

## Clock ticking for Arena Football League\*

By Kevin Fung

Creditors of **Arena Football League LLC** are looking to force a turnover.

At a hearing scheduled for Wednesday, Aug. 19, in the U.S. Bankruptcy Court for the Northern District of Illinois in Chicago, the creditors responsible for putting the troubled indoor football league into involuntary Chapter 7 bankruptcy will appear before Judge Susan Pierson Sonderby, seeking appointment of a trustee to oversee a complete liquidation of the debtor's assets.

If creditors **Gridiron Enterprises Inc.**, **Sheraton New Orleans Hotel** and **Johnson & Bell Ltd.** were successful, a Chapter 7 trustee would take over the case and liquidate all of AFL's assets to pay back outstanding debt. The creditor group suggested that the league's most valuable asset, its intellectual property, continues to depreciate after the league suspended its operations.

The creditor group put the Chicago- and New York-based AFL into Chapter 7 on Aug. 7. The creditor group listed claims totaling \$296,244.37.

According to Bill Niro of Gridiron Enterprises, one of the founders of the AFL, the league's sole secured creditor, **Fifth Third Bank**, issued a notice of default and seized all of its assets. The debtor owed the bank between \$5 million and \$8 million, secured by all of the AFL's assets, according to an estimate from Niro.

"The bank only cares about itself and not other creditors," Niro said. "The league has about 200 creditors; if any of them want any recovery, it has to be done in a bankruptcy."

Niro also estimated that the debtor has anywhere from \$10 million to \$16 million in total liabilities.

The league currently has no offices, full-time employees or sources of revenue due to the cancellation of the 2009 season, but it continues to accrue operating expenses that remain unpaid, the creditors said in court documents.

A league spokesman could not be reached for comment. No one answered phones at the former Chicago and New York offices of the AFL.

The AFL has not yet filed a response to the petition with the court. An alleged debtor typically has 20 days to do so following an involuntary petition.

The filing came just days after the league issued a statement to its teams that it was shutting down its operations indefinitely. The announcement said that the league's board was "unable to reach any consensus on restructuring the league over the past eight months."

The AFL had announced on April 23 that it had finalized a new business model that would allow the league to resume operations in 2010. It planned to finalize the restructuring process within 30 days and release details of the restructuring within two weeks, but it had not done so since.

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That followed a Dec. 15 announcement that the 2009 season would be suspended to develop and implement cost-cutting moves in an effort to "improve its economic model."

The creditors said in court documents that although they were aware of the company's ongoing efforts to restructure, the lack of progress from the announcement late last year through August showed that a "reorganization is highly unlikely."

The indoor football concept was born when a former National Football League executive watched an indoor soccer game in 1981. The idea was later patented and then put into practice in 1987, when the league was founded with four teams in Pittsburgh, Denver, Washington and Chicago. The league had grown to 16 teams when operations were suspended.

Counsel to the petitioning creditors, Richard Lauter of **Freeborn & Peters LLP**, declined to comment on the case on Monday. ■