

# ALERT

February 2023

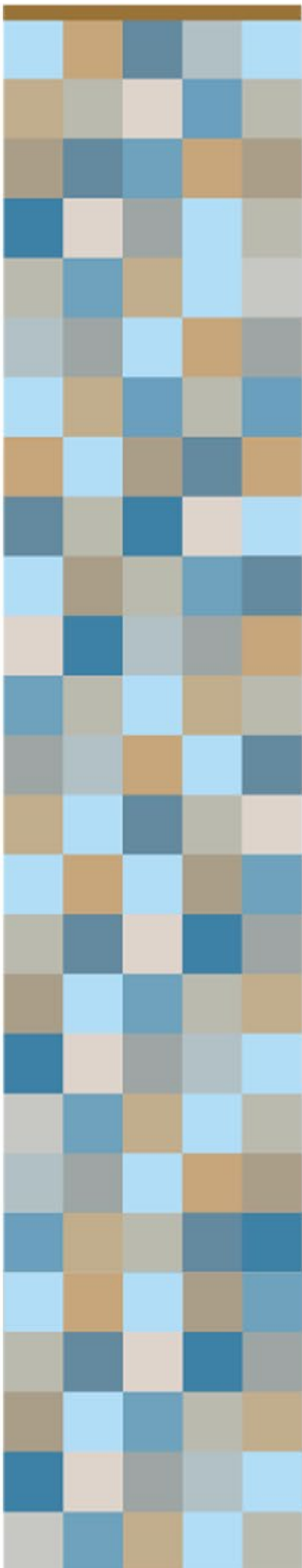
## **Diamond Sports Group, LLC's Potential Bankruptcy and Its Effects on MLB, NHL & NBA Teams**

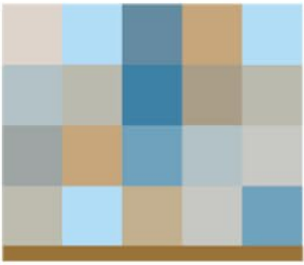
**By: Lauren Bernstein**

A subsidiary of Sinclair Broadcast Group Inc., Diamond Sports Group, LLC (“Diamond”) (branded as Bally Sports) which operates 19 regional sports networks that televise MLB, NHL and NBA games is inching towards bankruptcy. On February 15, 2023, Diamond missed a \$140 million-dollar interest payment on nearly \$9 billion-dollars of debt triggering a 30-day grace period whereby Diamond hopes to continue to negotiate with its creditors in an attempt to avoid what appears to be the inevitable filing for bankruptcy. In the event that Diamond does in fact file for bankruptcy (and is not simply filing a “pre-planned” bankruptcy which is approved by creditors prior to filing) such a filing could have major effects on not only the production of game broadcasts but revenue for individual teams and wholesale effects on the NBA and NHL relating to their respective salary caps in the upcoming years.

Diamond provides local coverage for 16 NBA teams, 12 NHL teams and 14 MLB teams. Diamond agrees to pay large media fees to these teams for the rights to broadcast their games locally. When a company files for bankruptcy, it may assume or reject any executory contract or unexpired lease. 11 U.S.C. §365. An executory contract is one in which ongoing performance obligations remain for both parties to the contract. If the company chooses to assume the contract, it must cure all defaults under the contract, and the contract will continue through the bankruptcy unaltered. If a contract is rejected, the rejection will be treated as a breach of contract resulting in a claim in the bankruptcy against the company for damages.

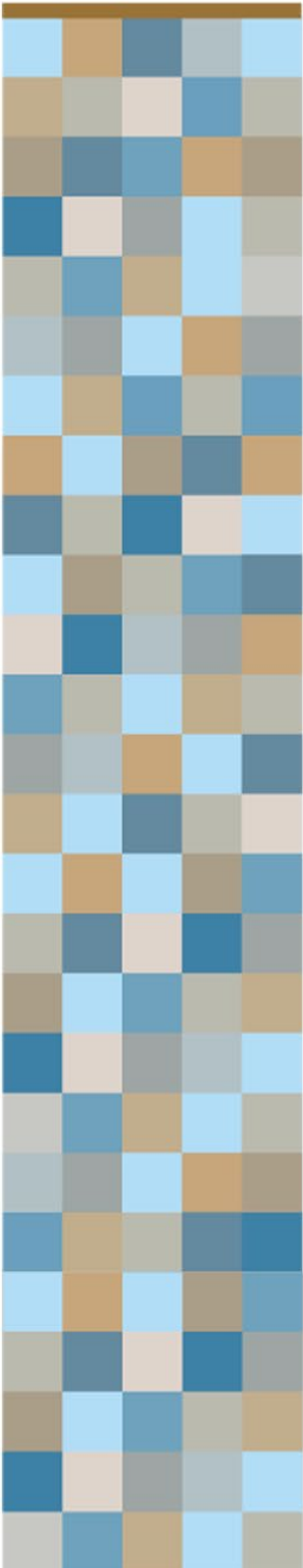
Unfortunately, for MLB, NHL and NBA teams which have contracts with Diamond, it is unlikely that Diamond will assume these contracts based on its dire financial position. Instead, Diamond will likely threaten to reject the contracts in an effort to negotiate more favorable terms for Diamond. The way a specific team reacts to these threats is dependent upon whether it believes it can sell these rights to another bidder for more than what Diamond is offering i.e. whether it believes there is a sufficient market for local broadcasting rights. Regardless, if Diamond files for bankruptcy, the MLB, NHL and NBA teams which rely upon these payments will not receive them in a timely fashion (or when they are due) which could significantly affect their revenue and operations. In addition, individual team’s revenues are a factor in the decisions surrounding the NBA and





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NHL salary caps. Therefore, if their revenues decrease, that could ultimately affect the decisions regarding the salary caps for the NBA and NHL.

It will be interesting to see what occurs over the next few months. Moritt Hock & Hamroff will be closely following Diamond's next steps.

If there are any questions relating to this Alert, please feel free to contact **Lauren Bernstein** at [lbernstein@moritthock.com](mailto:lbernstein@moritthock.com).

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