

Four Deals in One: Buyer Group Acquires Majority Stake in Charlotte Hornets

Case Study

Sports and Sports Facilities Partner Daniel H. Render led a Katten team in representing the new majority owners of the Charlotte Hornets in their acquisition of a controlling interest in the team from basketball superstar Michael Jordan. The complex, high-value, high-stakes transaction meant the end of Jordan's 13-year majority ownership of the team.

The buyer group was led by Gabe Plotkin, a hedge fund founder and manager, and Rick Schnall, a private equity firm president, and included rapper J. Cole and country music artist Eric Church, as well as Dan Sundheim, Chris Shumway, Ian Loring, Dyal HomeCourt Partners, Andrew Schwartzberg and local Charlotte-based investors Amy Dawson and Damian Mills.

Transactions to acquire controlling interests in National Basketball Association teams can be as complex as they are high profile. This transaction included numerous stakeholders with, at times, aligned and, at other times, diverging interests and required Katten to orchestrate four simultaneous deals in one, all on an expedited timeline.

The four core deals involved (1) the acquisition of the controlling interest in the Hornets from Jordan; (2) the investment in the buyer group by various investors, including negotiation of the governance terms and other ownership rights and obligations; (3) obtaining debt financing from institutional lenders to finance a portion of the purchase price; and (4) obtaining the NBA's approval of the foregoing transactions. The stakeholders included Jordan and his family (as the sellers to the buyer group), the NBA (as the league governing body), the City of Charlotte (in connection with arena-related matters), the investors in the buyer group and lenders to the buyer group. Negotiations among members of the buyer group, which alone included separate negotiations with more than 20 investors and two rotating controlling owners, were particularly complex and challenging, including due to the significant amount of equity being raised to buy the team and the need to complete the transaction on a tight timeframe.

Taking a collaborative but also proactive approach and drawing on its significant experience negotiating similar transactions involving the acquisition of professional sports teams, the Katten deal team was able to successfully navigate the multi-pronged set of challenges it faced.

Building Katten's legal team involved assembling a group of attorneys skilled in handling complex professional sports deals, tax structures, private credit matters, employee benefits issues and real estate matters. In addition to Daniel, among those representing the buyer group were Sports and Sports Facilities Partner Adam Klein and Associates Josh Lewis and Ethan Asofsky, plus Partners Valentina Famparska, Transactional Tax Planning, Jason Gorczynski, Real Estate, and Andrew Lillis, Private Credit.

On August 3, 2023, Hornets Sports & Entertainment (HSE) announced that the majority stake ownership in the team had formally shifted from Jordan to the buyer group led by Plotkin and Schnall and that the NBA Board of Governors had approved the sale. As part of the deal, Plotkin and Schnall will co-chair HSE, rotating the team's governorship every five years, beginning with Schnall. Jordan retained a minority share of the team and serves as an alternate governor of the team.