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Dodgers Slide Into Chapter 11

By MATTHEW FUTTERMAN



The Los Angeles Dodgers, beset by financial troubles and engaged in a battle with Major League Baseball Commissioner Bud Selig, filed for bankruptcy protection today. The WSJ's Lee Hawkins talks to WSJ sports writer Matthew Futterman. Photo: AP

Embattled Los Angeles Dodgers owner Frank McCourt placed his ball club into bankruptcy protection Monday, a direct challenge to the authority of Major League Baseball Commissioner Bud Selig, who has been trying to wrest control of the 120-year-old franchise.

The Chapter 11 filing is a dark moment for one of baseball's most important franchises, which must still pay millions to many former players, including retired slugger Manny Ramirez, who is owed \$20.99 million. Legendary broadcaster Vin Scully also is listed in court filings as a creditor owed \$152,778.

The Top Five Creditors

Rank	Creditor	Amount Owed	Last Played For Dodgers
1	MANNY RAMIREZ	\$20,992,006	June 2009
2	ANDRUW JONES	\$10,075,000	2009
3	HIROKI KURODA	\$4,463,558	2010
4	RAFAEL FURCAL	\$3,926,926	2010
5	CHICAGO WHITE SOX	\$152,778	1993

OTHER CREDITORS

Creditor	Amount Owed	Last Played For Dodgers
MARQUESS GRISSOM	\$2,718,146	2002
CONTINENTAL AIRLINES	\$379,403	1998
VIN SCULLY	\$152,778	1993

Mr. McCourt's use of the bankruptcy court is an effort to buy time to shore up his team's finances, his lawyer said. It also escalates a confrontation with Mr. Selig, who took over day-to-day operations of the club in April amid concerns over team finances and security at Dodger Stadium. Mr. McCourt faced losing his team entirely to Major League Baseball because of a failure to meet some \$10 million in team payroll. A \$67 million loan to a Dodgers' subsidiary must also be renegotiated within days.

A lawyer for Mr. McCourt said he plans to ask a judge to approve a new long-term media rights deal that he says will save his team from its liquidity crisis.

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The team's assets still outweigh its liabilities, but the team doesn't have enough cash to meet the June 30 payroll, the lawyer said.

Mr. Selig last week rejected a proposed 17-year, \$2.7 billion deal with Fox Sports because Mr. McCourt planned to use about \$150 million from the agreement to settle a divorce from his wife, Jamie, and to pay off outstanding debts. Mr. Selig has repeatedly complained about the McCourts' borrowing against the team's assets for personal reasons. Mr. McCourt and his wife have acknowledged using about \$100 million in salary and loans taken against the club to finance their lavish lifestyle and buy several luxurious homes.



Getty Images

Los Angeles Dodgers owner Frank McCourt

In a final effort to convince Mr. Selig to approve the Fox deal, Mr. McCourt offered to put all of the proceeds from the transaction into the team, but Mr. Selig wasn't swayed, two people familiar with the matter said.

A deal won't be easy to complete. Fox, a unit of News Corp., hasn't commented on Mr. Selig's decision, but it is unlikely the media company will keep its offer on the table during the bankruptcy standoff, two other people familiar with the matter said. That stands to complicate the bankruptcy proceedings. News Corp. owns The Wall Street Journal.

Mr. McCourt's action flouts one of baseball's most sacred tenets: That the commissioner's power to act "in the best interests of baseball" is essentially unlimited, giving him the right to ban players and executives, reject unfair trades and, when necessary, control the operations of franchises. The power dates back more than 90 years to the first commissioner, U.S. District Court Judge Kenesaw Mountain Landis, who insisted on the powers before taking the job.

"The governance of baseball is a bit of a medieval operation," said former commissioner Fay Vincent.

Courts have occasionally weighed in. Former commissioner Bowie Kuhn's authority to block an owner's efforts to sell off his best players for cash was upheld by a court, while Mr. Vincent was deemed to have overstepped when he tried to realign baseball's divisions.

A bankruptcy court last year overruled the baseball commissioner when the Texas Rangers entered court protection. Lawyers for MLB had submitted a plan to sell the team to a preferred bidder, but creditors objected and the judge ordered an open auction.

"There is a natural tension here between the courts and the commissioner," said Michael Cramer, the former president of the Texas Rangers and the director of the University of Texas Program in Sports and Media.

On Tuesday, Mr. McCourt's lawyers will ask the bankruptcy court to approve a \$150 million financing plan with a J.P. Morgan Chase & Co. hedge fund called Highbridge Principal Strategies. The loan's interest rate is at least 10%, plus a \$4.5 million commitment fee. Lawyers for MLB are expected to attempt to block that request.

In a statement, Mr. McCourt said Mr. Selig left him no choice. "The Dodgers have delivered time and again since I became owner," he said. "I simply cannot allow the commissioner to knowingly and intentionally be in a position to expose the Dodgers to financial risk any longer."

Baseball officials, however, said Mr. McCourt and his soon-to-be-ex-wife are responsible for the team's dire finances and they shouldn't be able to use money from the club to get them out of their financial hole.

"The action taken today by Mr. McCourt does nothing but inflict further harm to this historic franchise," said Mr. Selig.

MLB spokesman Pat Courtney said the commissioner has the right to approve television deals, adding "The commissioner didn't get Frank McCourt into this financial position."

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Ms. McCourt's lawyer, David Boies, called the bankruptcy filing "disturbing and disappointing," saying it "is bad for everyone who cares about, or has an interest in, the Dodgers."

Ms. McCourt has filed papers in family court in Los Angeles stating her desire to sell the club.

In its filings with the bankruptcy court, the Dodgers' dire financial state is laid bare.

Blue Landco LLC, a Dodgers entity that controls 250 acres surrounding the stadium, has a \$67 million loan that matures at the end of the month.

Several individuals are also named. Mr. Scully didn't return a call seeking comment. Scott Boras, the agent for Manny Ramirez and Andruw Jones, who is owed \$11 million, said he and the Players Association have taken steps to ensure his clients would get paid.

Last year the team had to pay \$22 million in deferred compensation, and will pay another \$20.5 million this year. As of the filing, it owes minor league players \$225,000, and will have to make \$2.3 million in signing bonus payments this year for players drafted in 2011. The team is also scheduled to make a revenue-sharing payment to Major League Baseball of \$4 million.

—Eric Morath and Shira Ovide contributed to this article.

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