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Midwest Regional Bankruptcy Seminar

When the Broadcast Model Breaks: RSN Distress and the Fallout for Teams

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BANKRUPTCY, LITIGATION & THE RSN INDUSTRY

Regional Sports Networks Under Pressure

Diamond Sports Group • Phoenix Suns/Mercury Litigation • Comcast SportsNet Houston • Industry Outlook

Prepared overview of major RSN bankruptcies and disputes reshaping local sports broadcasting

DIAMOND SPORTS GROUP

The Nation's Largest RSN Operator Falls Into Chapter 11

- A Sinclair subsidiary; owned and operated the Bally Sports-branded regional networks (later rebranded FanDuel Sports Network)
- Filed for Chapter 11 bankruptcy protection in March 2023, citing more than \$8 billion in outstanding debt
- Collapse driven by heavy cord-cutting and an accelerating shift to streaming

\$8B+

Debt load at filing

20 months

spent in Chapter 11 before Diamond's reorganization plan was approved

Bally Sports → FanDuel Sports Network

DIAMOND SPORTS GROUP

Twenty Months of Cuts and Team Departures

2023	Padres & D-backs cut Dropped after missed rights payments; MLB began operating and streaming their broadcasts directly
2024	Contracts expire, teams exit Guardians, Twins, Brewers and Rangers depart at contract end; Reds bought out amid failed renegotiation
2024	NBA / NHL renegotiated Lower rights fees accepted league-wide; Mavericks, Pelicans and Ducks shed from the portfolio

MLB PORTFOLIO

14 → 6

MLB teams remaining under Diamond, down from 14 across roughly 20 months

Meanwhile: MLB began assembling a direct-to-fan "umbrella" streaming package for orphaned teams via MLB.TV, aiming to eliminate blackouts league-wide.

3

DIAMOND SPORTS GROUP

Emerging From Bankruptcy as FanDuel Sports Network

- November 2024: a federal judge approved Diamond's reorganization plan, roughly 20 months after the Chapter 11 filing
- Broadcasts rebrand from Bally Sports to FanDuel Sports Network under a new naming-rights deal
- New contracts increasingly include direct-to-consumer streaming rights alongside linear carriage — something the prior Braves deal, for instance, didn't have
- Every new deal runs only through 2028 — the same year MLB's national ESPN, Fox and TNT/TBS deals expire

27

combined MLB, NBA & NHL teams retained in the reorganized portfolio

Fans in-market can stream via the FanDuel Sports Network app; Amazon Prime Video access is expected at added cost, on a date to be announced.

4

PHOENIX SUNS / MERCURY V. DIAMOND SPORTS

A Franchise Tries to Exit Its RSN Deal Early

- April 2023: the Suns (NBA) and Mercury (WNBA) declined to renew their local rights deal with Diamond Sports Group following its Chapter 11 filing
- Planned replacement: free-to-air broadcasts via Grey Television stations in Phoenix, Tucson and Yuma, paired with a new direct-to-consumer streaming platform built with Kiswe
- New Suns agreement was structured for five years; the Mercury deal covered the next two seasons
- The teams became the first major-league clubs to attempt leaving Bally Sports since Diamond's bankruptcy filing — prompting Diamond to sue

THE PROPOSED DEAL

Broadcast

Grey Television FTA stations

Streaming

New DTC platform with Kiswe

Suns term

5 years

Mercury term

2 seasons

5

PHOENIX SUNS / MERCURY V. DIAMOND SPORTS

Bankruptcy Court Blocks the New TV Deal

- May 2023: bankruptcy judge Christopher Lopez voided the Grey Television / Kiswe agreement
- Basis for the ruling: US bankruptcy law protects debtors from having contracts modified or terminated without consent — the new deal interfered with Diamond's right to negotiate an extension
- No monetary damages were awarded to Diamond at that stage; a further hearing on damages was left open
- Suns CEO Josh Bartelstein said the franchise would keep seeking “a fair resolution” for fans, the community and players

TAKEAWAY

Chapter 11 protection can outweigh a team's desire to modernize its media rights — existing RSN contracts are hard to exit unilaterally, even mid-bankruptcy.

DSG also disputed with MLB during this period, blaming the league's streaming ambitions for its bankruptcy — a claim MLB rejected.

6

COMCAST SPORTSNET HOUSTON

A Team-Owned Network Collapses Within a Year

- Launched October 2012 as a partnership between the Astros (46.5%), Rockets (31.5%) and Comcast (22%), initially valued at \$700 million
- The network drew fewer than 700,000 subscribers, generating only about \$33 million a year in fees — far short of the roughly \$100 million Comcast had committed to the Astros and Rockets annually
- A \$100 million Comcast startup loan was exhausted in under a year, and two cash calls to investors weren't enough to keep the network solvent
- Major carriers refused carriage across the four-state region even at fees under \$3 a month; viewership cratered, including three 0.0 Nielsen ratings for Astros games
- When the Astros threatened to pull their rights in September 2013, Comcast pushed the network into Chapter 11 bankruptcy

OWNERSHIP AT LAUNCH

Astros	46.5%
Rockets	31.5%
Comcast	22%

\$700M

initial valuation at the network's 2012 launch

Subscriber fees ran about \$33M/year — far below the ~\$100M in rights fees Comcast had promised the teams

7

COMCAST SPORTSNET HOUSTON

Sold for a Token \$5,000 — and Years of Litigation

- October 2014: a bankruptcy judge weighed a reorganization plan handing the network to AT&T and DirecTV for a token \$5,000 investment, rebranding it Root Sports Houston
- The teams lost their equity outright and were left unable to recover roughly \$125 million in owed rights fees; 96 of the network's 141 employees were laid off
- Litigation continued well past the sale: Astros owner Jim Crane's ownership group sued Comcast and former owner Drayton McLane, while the teams weighed further claims to recoup over \$217 million combined in unsecured network debt
- Industry analysts called it the biggest, most expensive collapse in the 35-year history of regional sports networks, in both financial losses and jobs affected

STRUCTURAL LESSON

“RSN models have to be carefully structured”

An industry advisor who has counseled teams on TV rights said the partnership, pricing, structure and expectations all have to be balanced to meet every partner's needs over the long haul.

\$700M valuation → \$5,000 sale in under two years

8

THE RSN INDUSTRY

A Sector Under Simultaneous Strain

- Heavy cord-cutting and an accelerating shift to streaming have eroded the cable subscriber base that funds local rights fees
- February 2023: Warner Bros. Discovery moved to exit the RSN business, telling teams it would shut down its AT&T SportsNet networks unless they took over ownership and production
- WBD's ten affected teams included the Astros, Pirates, Rockets, Penguins, Golden Knights and Jazz
- Diamond Sports' own bankruptcy hit within weeks of WBD's exit — two of the industry's largest operators in crisis almost simultaneously

~20%

of aggregate MLB team revenue has come from local media rights

Two operators, one industry

Diamond Sports (Bally Sports / FanDuel Sports Network) and Warner Bros. Discovery (AT&T SportsNet) both retreated from local sports TV within the same year.

9

THE RSN INDUSTRY

Where the Model Goes From Here

1

Teams reclaim rights

Franchises increasingly take back ownership and production of their own broadcasts rather than rely on a struggling RSN middleman.

2

Leagues build DTC “umbrellas”

MLB is assembling direct-to-consumer streaming packages for orphaned teams, aiming to eliminate blackouts league-wide.

3

Streaming supplements linear

In-market app passes and partnerships (e.g., FanDuel Sports Network, Prime Video) now sit alongside or replace traditional cable carriage.

4

A widening gap

Big-market teams with stable RSNs hold a growing advantage over small and mid-market clubs exposed to further disruption.

10

Faculty

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Caroline Rebello is the principal of Rebello Inc. in New York and is a strategic advisor, investor and thought leader with more than 22 years of experience across the sports and media industries. She has been involved in more than \$30 billion in completed transactions, with expertise spanning strategy, due diligence, valuation, finance, negotiations and transaction execution. Throughout her career, Mr. Rebello has advised clients and collaborated on complex deals involving a broad range of sports and media assets.