

LI BUSINESS

Now opting for a sale

Sports retailer drops bankruptcy reorganization

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Sports Authority is no longer pursuing reorganization and is looking to sell some or all of its business, including its remaining stores on Long Island.

“We are no longer pursuing the stand-alone Plan of Reorganization track because we could not get our lenders to agree on the terms of such a Plan,” a Sports Authority representative said in a statement Monday. “Therefore, we are now focusing solely on the [merger and acquisition] track and are pursuing a sale of some or all of the business.”

Englewood, Colorado-based Sports Authority, which filed for Chapter 11 bankruptcy protection in March, told a bankruptcy judge in a Wilmington, Delaware, court last week about its change in plans. Sports Authority — owned by Los Angeles-based private equity firm Leonard Green & Partners — said in its bankruptcy filing it has \$1.1 billion in debt.

Its bankruptcy auction is set for May 16. Among those reportedly interested are Dick’s Sporting Goods and Modell’s Sporting Goods.

“We have received initial expressions of interest from a number of potential buyers, and we are optimistic about the results of the M&A process which runs through the end of May,” the Sports Authority representative said.

At the time of its bankruptcy filing, Sports Authority said it would close a total of 143 stores nationwide, nearly one-third of its 463 stores in 41 states and Puerto Rico. Four of the eight Sports Authority stores on Long Island were slated to close.

“The list of designated closing store locations has not changed,” the company representative said. “The outcome of the M&A process will determine whether any additional store closings will be required.”

The Long Island locations to be closed are: the Westbury Outlet S.A. Elite store at 950 Old Country Rd., the Riverhead store at 1160 Old Country Rd., the Smith Haven store at 2110 Nesconset Hwy. in Stony Brook, and the Commack store at 124 Veterans Memorial Hwy.



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Sports Authority said in March it would close four of its eight stores on Long Island.

Sports Authority has four other locations on Long Island, in Bohemia, Levittown, Massapequa and a second one in Westbury, according to the company’s website.

Under Chapter 11, companies can reorganize their operations, break long-term leases without major penalties, and renegotiate their debt with lenders, said bankruptcy expert Chuck Tatelbaum, partner at Fort Lauderdale-based law firm Tripp Scott.

“Even if a lease says you can’t transfer to somebody else without the landlord’s consent, in a bankruptcy case that is not enforceable,” Tatelbaum said. “If Sports Authority has leases that are attractive, a purchaser may want to take over that store lease. Dick’s or Modell’s may want to take it over and sell under their own store name . . . Nobody wants to keep the Sports Authority name.”

The property leases can be valuable if the rent is lower than current market rent, there are several years remaining on the store lease, or the stores are in a location where properties are in short supply, said Marc Hamroff, managing partner of the law firm Moritt Hock & Hamroff.

“It is possible that value will exist in the stores and their corresponding leases, making it worthwhile to pursue a strategy for sale . . . of those properties,” Hamroff said.