20 sound like he was selling a Rolls-Royce and he may have been
21 selling a Rambler, nevertheless it was mostly factual and it
22 was not really an argument in favor of or opposed to the deal
23 quite yet, other than "It's a great deal, Judge. You ought to
24 take it." So, please proceed, but I don't want to go too deep
25 there because --

1 MR. DUNNE: I'll move --

2 THE COURT: -- otherwise I'm going to keep asking you
3 questions and we're going to be here a long time, then Mr.
4 Sosland is going to want to argue back, and Mr. Esserman and so
5 on, and that won't be any good at all. So, go ahead.

6 MR. DUNNE: I'll actually move off that point but I'll
7 make one related one, which is: I suspect when we're back here
8 on June 15th that that entity is in Chapter 11. We may very
9 well file an involuntary against it. Don't want anybody here
10 to be surprised by that.

11 THE COURT: I regret that Rule 1014(b) reads the way
12 it does.

13 MR. DUNNE: I understand.

14 THE COURT: I'm sure you'd rather be in Delaware.

15 MR. DUNNE: In sum, Your Honor, it is odd that they
16 call this a prepack. They filed, in essence, the one entity
17 that did not need to file, and was structured this way to avoid
18 the filing of the team, and you would file the other entities
19 that actually owed the balance of the debt.

20 But we, as I said at the outset, are looking forward to
21 this bankruptcy case. It will, to paraphrase Justice Brandeis,
22 serve as a disinfectant sunlight on what has, to date, been a
23 clubby and somewhat obscured process for us. For instance,
24 there was a reference to the Voluntary Support Agreement.
25 We've been asking for that for months, and Baseball has refused

1 to allow us to receive and review it. So that will be,
2 hopefully, one of the documents we can review in short order.

3 What we want, at the end of the day, Your Honor, if not for
4 the Court to buy in and approved today their rocket docket
5 request for confirmation in such a truncated time frame. We
6 will get to the orders that we believe contain poison pills and
7 skew the playing field. We'd like to see the process opened up
8 to a competitive marketing. We are interested in a fair
9 process, and not a particular outcome.

10 Let me stress again what we're not interested in. We have
11 no interest in managing the team, operating the team, or moving
12 it.

13 Your Honor, with that, unless you have questions, I will
14 defer the balance to the actual motions.

15 THE COURT: All right. Thank you. Does anyone else
16 want to give an opening? Mr. Rochelle?

17 MR. ROCHELLE: Your Honor, if I might.

18 THE COURT: As long as you come up to the microphone,
19 you might.

20 OPENING STATEMENT ON BEHALF OF JPMORGAN CHASE

21 MR. ROCHELLE: As the Court well knows, I am perhaps
22 genetically challenged at being brief, but I'll do my best.
23 I'm Michael Rochelle for the --

24 THE COURT: And I do think that I should add that you,
25 like Mr. Stewart and myself, remember Chapter 10.

1 MR. ROCHELLE: Indeed.

2 (Laughter.)

3 MR. ROCHELLE: Alas.

4 THE COURT: Yes.

5 MR. ROCHELLE: Speaking for JPMorgan Chase as the
6 agent bank here, I will first endorse and the second everything
7 which Mr. Dunne said. I think the points were well put, and I
8 will elide over the points he has already made.

9 I think that there are a couple of large issues that will
10 be confronting the Court in this case. The first one is: does
11 Major League Baseball get to set the rules in this Chapter 11
12 proceeding? We don't think so. And in tandem with that, the
13 supersonic speed at which this case -- as the Debtor seeks to
14 move it, we think is entirely inappropriate.

15 There are no Committees formed here. There is no emergency
16 here. This is not General Motors. This is, however, I think,
17 the *Bombay Company* situation. I think it comes perilously
18 close to a manufactured emergency. And the Court served fair
19 warning three years ago that another *Bombay* would not happen in
20 this Court.

21 THE COURT: No, I think -- I don't think I said it
22 wouldn't happen. I said that I was concerned about the way it
23 happened. But go ahead.

24 MR. ROCHELLE: Fair enough, Your Honor. Hope the
25 Court will pardon me for wanting to put my own little spin on

1 that.

2 THE COURT: I try to avoid the words "never" and
3 "always."

4 (Laughter.)

5 MR. ROCHELLE: Always.

6 The transfers on the eve of filing give the Bank Group
7 considerable concern. The schedule proposed gives us concern.
8 The structure of the DIP loan, which obviously is still to come
9 today, we think preordains results that are not in the best
10 interest of creditors.

11 At the same time, we want to make sure that the Court
12 ensures that no irreparable harm is done, that normal
13 operations continue. We want to see the Rangers in first
14 place. We want to see them still playing in October.

15 At the same time, this case is about far more than simply
16 one debtor. There is a \$550 million set of credits here, not a
17 \$75 million set. And the --

18 THE COURT: And your clients are free to pursue
19 collection of those debts, are they not, at this point?

20 MR. ROCHELLE: Not yet.

21 THE COURT: Other than with respect to the Rangers?

22 MR. ROCHELLE: No, they're not yet. And not -- they
23 are not until July 1st.

24 THE COURT: Well, nothing is going to happen before
25 July 1st. I guarantee you that. At least, nothing definitive.

1 MR. ROCHELLE: That being said, Your Honor, our
2 considerable and mainmost concern is that this Court ensure
3 that due process occurs here and that appropriate scrutiny of
4 the prepetition transactions and the scrutiny of the
5 appropriateness of the transactions proposed is fully done
6 before the gavel goes down here. That's what's on my mind,
7 Your Honor.

8 THE COURT: All right. Thank you, Mr. Rochelle.
9 Anyone else? All right. Do I understand we're -- no, I see
10 someone else. No, that's the other way. Okay.

11 All right. Well, what we're going to do is we're going to
12 take a couple of minutes' break for a recess, but let me tell
13 you a few things first. First of all, we will proceed on your
14 First Day motions insofar as we can today. I have a couple of
15 comments on them, which is part of the reason why I want to
16 take a recess, because I want you to decide what should be
17 deferred, to some extent. I agree with some of the U.S.
18 Trustee's comments, which will not come as a great surprise, I
19 think, to the Debtor.

20 Secondly, I have tomorrow morning free, so if we are
21 required to hold over, I know the hoteliers and restaurants of
22 Fort Worth will be glad to hear that some of you may have to
23 spend the night here, and I'll look forward to you all enjoying
24 our fine Texas cuisine. Maybe you can go out to the Ranger
25 stadium and catch a game.

1 Third, what I'm going to do, it seems to me that there are
2 three issues that we have to address. Well, let me first of
3 all mention to you: I have a prepaid vacation in which I will
4 be leaving Fort Worth on June 28th and returning on July the
5 6th. And that means your July 2nd date is off. Now, what I
6 was going to suggest to you is that we tentatively set for you
7 -- and before the bank lawyers start choking and growling at
8 me, I have more to say about this -- but I'm going to suggest
9 that, in lieu of July the 2nd, we set July the 9th, which is a
10 Friday and which I have free. And as my staff will tell you,
11 it is a great concession on my part to spend Friday doing that
12 instead of reading and writing opinions.

13 I would also suggest -- I said to you that I want to set
14 the June 15th date, and I am going to, on June 15th, do several
15 things. One is I want to address whether or not there is
16 impairment of any creditor or equity owner who therefore is
17 required to vote on the plan, which is one of the issues that
18 was raised by the United States Trustee. It may be limited to
19 the interest issue. I'm not clear on that. And it's something
20 that I will have to understand better. I also understand that
21 in some instances interest is not due postpetition and pre-
22 confirmation. For example, with an unliquidated tort claim.
23 So that's an issue that we will address at that point in time.

24 Secondly, I want to address on that date the question of
25 whether the Debtor has a duty to maximize value. And in that

1 context, what I have in mind is the apparent dispute between
2 who should be able to speak for equity.

3 Third, I will at that point in time consider any issues
4 respecting the disclosure statement. So that will also take
5 care of another concern expressed by the United States Trustee,
6 in that we will have a disclosure statement hearing. And my
7 suggestion to you -- I'm not going to require that you do it --
8 but my suggestion to you is that you give notice that that will
9 be considered at that time. We're going to have the hearing
10 anyway and you might as well cover that base, Mr. Sosland.
11 It's up to you. But that, it seems to me, will then allow us
12 still to have an adequate opportunity for voting and objections
13 to confirmation that would be triggered or leading up to a July
14 9th confirmation hearing. Now, it may be that the result of
15 the hearing on June 15th will be such that we moot the question
16 of whether or not we reach confirmation on July 9th, for one
17 reason or another. It may be that I will reach conclusions
18 that will disrupt the process completely. I don't know. We'll
19 just have to wait and see. I certainly have come to no
20 conclusion yet.

21 I will also ask that those of you who wish to participate
22 be present for a status conference on June 1st. According to
23 my calendar -- and my good colleague Judge Nelms is here, so he
24 can confirm this to me -- we have a judges' meeting scheduled
25 for June 1st, according to my calendar, and there's nothing I

1 like better than a good excuse to miss a judges' meeting. So
2 my suggestion is that we convene on June 1st, and the purpose
3 of the June 1st status conference will be to determine whether
4 there is any issue other than the three that I've just
5 mentioned -- that is: impairment, duty to maximize value, and
6 objections respecting disclosure -- which should be addressed
7 on June 15th. And secondly, to set a briefing schedule.

8 Now, June 15th is a Tuesday. And just so that you're going
9 to have plenty of time to plan, you can start your associates
10 working on their briefs now, because I'm going to want briefs
11 on any issue that you propose to address by the preceding
12 Friday. We're not going to do it on the basis of Debtor files
13 a brief, Banks file a brief, Debtor replies, because we don't
14 have time for that. But I'm going to ask you to be prepared to
15 file all your briefs, then, by June 11th, so that I will have
16 them to review over the weekend. Because my experience in
17 cases like this is the rules allow briefs up to 50 pages, and
18 the shortest brief I will receive will be 49-1/2 pages. So I
19 would appreciate it if I could have those in advance of the
20 weekend.

21 So on July 1st [*sic*], we're going to determine any other
22 issues respecting briefing or other filings which need to be
23 made in anticipation of June 15th, and whether there are any
24 other issues that will need to be addressed on June 15th. This
25 way, I believe we will, number one, accommodate the U.S.

1 Trustee's concerns about disclosure. Number two, we will give
2 the Banks and any others who wish to speak to it a full
3 opportunity to address the issue of maximization of value.
4 Number three, we will determine whether impairment exists in
5 advance of reaching a confirmation hearing. And number four,
6 we will not, I think, disrupt too severely the Debtor's plans
7 to get out of Chapter 11 in early July.

8 So that's the first thing that I wanted to say.

9 Now, with respect to First Day motions, there are some
10 things that I will do for you and some that I will not. I do
11 not have a problem, number one, with your paying -- number one,
12 first of all, on your financing order, I will not make the
13 findings that you have requested fixed in stone at this time.
14 I don't mind stating that I relied on representations that you
15 will be able to prove those findings, but I think the U.S.
16 Trustee is correct that those findings should not be fixed in
17 stone such that they cannot be addressed later. All right? So
18 you can -- you'll have to modify your order accordingly, but
19 that's one thing I want.

20 Secondly, I had understood from a footnote in your motion
21 that there was a trigger time, a five-day trigger time between
22 an event of default and any action being taken by the lender,
23 and I think that was one of the Trustee's concerns, which I
24 share and I would want, in any event, that there be no
25 automatic default at 9:00 in the morning and foreclosure at

1 9:15 in the morning. I don't think that's the way it should
2 work. I think that there should be an opportunity to come in
3 in case there is a dispute. So I think that that is true. It
4 is my understanding, and we'll hear more about this when we get
5 to the motions, that the support agreement, the interim support
6 agreement, is a condition -- its approval is a condition for
7 the approval of the financing. And if that is the case, I will
8 consider it on that basis. Otherwise, I think the U.S. Trustee
9 is correct that that should be at least temporarily deferred,
10 given the peculiar limitations of Rule 6003. So, we'll get to
11 that when we get to it.

12 Now, with respect to payments, I have no problems -- I
13 mean, my view is that honoring tickets, honoring rain checks,
14 honoring the various arrangements between the Debtor and its
15 customers is something that must be done. The same is true in
16 a case such as *General Motors*, where you must honor warranties
17 or a case such as *Bombay Company* or *Kmart*, where you have to
18 honor returns and gift certificates. So I have no problem with
19 any of that, and I do not understand that the Trustee, and I
20 would assume anyone else, would have a problem with it. So, I
21 don't have a problem with that.

22 Number two, I have no problem with your paying any secured
23 creditor, with your paying any creditor who would be entitled
24 to priority under 507(a)(2) or (4). To the extent that you
25 want to pay any general unsecured creditor, I do not have a

1 problem necessarily, though I will be willing to hear argument
2 on it, with, according to the Debtor here, the same authority
3 or the same ability to pay prepetition unsecured claims that I
4 afforded to Mirant Corporation, which incidentally was not in
5 the Southern District of Texas, it was in this district,
6 contrary to what you reflected there. I'm assuming that that
7 was a typographical error

8 MR. SOSLAND: Yes, Your Honor.

9 THE COURT: Yes. I would hope so.

10 In any event -- and by the way, for information, in *Mirant*,
11 they came in -- and Ms. Lambert, you would be interested in
12 this -- they came in asking for \$5.3 million of authority and
13 they wound up paying \$958 in critical vendors. And I don't
14 have a problem with paying prepetition unsecured debt, so long
15 as there is either a clear economic benefit to the Debtor --
16 that is, if, for example, you do a million dollars of business
17 with a vendor and they have a policy that they will give you 30
18 days' credit unless you have a balance due more than 30 days,
19 and you have a \$5.00 balance due, I don't have a problem paying
20 that. Do you follow me? But if it's paying \$100,000 in order
21 to get credit on \$100,000 of 30 days, that, I might have a
22 problem with. So I'm going to leave that to you, and I don't
23 mind giving you, however, the same authority to pay prepetition
24 indebtedness that existed under the *Mirant* case.

25 With respect to several of the claims, and I recognize --

1 and I hope you will forgive me, Mr. Ryan, because I recognize
2 that you are an icon and a very important part of the community
3 -- but I am going to require that you put on a case to pay
4 prepetition wages in excess of the statutory limit for the two
5 senior executives that you spoke of in your pleadings. If you
6 can meet the *CoServ* test through a proper showing, I will
7 consider that, but it probably won't happen today or tomorrow.
8 I want other parties to have an opportunity to address it. I'm
9 assuming that this -- if this will cause extraordinary hardship
10 to either of the individuals such that they were facing
11 personal bankruptcy or something of that nature, I will be
12 happy to reconsider that decision. But I assume that that's
13 not the case and that they can live without the -- I think it
14 was \$35,000 in one case and \$15,000 or \$25,000 in the other --
15 for a few days. I would be grateful for them to accept
16 deferment of that. We'll apply the same *CoServ* test to
17 deferred compensation of non--Ranger players. To the extent
18 that you can make a *CoServ* showing, I will certainly grant you
19 authority to pay them. But you understand, and I hope you all
20 understand, I feel bound to be consistent in my cases. And
21 notwithstanding the importance to the community of the Texas
22 Rangers, and it certainly is important and I am anxious to see
23 this be a successful case, I do feel that I have to preserve
24 some consistency with my other cases.

25 So those are some comments that I thought I would make to

1 you before the recess, so that you can consider what relief
2 must be an immediate -- that is, today or tomorrow -- and what
3 relief can wait until, let us say, June 1st, when I will
4 consider the extra *CoServ* showings that you may be required to
5 make.

6 Is that helpful, Mr. Sosland?

7 MR. SOSLAND: Yes, it is, Your Honor. Would Your
8 Honor allow us to address the vendor issue today, because we
9 would at least like to argue that there are distinctions in the
10 facts here that are not inconsistent with your --

11 THE COURT: Well, as I've said --

12 MR. SOSLAND: -- ruling in *CoServ*.

13 THE COURT: As I've said to you, I will give you the
14 same authority I gave to *Mirant* to make your own decisions on
15 *CoServ*, and just to bring them back to the Court after the
16 fact. And I don't know that I can give you a great deal more
17 than that. I would do that in any case. I mean, for example,
18 if we had an airline here, I wouldn't want to see one of their
19 jets arrested on Bangkok International Airport runway because
20 of a \$20 catering bill or something like that. I would
21 obviously give you authority to act as necessary to preserve
22 the estate. But to the extent that you're asking me to bless
23 in advance a specific payment, I'm going to want you either to
24 make a *CoServ* showing today or to defer it and make one at
25 later time. Does that help?

1 MR. SOSLAND: That helps, Your Honor.

2 THE COURT: Okay.

3 MR. SOSLAND: We still may ask for --

4 THE COURT: All right. Come on up here. I hate to
5 see you crouching like that.

6 MR. SOSLAND: Your Honor, I know that you had
7 announced that you'd like -- that we'd have a break before we
8 get into the motions.

9 THE COURT: Right.

10 MR. SOSLAND: We think that there is a distinction
11 consistent with the policy of the Bankruptcy Code between a
12 case that's clearly solvent, and not solvent in the way that
13 *Mirant* turned out to be in that value was distributed to
14 creditors in excess of the value of their debts, but with
15 actual cash. There's an --

16 THE COURT: I understood that from your pleadings,
17 that that's one of your arguments, and I understand that that
18 is a potential distinction. I'm not sure that I'm going to be
19 prepared to hear that today, because I'm not sure the other
20 parties are prepared to address it today. All right.

21 MR. SOSLAND: If -- well, we might take the break to
22 confer with at least some of the other parties today.

23 THE COURT: Why don't we do that? I'm really not
24 trying to be difficult here. I want to accommodate the
25 Rangers, but I do want to do this right, as well. And you want

1 me to do it right, too. Remember what happened to the lawyers
2 for *Kmart* in Seventh Circuit on this very issue.

3 MR. SOSLAND: Okay.

4 THE COURT: Right? So we don't want to have this get
5 all messy and ugly like that, do we?

6 MR. SOSLAND: No, Your Honor.

7 THE COURT: Okay. So I want to make sure we get it
8 right.

9 Thank you very much. We're going to take about a ten-
10 minute recess.

11 THE CLERK: All rise.

12 (A recess ensued from 2:59 p.m. until 3:47 p.m.)

13 THE COURT: Please be seated. All right, Mr. Sosland.

14 MR. SOSLAND: Your Honor, first of all, we appreciate
15 you accommodating us on the lengthy delay. The item of --

16 THE COURT: I never mind the lengthy delays. It's the
17 lengthy trials I can do without.

18 (Laughter.)

19 MR. SOSLAND: Understood. During the break, Your
20 Honor, most -- the focus of most of the discussion was on the
21 proposed DIP financing.

22 THE COURT: Uh-huh.

23 MR. SOSLAND: And the other motions all tie -- in a
24 way tie into that. Besides, it's a source of financing and we
25 need to borrow \$3.8 million this week. So the current -- the

1 state of play is that the existing senior secured lenders have
2 proposed terms for DIP financing -- basically the same dollar
3 amount, same interest rate, same termination date, but more
4 favorable terms in terms of covenants and events of default.

5 MLB has requested that if that proposal is going to be
6 made, it be made on the record and that MLB has an opportunity
7 to respond to it. So if the Court would indulge us, I would
8 ask counsel for the lenders to state on the record what he has
9 stated to me in conference, so that we can put those terms on
10 the record.

11 THE COURT: Very well. Mr. Stewart? Oh, okay.

12 MR. LEBLANC: Good afternoon, Your Honor. Andrew
13 LeBlanc of Milbank Tweed on behalf of the Ad Hoc Group of
14 Lenders.

15 Your Honor, I'm going to walk through the provisions of the
16 credit agreement that we would agree to relax for the benefit
17 of the Debtors here in the event that we were successful in
18 providing the DIP on an interim basis. We think, Your Honor --
19 I won't belabor the point, but we obviously think that the
20 existing lenders are a more appropriate party to be providing
21 the financing to this Debtor during its bankruptcy case than
22 someone who's involved with the purchase of the team.

23 Your Honor, as a preliminary matter, the proposed DIP
24 financing would be agented by JPMorgan Chase, who's the
25 existing agent on the first lien credit facility, so there

1 would be no change to the current agency relationship. There
2 would have to be a change to the document to reflect that, and
3 Your Honor, what I'm going to go through are some of the
4 changes that would be made to the document to relax the
5 obligations imposed on the Debtor, but I'm not going to talk
6 about the changes to the form of the document that would have
7 to be made to reflect the fact that it would be the existing
8 lenders providing the DIP and not Major League Baseball. There
9 are certain things like definitions and Major League Baseball
10 requirements that would obviously come out of the agreement
11 because of that, but we would be adding anew the agency
12 provision.

13 THE COURT: Okay. I assume, Mr. LeBlanc, that you
14 don't have a problem with my concern about premature findings?

15 MR. LEBLANC: I don't, Your Honor, no.

16 THE COURT: Okay. Go ahead.

17 MR. LEBLANC: Your Honor, the provisions in particular
18 -- and I'm referring to the attachment which is the credit
19 agreement that the Debtors filed, the Debtor-in-Possession
20 credit agreement that we would be modifying for the purposes of
21 providing the DIP -- generally relate to relaxing the
22 obligations on the company to go forward with the plan that has
23 been filed with the Court. The first section this appears is
24 in Section 5.1, which are the conditions precedent to the entry
25 into the DIP. We would eliminate, Your Honor, provisions

1 5.1(c), 5.1(d), 5.1(e), and 5.1(f), all of which relate to
2 either the interim support agreement, the prepackaged plan, or
3 the other First Day orders.

4 With respect to affirmative covenants, Your Honor, we would
5 eliminate the obligations imposed in Section 6.9, which is on
6 Page 28 of the proposed credit agreement dealing with the plan,
7 disclosure statement and other documents. We would also
8 eliminate Section 6.10, which is the interim support agreement.

9 Your Honor, with respect to events of default, in Section
10 10, and in particular Section 10.1(j), we would eliminate as an
11 event of default determination of the asset purchase agreement,
12 the interim support agreement, and we would eliminate Section
13 10.1(k), which is a change of control.

14 With respect to events of default in Section 10.1(n), Your
15 Honor, the noncompliance -- 10.1(n)(i), rather than a period of
16 five business days after receipt that the event of default
17 would mature, we would agree to provide 15 days. So it would
18 be calendar days, but it would be 15 of them.

19 Your Honor, we'd also eliminate Section 10.1(n)(vi), which
20 is the requirement that a final DIP order entered within 45
21 days.

22 And Your Honor, as I mentioned at the outset, there are
23 certain things like Section -- just as a reference, 11.16,
24 which is the MLB requirements, those would obviously be
25 modified to reflect the fact that we are -- that the lenders

1 are no longer the MLB Lenders.

2 Your Honor, we think with those changes it's a better
3 proposal for the company to provide its financing on an interim
4 basis. We'd be pleased to work very quickly with the Debtors
5 to facilitate getting to a final order and providing the full
6 amount of financing that they've requested.

7 THE COURT: Okay. And as I understand it, you are
8 then agreeing to the substantive terms of the lending
9 transaction as they stand in the documents?

10 MR. LEBLANC: We are, Your Honor.

11 THE COURT: All right.

12 MR. LEBLANC: The substantive terms, again, as I
13 mentioned, --

14 THE COURT: Yes.

15 MR. LEBLANC: -- the text would have to change.

16 THE COURT: Right.

17 MR. LEBLANC: Your Honor, just to make clear, we would
18 not -- in light of this -- the interim support agreement is a
19 condition to the existing -- to the MLB DIP facility. In light
20 of this, our understanding is the Debtors would not move
21 forward with a request to approve, even on an interim basis,
22 the interim support agreement. And that's a condition to our
23 lending under this proposed DIP. We understood, in our
24 discussions with the Debtors before the Court came out, we
25 understood that that was agreed that that was not going to go

1 forward today, I think, under either circumstance, whether
2 we're the DIP lender or someone else is the DIP lender.

3 And Your Honor, I will make one point. Mr. Dunne made this
4 point in his presentation. We are -- one of the things that we
5 are considering is an involuntary filing of the parent. We'd
6 have every intention, just to be very clear, Your Honor, we'd
7 have every intention of that filing being before Your Honor.
8 We have no intention of looking for a different venue.

9 THE COURT: As I said, unfortunately, under Rule
10 1014(b), I think I'm stuck with it.

11 (Laughter.)

12 MR. LEBLANC: I understand, Your Honor. And we'd have
13 -- it's obviously something that's come up pretty freshly,
14 given the unanticipated filing yesterday. But that, obviously,
15 we don't see an event of default, but to the extent that we've
16 missed something in reviewing the document over the last
17 something-less-than 24 hours, we would anticipate that that
18 would not be an event of default or something that's not
19 permitted pursuant to the documents, and we'd be prepared, if
20 necessary, if we concluded that we had to, to file that
21 involuntary of the immediate equity holder, and we'd bring it
22 before Your Honor to have the whole case.

23 THE COURT: All right.

24 MR. LEBLANC: Unless the Court had any questions?

25 THE COURT: No.

1 MR. LEBLANC: Thank you.

2 THE COURT: Mr. Sosland, any comment before I hear
3 from anyone else?

4 MR. SOSLAND: Well, Your Honor, from the Debtor's
5 perspective, --

6 THE COURT: Money is money?

7 MR. SOSLAND: -- money is money, and lessening the
8 restrictions and covenants and events of default is a benefit
9 to the estate, and as fiduciaries we basically, if this is a
10 mini-auction, we have a better bidder for the DIP --

11 THE COURT: All right.

12 MR. SOSLAND: -- from the lenders at this point, Your
13 Honor.

14 THE COURT: All right. Anyone else want to be heard?

15 MR. SHIMSHAK: Good afternoon, Your Honor. Steve
16 Shimshak; Paul Weiss; for Major League Baseball.

17 As Mr. Sosland indicated, we would like the opportunity to
18 review the proposed changes. I know that you have a very full
19 agenda today. I would suggest that, under all circumstances,
20 it appears that the Debtor is going to have an acceptable
21 debtor-in-possession financing proposal, so we would not have
22 an objection to the Debtor proceeding with the other items and
23 not reaching this issue right now while we have an opportunity
24 to convene and see if we can match the proposal or if we're
25 inclined to match the proposal.

1 THE COURT: That's fine. As I said, I have time for
2 you tomorrow morning, --

3 MR. SHIMSHAK: Okay.

4 THE COURT: -- so that will give you time. I know
5 from --

6 MR. SHIMSHAK: We need a very limited break. I think
7 five minutes, Your Honor.

8 THE COURT: I've never heard a large-firm lawyer not
9 want to take advantage of a full night that associates can
10 work.

11 MR. SHIMSHAK: Thank you, Your Honor.

12 THE COURT: Yes. All right. All right. Mr. Sosland?

13 MR. SOSLAND: Martin Sosland for the Debtors, Your
14 Honor.

15 If we might, Your Honor, while the MLB is considering the
16 DIP proposal, if we might visit, Your Honor, the employee wage
17 proposal. And I'd just like to raise one issue with the Court,
18 having heard the Court's preliminary view of that motion.

19 THE COURT: All right. You understand, I wasn't
20 saying I wouldn't grant the motion ever. I'm concerned about
21 doing it on 24 hours' notice, --

22 MR. SOSLAND: Right.

23 THE COURT: -- in terms of those instances where it
24 does not appear to me to be critical to the recipient or to the
25 Debtor that the motion be addressed at this moment in time.

1 I'm not trying to cut you out of anything. I just want to have
2 -- when we're doing things that are not countenanced by the
3 Code fairly clearly on very short notice, I become a little bit
4 concerned. I trust you understand.

5 MR. SOSLAND: I do, Your Honor.

6 THE COURT: Okay.

7 MR. SOSLAND: And I just realized, I -- if I could
8 have one minute to consult with --

9 THE COURT: Yes. Yes.

10 MR. SOSLAND: Because there were two conversations
11 going on, and I was focusing on the DIP.

12 THE COURT: All right.

13 (Counsel confer.)

14 MR. SOSLAND: Your Honor, the two highly-paid -- I
15 would like to modify the relief we're requesting, discuss one
16 other, and then ask the Court to approve the wage motion based
17 on the evidence that's set forth in the declaration. And Ms.
18 Fischer is in the courtroom to the extent the Court has
19 questions or anyone wishes to cross-examine her.

20 But with regard to the wages motion, the persons identified
21 as the two highly-paid non-player executives --

22 THE COURT: Right.

23 MR. SOSLAND: -- in that group are willing to defer
24 the amount of their compensation, their prepetition
25 compensation that's above the statutory priority cap until --

1 well, for now until a later hearing.

2 THE COURT: All right.

3 MR. SOSLAND: If we need to put on evidence, --

4 THE COURT: All right.

5 MR. SOSLAND: -- we will.

6 THE COURT: Very good.

7 MR. SOSLAND: But we would do that.

8 THE COURT: I'm very grateful to you gentlemen.

9 That's consistent with what I have seen in other large Chapter
10 11 cases, so I appreciate that.

11 MR. SOSLAND: Your Honor, one point that you had
12 raised with regard to the deferred comp to the former players,
13 players no longer with the team, which is -- we identified the
14 --

15 THE COURT: I think you had said there were two, one
16 for a relatively small amount and one for \$54,000.

17 MR. SOSLAND: Right. Well, those are obligations that
18 we'd ask to continue to pay, and they are obviously contracts
19 that were engaged in prepetition.

20 Your Honor, the requirement to make those payments are
21 requirements of the collective bargaining agreement between
22 Major League Baseball and the Major League Baseball Players
23 Association that we're a party to. So we would be -- so, for
24 the same reason that we've asked to make all of the current
25 player payments, because they're tied to the CBA, we would

1 request that, and in connection with the former players as
2 well. And I don't believe that anyone really is objecting that
3 we make these payment obligations that are required by the CBA.

4 MR. SELTZER: Your Honor, if I may, Richard Seltzer
5 for the Players Association.

6 THE COURT: Go ahead, Mr. Seltzer.

7 MR. SELTZER: To the -- and, obviously, subject to
8 Your Honor being comfortable about when it's considered, the
9 Association is of the view that these payments are very
10 important, both because they're required under the collective
11 bargaining agreement and, frankly, in terms of the value of
12 this team.

13 It is important that the Rangers' credibility be maintained
14 in terms of current players, potential future players, the
15 draft that's coming up in early June, players that might be
16 released from other teams. In the whole context of Major
17 League Baseball, there's a great deal of importance to this
18 being as seamless as possible and for the Rangers to maintain
19 credibility in terms of how they treat players, including
20 players who may go on to other teams or retire but to whom the
21 team has a continuing obligation. And I think probably that's
22 one of the reasons that the other parties here are not opposing
23 this relief, because I think they probably also recognize the
24 importance of this in maintaining value in the team.

25 Thank you.

1 THE COURT: All right. I was looking. I had thought
2 that there was a provision in Section 1113 that required
3 performance of a collective bargaining agreement between the
4 commencement of a case and approval of its rejection. If there
5 is, --

6 MR. SOSLAND: That would be Section 1113(f), Your
7 Honor, I believe, --

8 THE COURT: All right.

9 MR. SOSLAND: -- which prohibits us from altering any
10 provisions of the collective bargaining --

11 THE COURT: Does that also mean that you must pay?
12 Have courts construed that? You understand how infrequent it
13 is that, in Texas, collective bargaining agreements even exist,
14 let alone come into contest in the court.

15 MR. SOSLAND: I believe that it does, Your Honor, that
16 we would have to -- there are requirements for altering the --
17 altering payments that a debtor makes under a collective
18 bargaining agreement. And in other situations, debtors,
19 including some we've represented, have taken advantage of those
20 provisions. But it -- we don't really meet the -- we are not
21 suggesting, Your Honor, that Texas Rangers Baseball Partners
22 needs to alter any terms of the collective bargaining agreement
23 it's a party to. And --

24 THE COURT: No, I understand. It's just a question of
25 paying the prepetition indebtedness. And it is a little bit

1 unusual to pay prepetition -- or, to pay compensation based on
2 a prepetition agreement to someone who doesn't work for the
3 Debtor anymore, under these circumstances.

4 All right.

5 MR. SOSLAND: Your Honor, I think the --

6 THE COURT: It's time to stop. You're about to win.

7 So --

8 (Laughter.)

9 THE COURT: I've always found --

10 MR. SOSLAND: So noted.

11 THE COURT: -- silence is golden under those
12 circumstances.

13 All right. I will approve those. They're relatively --
14 they're, in the context of this case, *de minimis*, in any event.
15 So I will approve those.

16 Yes, Ms. Lambert? Did you want to be heard on that?

17 MS. LAMBERT: Yes, Judge Lynn. Lisa Lambert for the
18 United States Trustee. That leaves one outstanding issue on
19 the employee motion, which is the Court's approval of the
20 severance and the employee benefits program. We've asked that
21 that be deferred until, I gather it will be the June 15th
22 hearing, because the United States Trustee and any Committee
23 that might be appointed have not had an opportunity to review
24 those documents yet.

25 THE COURT: All right. Mr. Sosland, are you planning

1 to sever anyone in the next couple of weeks?

2 MR. SOSLAND: Let me just consult with my client for a
3 moment, Your Honor.

4 THE COURT: All right.

5 (Counsel confer.)

6 MR. SOSLAND: Your Honor, we can defer the
7 consideration --

8 THE COURT: All right.

9 MR. SOSLAND: -- of the severance portion of the
10 motion until June 15th.

11 THE COURT: All right. My general rule, as you know,
12 Ms. Lambert, is to approve those kinds of arrangements. The
13 only one I'm worried about, there's a provision in your
14 pleadings for payment of expenses that you think would still be
15 outstanding, and generally I would ask that that be tested
16 under the CoServ test. I don't typically have a problem
17 approving those, at least for employees who might be motivated
18 to put bad things in the hot dogs or something like that. But
19 if we can give the U.S. Trustee an opportunity to look at those
20 things, I'd be grateful. I certainly want regular payroll to
21 be made on time.

22 MR. SOSLAND: We will make the payroll, and we
23 appreciate the Court's consideration. We're not aware of
24 anyone to whom the severance benefits would apply that would be
25 coming out between now and June 15th.

1 THE COURT: All right.

2 MR. SOSLAND: If that arises, we may --

3 THE COURT: If it arises, --

4 MR. SOSLAND: -- we may -- we'd come To Court.

5 THE COURT: You know that in this Court you never have
6 a problem getting a hearing on relatively short notice. So if
7 you need something, I'll be able to hear you within 48 hours if
8 it's that desperately urgent. All right?

9 MR. SOSLAND: All right. Thank you, Your Honor.

10 THE COURT: All right.

11 MR. SOSLAND: I will cede the lectern to Ms.
12 Berkovich, if the Court will allow it.

13 THE COURT: All right.

14 MS. BERKOVICH: Good afternoon, Your Honor. Ronit
15 Berkovich; Weil Gotshal; for Texas Rangers Baseball Partners.

16 I'm just going to go down the rest of the motions on the
17 agenda.

18 THE COURT: All right.

19 MS. BERKOVICH: The first one is Item 4. This is the
20 Debtor's insurance motion.

21 THE COURT: This is -- okay. Mine are lettered.

22 MS. BERKOVICH: It's the fourth item. Actually, --

23 THE COURT: Okay. You're not looking at the agenda,
24 then. You're looking at the Table of Contents, maybe?

25 MS. BERKOVICH: I'm looking -- we filed an agenda --

1 THE COURT: Yes.

2 MS. BERKOVICH: -- about an hour before --

3 THE COURT: Right.

4 MS. BERKOVICH: Oh, the --

5 THE COURT: I got this one, and it goes 1, A, B, and
6 so on. Or were you going to -- is there a Roman IV? I'm not
7 trying to be difficult here. No, there's A through H. Do I
8 have this wrong?

9 MS. BERKOVICH: I'll just bring you a copy of what I'm
10 holding --

11 THE COURT: All right. That'll work.

12 MS. BERKOVICH: -- so we can be looking at the same
13 agenda.

14 (Pause.)

15 THE COURT: Okay. I wonder how we managed to get you
16 with a numbered agenda and me with a lettered agenda.

17 MS. BERKOVICH: I'm not sure. This one is actually
18 extremely helpful because we've annotated it on the right side
19 with the tab --

20 THE COURT: Okay.

21 MS. BERKOVICH: -- number of the pleading in the
22 binder.

23 THE COURT: All right. Number 4.

24 MS. BERKOVICH: Oh, Number -- #4. It's the Debtor's
25 motion to continue to honor its obligations under its insurance

1 programs. The first part of the motion is actually very
2 ordinary course. It's just an ability to continue to make
3 payments under the Debtor's insurance, including workers'
4 compensation, general liability, property insurance and other
5 insurance programs. The Debtor does not believe that there are
6 actually any amounts outstanding for the prepetition period
7 under these insurance programs, and it believes it's ordinary
8 course to simply continue to make payments under existing
9 programs.

10 The second part of the motion relates to the Workers'
11 Compensation program. The Workers' Compensation insurance
12 covers claims made by employees. And what the Debtor would
13 like to do is seek a modification of the automatic stay under
14 Section 362 to permit employees to continue with their existing
15 Workers' Compensation claims, provided that their recovery
16 doesn't exceed the limits under the insurance policies. And
17 currently, the Debtors don't expect that any of those claims
18 would exceed the limits.

19 THE COURT: All right. Does anyone want to be heard
20 on that? I know the U.S. Trustee raised questions about the
21 relief from stay. Did you want to be heard on it, Ms. Lambert?
22 You can say no, if you want to.

23 MS. LAMBERT: The briefing sets forth the United
24 States Trustee's position, which is that there should be some
25 disclosure about who the people are that are involved in the

1 Workers' Comp claims. This is easy for the Debtor to do
2 because it's discussed in the January APA agreement with the
3 parent, and so they've got a list. They had to do schedules
4 and itemization at that time.

5 And secondly, on today's date, if there are no funds due,
6 there is no need to hear this as a First Day matter, --

7 THE COURT: All right.

8 MS. LAMBERT: -- and we'd move to the other --

9 THE COURT: All right. Thank you, Ms. Lambert.

10 Anyone else?

11 (No response.)

12 THE COURT: All right. What I'm going to do is I'm
13 going to grant the Debtor authority to make all payments due on
14 insurance from this day forward on the various insurance
15 policies.

16 With respect to Workers' Compensation, I will grant the
17 relief the Debtor seeks, provided, however, that the order must
18 specify the claims that we're speaking of, which I think, if I
19 were the claimant, I'd like to have the order specify that this
20 stay relief had been granted. And I'm going to ask that you
21 provide that order to the U.S. Trustee at the same time you
22 send it to me. All right?

23 MS. BERKOVICH: Just to make sure I understand, so
24 you'd like us to list the existing employees that have
25 outstanding Workers' Compensation claims in the order?

1 THE COURT: In other words, if you have a list that is
2 convenient to you. I mean, otherwise, as they come up, let me
3 know. I don't have a problem granting the relief, but I think
4 that if we're going to grant relief to allow pursuit of a
5 category of claims, we ought to specify who is in the category,
6 rather than speaking generally.

7 MS. BERKOVICH: Yes, Your Honor. We'll do that.

8 THE COURT: Okay.

9 MS. BERKOVICH: Okay. The next item is #5 in the
10 agenda, and this relates to the Debtor's motion to pay certain
11 prepetition taxes. The first part of the motion deals with
12 sales and use taxes. The sales taxes are collected from
13 customers and remitted to the various state and local taxing
14 authorities, generally on the 20th of the month, and use taxes
15 are incurred when the Debtor purchases goods from vendors that
16 are not required to pay sales taxes. There's approximately
17 \$520,000 of sales and use taxes due for the prepetition period.
18 While we don't believe any of those are actually due in the
19 next 21 days, we have made this, at the request of the U.S.
20 Trustee, into an interim and final order. An interim order
21 would give us the authority to make any payments that are due
22 until entry of a final order, in case there wouldn't be a
23 hearing in the first 21 days.

24 I'll also make the point that we had requested in this
25 motion authority to pay franchise taxes. It's only \$13,500

1 that's due in the prepetition period. But having heard Your
2 Honor say that the only payments on prepetition claims that
3 could be made are those that meet the CoServ factors, we don't
4 think that the franchise taxes would at this time --

5 THE COURT: Are they not entitled to priority
6 treatment under 507(a)(8)?

7 MS. BERKOVICH: My understanding is franchise taxes
8 are not.

9 THE COURT: All right.

10 MS. BERKOVICH: But the other taxes are priority
11 taxes, the sales and use taxes. In addition, --

12 THE COURT: All right. What about --

13 MS. BERKOVICH: -- most of --

14 THE COURT: What about what you refer to as
15 governmental assessments?

16 MS. BERKOVICH: Those would be the franchise taxes.
17 It's really only --

18 THE COURT: Okay.

19 MS. BERKOVICH: -- only sales and use taxes that at
20 this point now, --

21 THE COURT: All right.

22 MS. BERKOVICH: -- standing before you, we're seeking
23 authority to pay. Those taxes, a lot of them were collected
24 from customers and therefore are held in trust for the taxing
25 authorities --

1 THE COURT: Right.

2 MS. BERKOVICH: -- anyway and are not even property of
3 the estate.

4 THE COURT: All right.

5 MS. BERKOVICH: And they are priority claims, in any
6 case, so they do satisfy the test in CoServ.

7 THE COURT: All right. Does anyone want to be heard
8 with respect to that motion, with the relief modified as
9 indicated by counsel?

10 MS. LAMBERT: Your Honor, the United States Trustee
11 does not oppose payment of the franchise taxes to the extent
12 that they become due at the time of the final order. In other
13 words, we don't want to prepay on the first day, but we're not
14 going to have a dispute --

15 THE COURT: Right.

16 MS. LAMBERT: -- about \$13,500 that are necessary to
17 keep the Debtor in compliance on the franchise.

18 THE COURT: Well, all right.

19 MS. BERKOVICH: We would like to pay the franchise
20 taxes if there is no objection to that.

21 (Pause.)

22 MS. BERKOVICH: Actually, I'm just informed that we
23 did, right before the petition date, pay franchise taxes, so
24 there are no franchise taxes due, so this discussion is --

25 THE COURT: All right.

1 MS. BERKOVICH: -- probably not necessary anymore.

2 THE COURT: And that saves me from any more study.

3 All right. I will authorize payment of taxes as they become
4 due.

5 MS. BERKOVICH: Thank you, Your Honor.

6 Next is the customer programs motion. This is #6 on the
7 agenda. I understand that Your Honor recognizes that the
8 customers are absolutely vital to the value of the business,
9 and my understanding from your comments earlier is that you're
10 inclined to grant this motion. So I'm happy to walk through it
11 if you'd like, but if you're --

12 THE COURT: Anyone want to be heard on it?

13 (No response.)

14 THE COURT: All right. It will be granted.

15 MS. BERKOVICH: Thank you, Your Honor.

16 Next is the motion to approve the existing cash management
17 system. The Debtor's cash management system is actually fairly
18 simple. Most of their accounts are held at Plains Bank.

19 THE COURT: All right.

20 MS. BERKOVICH: There's one account for minor petty
21 cash disbursements at Bank of America. These --

22 THE COURT: Okay. Whatever the U.S. Trustee will
23 agree to on this, I will approve.

24 MS. BERKOVICH: Okay. The U.S. Trustee has raised,
25 really, two issues --

1 THE COURT: Right.

2 MS. BERKOVICH: -- on the cash management issue. One
3 is that HSG, one of the parent entities, has historically used
4 its account to pay the Debtor's payroll. And the way it works
5 is, on the very same day that the payment is due, the Debtor
6 transfers the money to an HSG account and then HSG pays the
7 payroll.

8 THE COURT: Thank you for refreshing my memory,
9 because that's one that I probably would not hold for you on,
10 Ms. Lambert. It seems to me that it's no different than paying
11 payroll through a payroll accounting firm, so I don't see that
12 there's a problem with that. They're your employees, and
13 you're just issuing the checks off of HSG, right?

14 MS. BERKOVICH: Correct. We do transmit the cash.

15 THE COURT: Right.

16 MS. BERKOVICH: The Debtor does transmit the cash --

17 THE COURT: Right.

18 MS. BERKOVICH: -- to HSG, but the payroll comes out
19 of an HSG account.

20 THE COURT: Right. I'm inclined to approve that. I
21 don't see any substantive difference between that and an
22 independent payroll accounting firm.

23 MS. BERKOVICH: Okay.

24 THE COURT: So, all right.

25 MS. BERKOVICH: And the second point that the U.S.

1 Trustee raised is with regards to the credit card that the
2 Debtor uses to pay, for example, travel expenses for players.
3 That credit card is actually in the name of HSG. The Debtor
4 was unable to get a credit card on its own. So JPMorgan, as
5 the issuer of the credit card, required to Debtor to put
6 \$590,000 on deposit at JPMorgan, but what happens is HSG is
7 technically liable on the credit card. So when the credit card
8 is due, the Debtor pays HSG money to pay JPMorgan. And right
9 now, there's \$420,000 outstanding under the credit card.

10 If the Debtor did not make the payments, HSG would not make
11 the payments, and JPMorgan would have the security deposit, so
12 JPMorgan seems to be in the credit card fully secured, and HSG
13 is really just an intermediary. So, based on what Your Honor
14 said earlier about secured claims can be paid, and the fact
15 that we do need to continue this credit card in order to
16 continue to operate in business and pay our travel expenses, I
17 think that this arrangement should be approved.

18 THE COURT: Anyone want to be heard? Mr. Lambert?

19 MS. LAMBERT: Your Honor, the United States Trustee
20 has indicated that this is actually a lending motion that
21 occurs in the middle of the banking motion. And the United
22 States Trustee recognizes that the Debtor needs to have a
23 credit card for some period of time. What the United States
24 Trustee had asked is that there be a transition period and that
25 the Debtor try to acquire credit on its own so that it is

1 unnecessary to run the transactions through HSG.

2 The United States Trustee does not oversee what happens at
3 HSG, so if HSG's bank goes bankrupt, we're not overseeing that.
4 And if they put payroll money in the accounts and it exceeds
5 the guaranty and there's a problem, we have no ability to make
6 them post collateral. I'm assuming that it is much like a
7 sweep account in reverse and that they move money to the
8 payroll and it's paid out immediately. Payroll, under the
9 facts of this case, is very high. Baseball players. So that
10 was our concern with respect to HSG being involved in all of
11 these transactions.

12 MS. BERKOVICH: Your Honor, I'm informed that the
13 credit card works the same way as the payroll, in the sense
14 that the Debtor transfers the money to HSG on the same day that
15 HSG makes the payment to JPMorgan.

16 THE COURT: Yes, but I think what the U.S. Trustee is
17 saying here is that the cash is up on hand -- in other words,
18 JPMorgan Chase is holding, as I understand it, \$500,000 and
19 change at any given time to cover credit card charges. And if
20 I understand the U.S. Trustee right, what she's saying is,
21 because the money is passing through HSG, the funds are not
22 insured with government securities or -- and, actually, to the
23 extent that up to \$500,000 -- isn't the FDIC amount \$500,000
24 now? I think that's correct.

25 MS. LAMBERT: Your Honor, my understanding was that it

1 was \$250,000.

2 THE COURT: All right.

3 MS. LAMBERT: But JPMorgan Chase, I know for sure -- I
4 need to check the amount, but I know that JPMorgan Chase has
5 opted out --

6 THE COURT: Yes.

7 MS. LAMBERT: -- of the TAG. So whatever the FDIC
8 limit is is what the number is.

9 MS. BERKOVICH: I don't think that JPMorgan Chase is
10 the bank through which the Debtor's funds get passed through
11 HSG. JPMorgan is the credit card issuer and it's holding the
12 security deposit for -- to protect payments on the credit card.

13 THE COURT: Right. But that's what I think she's
14 speaking of. You've got a half a million dollar security
15 deposit up, and the entity which is holding it is not
16 adequately insured to cover it.

17 MS. BERKOVICH: What potentially we can do, right now
18 the cash management is written not as an interim order, but we
19 could change it into an interim order and try, before the time
20 of the final order, --

21 THE COURT: Okay. Here's a suggestion that I have for
22 you. Okay? And I don't know if this will do it, but it would
23 seem to me, my recollection is that it's -- and I assume Ms.
24 Lambert is correct about the \$250,000. It's by account. And
25 you have at least two entities involved at this point, which

1 means you have potentially two different accounts. Perhaps Mr.
2 Rochelle would be kind enough to work with you to develop a
3 mechanism that would satisfy, on the one hand, JPMorgan Chase.

4 I recognize that's not the aspect in which you're
5 representing them, Mr. Rochelle, but nevertheless perhaps you
6 could work with the Debtor to ensure that their credit card
7 arrangement is not disrupted, on the one hand, but on the other
8 hand, the U.S. Trustee's concerns about seeing to it that those
9 funds are fully collateralized is cared for.

10 MR. ROCHELLE: We'll be happy to do that.

11 THE COURT: Okay. Would you do that?

12 MS. BERKOVICH: We will work with JPMorgan Chase.

13 THE COURT: All right.

14 MS. BERKOVICH: The question is, right now, there's
15 \$420,000 outstanding on the credit card, --

16 THE COURT: When is it due?

17 MS. BERKOVICH: -- existing credit card.

18 THE COURT: When is it due?

19 MS. BERKOVICH: In two weeks.

20 THE COURT: Golly, that gives us until June 1st to get
21 that worked out, and then I'll give you an order. How's that?
22 We'll continue this motion with respect to that particular
23 request for relief until the June 1st hearing that I've
24 scheduled as a status conference. How's that?

25 MS. BERKOVICH: Thank you, Your Honor.

1 THE COURT: Does that get us where we need to go? And
2 I suspect JPMorgan Chase has the capacity to work this out
3 satisfactorily in some form or fashion.

4 MR. ROCHELLE: We'll figure it out.

5 THE COURT: Good. All right.

6 MS. BERKOVICH: And --

7 THE COURT: And you'll check, you'll both check with
8 Ms. Lambert and make sure the U.S. Trustee is kept happy?

9 MS. BERKOVICH: Yes, of course.

10 THE COURT: Okay. I mean, when JPMorgan Chase goes
11 belly up, if they are not bailed out, of course, the result
12 could be grim, since at that point the principals of the Debtor
13 would be personally liable, arguably, for the funds.

14 MS. BERKOVICH: Just so I understand the ruling, but
15 the rest of the cash management order, --

16 THE COURT: Yes. Yes.

17 MS. BERKOVICH: -- that's an order that can be entered
18 today, --

19 THE COURT: Yes.

20 MS. BERKOVICH: -- a final order?

21 THE COURT: Yes.

22 MS. BERKOVICH: Thank you.

23 THE COURT: You may obtain an order with respect to
24 the balance.

25 MS. BERKOVICH: Thank you. Just a moment.

1 (Pause.)

2 MS. BERKOVICH: I'm told that if we don't make this
3 payment, we're not going to have enough credit balance on the
4 credit card to continue to incur charges on the credit card.
5 So it's not just -- so the two weeks is when that payment would
6 be due, but we do need to continue to use that credit card in
7 the interim.

8 THE COURT: Do you mean, you have to pay something
9 now?

10 MS. BERKOVICH: We have to -- we have to use the
11 credit card. For example, tomorrow, in a hotel room.

12 THE COURT: You can go ahead and use the credit card
13 as long as you want.

14 MS. BERKOVICH: If we don't make the payment, we can't
15 use the credit card. And if you'd like us to put a witness on
16 the stand to explain that, we can do that.

17 THE COURT: Okay. Let me ask you this. You say you
18 owe \$420,000, right?

19 MS. BERKOVICH: Correct.

20 THE COURT: Okay. And how much is on hand with
21 JPMorgan Chase at this point?

22 MS. BERKOVICH: \$590,000.

23 THE COURT: Okay. So that means there's \$170,000
24 credit remaining. Is that correct?

25 MS. BERKOVICH: Correct. Yes.

1 THE COURT: Okay. And that's going to be inadequate
2 for the next two weeks?

3 MS. BERKOVICH: Correct.

4 THE COURT: It's those nice hotels and fancy
5 restaurants.

6 MR. WEST: They're on the road now.

7 MS. BERKOVICH: Your Honor, they're -- the Texas
8 Rangers are on the road now.

9 THE COURT: I see.

10 MS. BERKOVICH: They're in Kansas City, and they've
11 got a --

12 THE COURT: I see.

13 MS. BERKOVICH: -- lengthy road trip, so there are
14 many expenses that we'll be charging. We actually can't take
15 the risk that the credit card will not be enough or that we
16 wouldn't be able to use it.

17 THE COURT: I'll --

18 MS. BERKOVICH: But we will endeavor to work with
19 JPMorgan to --

20 THE COURT: All right.

21 MS. BERKOVICH: -- do what is possible.

22 THE COURT: You work with JPMorgan Chase. I will
23 authorize the payment at this time. It sounds like something
24 out of one of those baseball movies, where the team gets
25 stranded out someplace.

1 (Laughter.)

2 MS. BERKOVICH: Just a moment.

3 MR. SOSLAND: Your Honor, if I may, I said I wasn't
4 going to do something like this at the First Day hearing, but I
5 missed a sign, Your Honor. And the -- on the severance issue,
6 I would like to make a request. I thought that, when we were
7 talking about severance, we were talking about severance --
8 when I answered the Court's question that there were no -- that
9 the issue was about severing -- the question I was asking the
10 client was about severing people between now and the June 15th
11 hearing, but the fact is that, under the relief that we
12 requested, the relief we requested in the motion included
13 severance payments for people who have been severed. I would
14 like to give the Court -- so Your Honor, we have \$23,000
15 approximately of severance payments under current arrangements
16 that are due this week to -- of which basically a little under
17 \$14,000 were due in the prepetition period and the rest would
18 be coming due under the terms of those arrangements and payable
19 postpetition, and another \$12,500 approximately that would be
20 due to people under existing severance arrangements by June
21 15th. Actually due on that date, when we're scheduled to be
22 back in court.

23 Now, Your Honor, I'd like to at a minimum request that the
24 Debtor could make those payments using the CoServ factors à la
25 *Mirant*. I don't know personally about the individuals who are

1 receiving them, but these are not highly compensated
2 individuals, and if not making the severance payments would be
3 a hardship to them, I'd like the Debtors to have the ability
4 to make those severance payments before we come back on the
5 severance policy.

6 THE COURT: Ms. Lambert?

7 MS. LAMBERT: Your Honor, in the *Renaissance Hospital*
8 case, this Court relied on the *Ionosphere* case and basically
9 said what the Court stated earlier, which is there's no
10 benefit conferred to the Debtor if it makes termination
11 payments, because those employees are no longer working for
12 the Debtor. In the *Pilgrim's Pride* case, the Court did allow
13 some payment to employees who had been terminated. So, that's
14 what the history is.

15 And it remains the U.S. Trustee's position that those
16 employees who have been terminated do not provide benefit to
17 the estate, and I don't understand that any of these employees
18 are subject to the union agreement. In other words, these are
19 not former players who were terminated.

20 MR. SOSLAND: May I respond, Your Honor?

21 THE COURT: Go ahead.

22 MR. SOSLAND: Your Honor, these are prepetition
23 obligations, and they're prepetition obligations of an
24 indisputably solvent estate. No one, not the lenders that
25 we're arguing with, thinks that this company isn't going to be

1 able -- that the Texas Rangers Baseball Partners isn't going
2 to be able to pay all of its obligations when they become due.
3 And if -- and we're talking about some individuals who you're
4 talking about \$1,600 in a pay period. This could very well
5 be, to them, life-sustaining funds, which is why asked for the
6 CoServ factors.

7 But speaking of CoServ, Your Honor, the situation -- the
8 philosophy underlying that Bankruptcy Code and the situation
9 that we put courts in often, as debtor's counsel, often on the
10 first day of the case is that we're asking the Court to make a
11 determination of advancing to the front of a case a decision
12 that's often not made until the end, which is the philosophy
13 of the -- underlying the Bankruptcy Code of equality of
14 distribution and doubts about that. And whether or not what
15 one -- at the beginning of the case you should discriminate
16 one creditor over another, the Bankruptcy Code, as we know,
17 even in connection with a plan, doesn't prohibit
18 discrimination. It prohibits unfair discrimination, but we
19 sometimes -- we, debtor's counsel, including myself, sometimes
20 put the Court in a position on the first day of the case that
21 we ask you to approve a payment when you don't know yet
22 whether the discrimination in favor of a prepetition creditor
23 is going to be fair or not. You don't know whether the case
24 is going to turn out like *Pilgrim's* did, where all creditors
25 got paid in full in cash at the end of the case, or like

1 *Mirant*, where they're going to get paid in some form of
2 consideration at the end of the case.

3 THE COURT: Now, --

4 MR. SOSLAND: The difference, Your Honor, the
5 difference here is we know that these obligations are going to
6 get paid in full at the end of the case. These are
7 contractual obligations of the Debtors in a solvent estate
8 that are going to be paid. This isn't an issue of whether --
9 this is not an issue of whether or not it's discriminatory
10 vis-à-vis other unsecured creditors. It's also -- I may
11 indulge and ask Mr. Stewart or Mr. Dunne to confirm this --
12 this isn't a case where the senior lenders object to these
13 payments being made. I think that they will inform you that
14 they consent to the payments being made, Your Honor. And I
15 think it is consistent with that philosophy.

16 THE COURT: It looks like Mr. Dunne is either going
17 to or not going to consent. What are you going to do, Mr.
18 Dunne?

19 MR. DUNNE: Mr. Sosland is correct, Your Honor.

20 THE COURT: Okay.

21 MR. DUNNE: We're fine with the payments.

22 THE COURT: All right. First of all, there was one
23 significant difference between the *Renaissance* case, as Ms.
24 O'Neil can testify, and the *Pilgrim's Pride* case, in that in
25 *Renaissance* dollars were scarce and obligations were many, and

1 in the *Pilgrim's Pride* case, there was a concern -- which was
2 also true in *Renaissance*, and is true in most of these cases
3 -- that the treatment of former employees affects the loyalty
4 of present employees.

5 And I'll tell you what I'd like to do, Mr. Sosland, is I
6 would like -- let's put this one over to last and go through
7 the other motions, and then what I want you to do, I want you
8 at least to make a proffer for the record about the
9 significance of paying these people in terms of the Debtor's
10 going concern value. And I recognize your concern about the
11 employees, which I share. I don't need any more Chapter 13
12 debtors than I already have. And this may be -- you're quite
13 correct. These amounts could lead to people who miss mortgage
14 payments or have trouble feeding the family, and that does
15 give me grave concern, and it's not something I want to have
16 happen.

17 But it seems to me, in the context in which we are
18 currently operating, the question is one of how does it affect
19 this Debtor, as opposed to how does it affect the employee?
20 And therefore it would seem to me appropriate to have
21 something on the record that substantiates that it is to the
22 Debtor's benefit to satisfy these obligations. If we have
23 such an offer or testimony, whichever you prefer, with the
24 opportunity for the U.S. Trustee to cross-examine if it's a
25 proffer, then I will authorize the payment. All right?

1 MR. SOSLAND: Yes, Your Honor. Thank you.

2 THE COURT: All right. Ms. Berkovich?

3 MS. BERKOVICH: Okay. Next is #9 in the agenda, which
4 is the Debtor's motion for an extension of time to file its
5 schedules of assets and liabilities. Under the Bankruptcy
6 Code, we currently have 14 days to file the schedules. That
7 would expire on June 7th. We initially sought and sent to the
8 U.S. Trustee a draft motion that would have given us a total of
9 60 days, as well as we were going to ask this Court to waive
10 the requirement to file the schedules if the plan was
11 confirmed.

12 The U.S. Trustee asked us to and we did shorten the
13 extension that we're seeking to a total of 35 days, and we also
14 agreed to remove from this motion the request to waive at any
15 point the requirement to file schedules.

16 Those are both without prejudice for us, obviously, to come
17 before this Court again to seek a further extension or to seek
18 a waiver at some point. So, right now, we are requesting an
19 extension of an additional 21 days beyond the statutory period
20 to June 28th, for a total of 35 days.

21 It is our belief that schedules are not needed in this
22 case. Typically, schedules are filed for creditors and others
23 to see all the claims and all the assets and have an
24 opportunity to determine whether -- negotiate a plan of
25 reorganization and then determine whether it is appropriate.

1 In this case, we have a plan of reorganization that pays all
2 creditors in full, and therefore the schedules are not needed
3 to confirm this plan, and it would simply be a waste of
4 resources. However, we're not seeking that today. We're only
5 seeking an extension. And I submit to you that given the
6 number of creditors -- close to 4,000 -- and the hundreds of
7 contracts and the fact that our resources are needed at this
8 point, in the early stages of the reorganization, just to
9 stabilize the business, that we do need the extension to be
10 able to comply with the statutory period.

11 THE COURT: All right. Anyone want to object to the
12 extension to June 28th? Mr. Rochelle?

13 MR. ROCHELLE: Yes, Your Honor. It's our
14 understanding that the list of creditors are not exactly
15 extensive in this case. And if what one has is essentially a
16 ten-day period before the scheduled confirmation hearing, I
17 don't know how creditors, individual creditors, are going to be
18 able to do anything at all with those schedules. The schedules
19 are one of the essentials protections for creditors in any
20 Chapter 11 case. And the idea that we might either put them
21 off until, really, potentially, this canoe is over the falls
22 and then --

23 THE COURT: Well, I don't think we're going to do
24 that. I think what we're saying is if I grant the extension,
25 that doesn't prevent them from asking for a further extension,

1 nor does it prevent you or any other party in interest from
2 seeking to defer the confirmation hearing.

3 And I will add that certainly I would give a good deal of
4 attention to an argument that disclosure in this case was
5 inadequate to the needs of parties in interest, including
6 disclosure through the schedules and the Statement of Affairs.

7 That said, I also would note that Section 521 does provide
8 the Court with the discretion to excuse the Debtor from
9 compliance with some or all of the requirements of schedules
10 and Statement of Affairs.

11 And one of the things that you might want to give some
12 thought to is whether or not there are some elements in the
13 schedules and Statement of Affairs that would not be helpful.
14 For example, as I recall, Household Goods & Furnishings are
15 required to be disclosed by a business debtor such as this, and
16 I would question whether Mr. Rochelle and his client would find
17 it necessary for you to count the cups and saucers in Ranger
18 Stadium.

19 So it may be that you can come up with a way to shorten
20 your schedules requirement that I would consider, after
21 suitable notice, and I will certainly, if the schedules are
22 filed on the 28th and you make a showing that that will be --
23 leave you insufficient time to do whatever evaluations are
24 necessary for you to determine what needs to be done with
25 respect to the plan, should we reach confirmation, then I will,

1 if necessary, continue the confirmation hearing. All right?

2 MR. ROCHELLE: Fair enough, Your Honor.

3 THE COURT: All right. Thank you. Okay. Ms.

4 Berkovich?

5 MS. BERKOVICH: If there is additional information
6 that JPMorgan does need from us to make a decision, I hope that
7 they would approach us and ask us for that information. And --

8 THE COURT: Well, if you come -- first of all, you've
9 provided a disclosure statement. I have not read it. All
10 right? I'm sorry, again. I simply have not had time to read
11 it, the plan, the asset purchase agreement, and so on. I will
12 have read them soon. Okay? If your disclosure statement
13 provides sufficient information, you'll have an opportunity to
14 say so.

15 Since we are at this point tentatively setting June 15th as
16 the date on which I will consider any concerns respecting the
17 disclosure statement, I would assume that you will have some
18 indication at that point in time as to what deficiencies there
19 are. If you elect, for example, to seek to excuse the Debtor
20 from counting cups and saucers, or animals or whatever else
21 there is that you might have too many of -- I hope there aren't
22 too many animals -- then if you file a motion seeking to do
23 that, it would be my expectation that if Mr. Rochelle or any
24 other party or attorney thinks that that would too greatly
25 truncate the disclosure requirements, I would expect them to

1 come forward at that time before I rule on that motion. Are we
2 clear?

3 MS. BERKOVICH: It's clear. I want to make another
4 statement on the record. The purchaser in this case is
5 assuming just about every unsecured claim.

6 THE COURT: Yes.

7 MS. BERKOVICH: Not the big-dollar claim amounts, but
8 all of the -- I mean, not the, obviously, the -- I mean, the
9 secured amounts. But the general unsecured claims are being
10 assumed.

11 THE COURT: I understand that. And it may -- as I
12 say, it may well be that you're correct and all of this will go
13 away. But I don't think that we should skip the requirements
14 of the Code and the Rules prior to a determination that, in
15 fact, they should go away.

16 MS. BERKOVICH: I understand.

17 THE COURT: I'm not trying to be difficult here.

18 MS. BERKOVICH: No.

19 THE COURT: I just -- and I understand that there are
20 courts where there are judges who, if the right counsel asks
21 for the right relief, it is granted automatically. I'm just
22 not one of those judges.

23 MS. BERKOVICH: I understand, Your Honor.

24 THE COURT: Okay.

25 MS. BERKOVICH: Just a moment.

1 (Pause.)

2 MS. BERKOVICH: The next motion is #10 in the agenda,
3 the Debtor's motion to schedule a confirmation hearing, set an
4 objection deadline and related relief. And certain statements
5 Your Honor made earlier changes some of what we're seeking in
6 this motion. I have a calendar that I prepared that has May,
7 June and July and some of our initial proposed dates. I know
8 that you've given us some more dates, but may I approach and
9 hand you the calendar --

10 THE COURT: Sure.

11 MS. BERKOVICH: -- so we can figure out dates
12 together?

13 (Pause.)

14 THE COURT: Thank you.

15 MS. BERKOVICH: There's nothing -- for those in the
16 courtroom who don't get a copy of it, there's nothing magical.
17 It's just a calendar with the dates that are already set forth
18 in our motion.

19 We are grateful that you did give us July 9th for the
20 confirmation hearing, and we would like to keep that, and we
21 would like to comply with the notice requirements under the
22 Bankruptcy Code. When we had had a hearing scheduled or had
23 proposed a hearing for July 2nd, we were going to mail out
24 notice of the objection deadline and of the hearing so that it
25 would be received in time by creditors.

1 You have now scheduled a hearing -- Your Honor has
2 scheduled a hearing for June 15th on some of the issues that
3 might be appropriate for -- related to confirmation. And what
4 I'd still like to propose is that we use the notice that's
5 attached to our existing motion, the notice of commencement and
6 a notice of the confirmation hearing, and overnight we would
7 work on it to add in the fact that there will be this other
8 hearing on June 15th, and send that to creditors to provide
9 them notice of all of the dates, so that we only have to notice
10 everybody once.

11 Does Your Honor -- we can talk about the substance of the
12 notice and the particular dates, but would that be acceptable
13 to you?

14 THE COURT: I've not reviewed the form of your notice,
15 to be honest with you. I looked at the motion but did not read
16 it because I knew I was not going to do exactly what you were
17 asking me to do in there since I wasn't going to be here on
18 July 2nd, so I did not look at it that closely. What I will
19 tell you is this: in terms of your scheduling, it would seem to
20 me any issues that are going to be addressed on the 15th must
21 have been raised by the 11th. In other words, that's the day
22 we set for briefing. If anyone wants to raise issues about
23 disclosure, they must be raised by June 11th, keeping in mind
24 Mr. Rochelle's concern that they will not have schedules by
25 that time, but this will have to do with the disclosure

1 statement.

2 Secondly, as I indicated, July 9th is the date that I can
3 give you for confirmation. And I would suggest as your date
4 for assuming -- well, let's just say for objections to
5 confirmation, if we get to the point where we determine votes
6 are necessary, the same date would seem to me to be appropriate
7 as being, let's say, close of business July 6th. I recognize
8 that puts you on a tight schedule, but I don't see that -- I
9 mean, you're putting us on a tight schedule, so that will put
10 you on one as well.

11 So you will have, from the 6th, you will have the 7th and
12 8th, effectively, to prepare for the 9th.

13 Ms. Lambert?

14 MS. LAMBERT: Yes, Your Honor. The U.S. Trustee has
15 some additional dates on here. June 3, 2010 is when the
16 formation meeting for the Unsecured Creditors' Committee is
17 going to be. We cannot do it any faster than that because of
18 the Memorial Day holiday and Mr. Neary's absences and the
19 availability of the room where we do the formation meeting.

20 And we have set the 341 meeting for July 7th at 10:00
21 o'clock a.m., which was timed to be five days after the
22 schedules and the Statement of Financial Affairs were filed, so
23 everybody would have an opportunity to review them and then
24 examine the witness.

25 THE COURT: Well, that's fine. And then I had also

1 indicated we would have a status conference on Tuesday, June
2 1st, I believe. So I'm not sure what all notices you need to
3 get out for all of these things at this time.

4 MS. BERKOVICH: Well, let me suggest something else,
5 then. I didn't realize that at the hearing on the 15th you
6 might come out with a ruling that creditors may get to vote on
7 a plan and that you --

8 THE COURT: No, what I said --

9 MS. BERKOVICH: -- wanted to set a voting deadline.

10 THE COURT: No. No. What I said to you was I said
11 one of the issues here that has been raised by the parties is
12 whether, in fact, creditors are impaired. If you have any
13 group of creditors that are impaired, as I understand the law,
14 they are entitled to vote on the plan. And therefore if I were
15 to determine -- and I'm not going to determine today that there
16 is no impairment in this plan -- if I were to determine that
17 there is in fact impairment of any class of creditors or equity
18 interest owners who have not consented to the plan, then, under
19 those circumstances, I would presume you would either have to
20 drop the plan or let them vote. I mean, I don't know of any
21 other way to get around that, do you?

22 MS. BERKOVICH: No, Your Honor.

23 THE COURT: Okay.

24 MS. BERKOVICH: So perhaps I can suggest something
25 else, which is we not send out the notice at this time but wait

1 until the June 15th hearing, if we can get some comfort that
2 even if we send the notice out after June 15th, we would
3 shorten the 28 --

4 THE COURT: I will be happy to shorten the time as
5 necessary.

6 MS. BERKOVICH: Okay.

7 THE COURT: And what we will do is we will get out a
8 notice now of the hearing on the 15th, it would seem to me. I
9 think that's what we were -- what Mr. Sosland and I were
10 exchanging about earlier. Is that correct?

11 MR. SOSLAND: Yes, Your Honor.

12 THE COURT: Okay.

13 MS. BERKOVICH: Would this notice have to go out to
14 all creditors, or just to the 2002 list?

15 THE COURT: I mean, the Rules specify who gets notice
16 of a disclosure statement hearing. And since we are covering
17 that base, it would seem to me it would go out to all of them.

18 MS. BERKOVICH: Okay.

19 THE COURT: Now, if you are uncomfortable with mailing
20 a notice to several thousand creditors who you do not think are
21 impaired and you wish to rely on some other form of notice,
22 I'll consider an appropriate motion on June 1st. Okay?

23 MS. BERKOVICH: Understand.

24 THE COURT: Okay.

25 MS. BERKOVICH: We'll think about this and come back

1 to you on June 1st.

2 THE COURT: Okay. I mean, I'll tell you what I would
3 do, and what I would have done back in the days when I was Mr.
4 Sosland's partner. You guys all knew that, so I'm not telling
5 you anything that's a surprise. A long time ago. He didn't
6 have any gray hair then, and Mr. Rochelle still had some hair
7 then. But I'll tell you what I'd do. I'd give the notice.

8 MS. BERKOVICH: Okay.

9 THE COURT: I mean, it's a little more trouble, but
10 that's what you have associates for. And so, I mean, it's just
11 my feeling. If you give the notice, you're safe. If you don't
12 give the notice, you may live to regret it. That's what I'd
13 do. But it's up to you. I'm not going to impose upon you if
14 you want to try to limit the notice either by court order or
15 otherwise. Or use publication notice.

16 MS. BERKOVICH: I understand.

17 THE COURT: I imagine there's some folks out there who
18 are going to publicize this anyway.

19 MS. BERKOVICH: So, on June 1st, can we submit to you
20 the form of notice that we would use?

21 THE COURT: That would be lovely.

22 MS. BERKOVICH: Okay. Thank you.

23 THE COURT: Okay.

24 MS. BERKOVICH: So that's all on the -- on that
25 motion, I believe.

1 THE COURT: Okay.

2 MS. BERKOVICH: There is another motion that I did
3 skip over, and that is #8 on the agenda, the motion to pay the
4 prepetition claims of certain creditors. This is our all
5 vendor motion. But we're going to put -- we would like to put
6 that to the side until after we have the DIP hearing.

7 THE COURT: All right. And furthermore, as I
8 indicated to you, what I'll probably give to you is the same
9 authority that I gave to Mirant, to pay anyone that you're
10 ready to certify that you have to pay now or that it would
11 benefit the estate effectively to pay now under the CoServ
12 factors. All right?

13 MS. BERKOVICH: Understand. Thank you.

14 THE COURT: All right. Now, Mr. Sosland, did you want
15 to address severance?

16 MR. SOSLAND: Yes, Your Honor, but I know that it's
17 ten minutes to 5:00. I think I need five minutes to just
18 consult with my client before we make the proffer, and I also
19 need five minutes to make sure I understand where we are on the
20 DIP, with the conversation.

21 THE COURT: All right. Do you want --

22 MR. SOSLAND: And so I don't know what Your Honor
23 would like to do.

24 THE COURT: Well, here's -- I'm going to give you a
25 couple of options. Okay? I'm willing to keep going past 5:00.

1 I, as a general rule, partly because Congress doesn't pay
2 judges all that well, I do not go past 5:30, and partly because
3 I lose my concentration then, and I'm not very useful to you if
4 I'm not concentrating. So I don't want to continue the hearing
5 past 5:30 unless, you know, you tell me five more minutes.

6 Now, that said, the other option is that you're welcome to
7 come back in the morning. As I said, I have a free morning
8 tomorrow until we have a farewell lunch for an employee at
9 11:30, so I can give you a good two and a half hours. And it's
10 up to you which way you'd want to proceed.

11 MR. SOSLAND: If --

12 THE COURT: And if you want, you can take ten minutes
13 now and think about that.

14 MR. SOSLAND: Your Honor, if you would indulge us,
15 I'll just advise you at 5:00.

16 THE COURT: I will indulge you.

17 MR. SOSLAND: Thank you.

18 THE COURT: We'll resume in ten minutes.

19 THE CLERK: All rise.

20 (A recess ensued from 4:51 p.m. until 5:06 p.m.)

21 THE COURT: Please be seated. All right. What is
22 your pleasure, Mr. Sosland? It looks like we've lost some
23 people.

24 MR. SOSLAND: I'll tell you where we are, Your Honor.

25 THE COURT: All right.

1 MR. SOSLAND: And I'm not sure how much time we're
2 going to need.

3 So the -- in response to the proposal of the prepetition
4 secured lenders, the MLB has -- the MLB basically improved its
5 proposal by agreeing to delete a number of covenants, of the
6 same covenants as -- and events of default that the lenders had
7 proposed. Not all of them. It doesn't match it precisely, but
8 ultimately the Debtors have decided to -- and they have
9 decoupled the ISA from the DIP.

10 So, ultimately, the Debtors, for a variety of reasons that
11 we can go into, are more comfortable and desire to go forward
12 with a modified MLB DIP, and the lenders object to that. So I
13 believe we have a contested hearing, even over the entry --
14 even with a lot of the objectionable provisions deleted, we
15 have a contested hearing with the lenders over whether we
16 should enter into the DIP with MLB.

17 And that's where we sit today, Your Honor, right at this
18 moment, Your Honor.

19 THE COURT: All right. Well, what do you want to do
20 in terms of timing?

21 MR. SOSLAND: I don't know -- I can -- we can start
22 and stop at 5:30, Your Honor, or we can -- I don't know that we
23 can finish by 5:30 or shortly after 5:30.

24 THE COURT: Are you going to finish by 5:30, Mr.
25 Stewart?

1 MR. STEWART: No, Your Honor.

2 THE COURT: All right. Well, I'll tell you what. We
3 had the other motion that we could go ahead and dispose of
4 probably between now and 5:30, and then we can resume at 9:00
5 tomorrow morning. Is that satisfactory? Does that work for
6 you, Mr. Sosland?

7 MR. SOSLAND: Your Honor, whatever is your pleasure,
8 Your Honor.

9 THE COURT: Well, no, it isn't. I mean, I would hate
10 to hear that the Rangers couldn't eat tonight and did poorly in
11 the game because I didn't get them money to be fed with. So I
12 am assuming --

13 MR. SOSLAND: I think --

14 THE COURT: I am assuming that everything will be okay
15 if we hear this more morning at 9:00?

16 MR. SOSLAND: I need to -- let me consult with the
17 client.

18 THE COURT: All right.

19 (Counsel confer.)

20 MR. SOSLAND: Tomorrow at 9:00 is fine, Your Honor.

21 THE COURT: All right. Then we'll take up -- and just
22 so that you understand your schedule, well, we'll take it up
23 then. And I can give you, worst case, about three and a half
24 hours tomorrow. I have a lunch that I have to go to, but I can
25 leave relatively early and I can give you part of the

1 afternoon, though I have a trial currently set for tomorrow
2 afternoon. Maybe it will settle. Okay?

3 MR. SOSLAND: Okay.

4 THE COURT: All right. Then go ahead, if you want,
5 and you can, either by proffer or by witness, prove up your
6 severance issue. All right?

7 MR. SOSLAND: Your Honor, we could do that in the
8 morning also, if you -- mostly because I was spending my time
9 trying to negotiate --

10 THE COURT: All right.

11 MR. SOSLAND: -- the DIP and not preparing the proffer
12 during the recess.

13 THE COURT: All right. Is that all right with
14 everybody?

15 MR. STEWART: Yes, Your Honor.

16 THE COURT: All right. Well, I'll see you tomorrow
17 morning, then. And we'll be adjourned for today. Thank you
18 all very much.

19 MR. SOSLAND: Thank you, Your Honor.

20 MR. STEWART: Excuse me, Your Honor. What time again
21 tomorrow?

22 THE COURT: Pardon?

23 MR. STEWART: 9:00 a.m.?

24 THE COURT: 9:00 a.m.

25 THE CLERK: All rise.

1 (Proceedings adjourned at 5:10 p.m., to be recalled at 9:00
2 a.m. on May 26, 2010.)

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CERTIFICATE

20 I certify that the foregoing is a correct transcript from
21 the electronic sound recording of the proceedings in the above-
22 entitled matter.

23

24

Kathy Rehling
Certified Electronic Court Transcriber
CET**D-444

Date

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