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FORCE OUT: A Dodgers Bankruptcy

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FORCE OUT
A Dodgers
Bankruptcy

by

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CAST OF CHARACTERS

Frank McCourt	Boston Real Estate Developer and Owner of the Dodgers. McCourt purchased the Dodgers in 2004 from News Corporation.
Jamie McCourt	Wife of Frank McCourt. Jamie filed for divorce from Frank in 2009. The resulting financial upheaval would cause the Dodgers' bankruptcy.
Kevin Gross	Judge for the United States Bankruptcy Court for the District of Delaware.
Epiq Bankruptcy Solutions LLC	Official claims, notice, and ballot agent for the debtors.
Jeffery Ingram	Assistant treasurer of Debtor Los Angeles Dodgers and executive vice president and secretary of Debtor LA Holdco LLC.
Michael Stow	San Francisco Giants fan and victim of the now-infamous 2011 assault at Dodger Stadium.
Fox/Fox Sports Net West 2	Media company that owned the Los Angeles Dodgers before selling the team to McCourt. Fox would later file an adversary proceeding in an attempt to protect the contractual rights it had under a telecast agreement with the Dodgers.
Allan "Bud" Selig	Commissioner of Major League Baseball. Selig was instrumental in the Dodgers' emergence from chapter 11 and the team's sale to Guggenheim Partners.
Major League Baseball	An unincorporated association that has as its members thirty baseball clubs, one of which is the Dodgers. Allan H. "Bud" Selig, serves as the chief executive officer of MLB. As an unincorporated association, the law does not recognize the MLB as a separate legal entity apart from the collection of individual teams of which it is comprised.
Major League Baseball Constitution	Originally adopted as the Major League

Agreement on January 12, 1921, the Major League Constitution is the governing document of Major League Baseball and vests broad power in the Commissioner.

Los Angeles Dodgers

Major League Baseball team and principal debtor.

Highbridge Senior Loan Holdings

Firm that offered the Debtors' preferred postpetition financing.

Blackstone Financial Advisors

Financial advisory firm managing sale of the Los Angeles Dodgers.

J. Thomas Schieffer

Former Texas Rangers President and league monitor appointed by Bud Selig following the Brian Stow incident.

Joseph Farnan Jr.

Retired United States District Judge for the District of Delaware and mediator. Farnan was responsible for producing the settlement between McCourt and Major League Baseball.

Guggenheim Partners

A privately held, diversified financial services firm that manages \$125 billion in assets and current owner of the Los Angeles Dodgers.

INTRODUCTION

The premise of a chapter 11 bankruptcy is that the business' going concern value exceeds its liquidation value. It provides the debtor with an opportunity to restructure their debt so that they can pay back their creditors and stay in business.

The debtor's filing of the bankruptcy petition creates an "automatic stay."¹ The automatic stay is an injunction that prevents creditors from pursuing legal actions against the debtor and its assets. The automatic stay, however, protects not only the debtor but the creditors as well. In the absence of the automatic stay, creditors would "race to the courthouse" to seek the judicial enforcement of claims they had against the debtor. The consequence of this would be a "first-come-first-serve" distribution of assets. In chapter 11, similarly situated creditors must be treated equally.²

A chapter 11 debtor will often continue to oversee and manage the operations of their business as a debtor-in-possession ("DIP") and is given the authority to exercise powers similar to those of a bankruptcy trustee pursuant to §1107 of the bankruptcy code.³ The DIP owes a fiduciary duty to the bankruptcy estate that is created upon the filing of the bankruptcy petition.⁴

The estate consists of all legal or equitable interests of the debtor in property as of the commencement of the case wherever located and by whomever held.⁵ For example, the debtor's ownership interests in cash, accounts receivables, real property, contracts, and leases all become property of the bankruptcy estate.⁶ Because these property interests no longer belong to the debtor, the bankruptcy court must approve expenditures from estate resources. Only expenditures in the ordinary course of business are not subject to court approval.

On June 27, 2011, the Los Angeles Dodgers and its four of its affiliated entities filed for relief under chapter 11 of the Bankruptcy Code in U.S. Bankruptcy Court for

¹ See 11 U.S.C. § 362.

² See 11 U.S.C. § 101 et seq.

³ See §1107(a): "Subject to any limitations on a trustee serving in a case under this chapter, and to such limitations or conditions as the court prescribes, a debtor in possession shall have all the rights, other than the right to compensation under section 330 of this title, and powers, and shall perform all the functions and duties, except the duties specified in sections 1106(a)(2), (3), and (4) of this title, of a trustee serving in a case under this chapter."

⁴ See 11 U.S.C. § 541.

⁵ See 11 U.S.C. § 541(a)(1).

⁶ See 11 U.S.C. § 541.

District of Delaware. All five debtors were incorporated in Delaware.⁷ The petition was filed for the petitioners by Robert Brady of Young Conaway Stargatt & Taylor, LLP, one of Delaware's largest firms.⁸ Debtors were also counseled by the international firm Dewey & Leboeuf LLP.

With more than 1,300 attorneys in 12 countries, Dewey & Leboeuf (“Dewey”) was one of the largest firms in the United States.⁹ In 2012 the Dewey filed its own petition for protection under chapter 11.¹⁰ Since then the firm has pursued liquidation and winding down of operations.¹¹ At the time this case was filed, however, Dewey was still considered one of the premier firms in the world.

The Dodgers’ case was assigned to Judge Kevin Gross. Admitted to the Delaware bar in 1978, Judge Gross received his bachelor's degree from the University of Delaware before he attended the American University in Washington D.C. where he received his JD.¹²

THE DODGERS: FROM BROOKLYN TO LOS ANGELES

To have a better appreciation for the Dodgers’ bankruptcy, it helps to know a little about the team’s history. Originally established in 1883 as the Brooklyn Atlantics of Brooklyn, New York, the team was officially named the Brooklyn Dodgers in 1932.¹³ Although winning only one world title during its time in New York, the Dodgers played in the World Series nine times.

On April 15, 1947, the Brooklyn Dodgers’ Jackie Robinson became the first African-American to play in a major league baseball game. Robinson’s act transcended professional sports, becoming a milestone in the Civil Rights Movement. Robinson was

⁷ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p. 6, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

⁸ <http://www.martindale.com/Young-Conaway-Stargatt-Taylor/law-firm-285685.htm>. (Last visited April 25, 2013).

⁹ <http://online.wsj.com/article/SB10001424052702303674004577433160886451978.html>. (Last visited April 25, 2013).

¹⁰ *In re Dewey & LeBoeuf LLP*, No. 12-12321-mg (Bankr. SD. NY. May 28, 2012)(No.1).

¹¹ <http://www.law360.com/legalindustry/articles/426872/dewey-s-ch-11-liquidation-plan-takes-effect>. (Last visited ____).

¹² <http://www.martindale.com/Kevin-Gross/343171-lawyer.htm>. (Last visited April 25, 2013).

¹³ <http://www.sportsecyclopedia.com/nl/bdodgers/brooklyn.html>. In 1911 the team changed its name to the "Trolley Dodgers," referencing Brooklyn citizens’ reputation for "dodging" street trolleys running through the borough. The name was changed yet again in 1914 to the "Robins," which it stayed until 1932.

elected into the Baseball Hall of Fame in 1962. Other Brooklyn Dodgers Hall of Fame players include household names such as Pee Wee Reese, Roy Campanella, Don Drysdale, and perhaps the best left-handed pitcher ever — Sandy Koufax. Koufax began his career in Brooklyn and went on to become a legend while playing for the Dodgers in Los Angeles. He pitched an astounding four no-hitters, including one perfect game, all before his retirement from baseball at the age of 30. Koufax became the youngest player ever elected into the Baseball Hall of Fame at the age of 36.

In addition to its stable of memorable players, the Dodgers have been involved in some of baseball's most memorable games. At 3:58 p.m. on October 3, 1951, New York Giants outfielder Bobby Thomson hit the game-winning homerun off Brooklyn Dodgers pitcher Ralph Branca at the Polo Grounds to win the National League pennant. The homerun became known as "the Shot Heard 'round the World," and it has become part of baseball legend. The rivalry between the Dodgers and the Giants has continued until this day.

Less than a decade after Thompson's home run, Los Angeles, California, had managed to bring the Dodgers to sunny, southern California. Los Angeles city officials offered the Dodgers' owner and real estate businessman, Walter O'Malley, what New York had refused — an opportunity to build his own stadium.¹⁴ The offer, when coupled with the fact that New York was crowded with three Major League Baseball teams (the Dodgers, Giants, and Yankees), convinced O'Malley to leave Brooklyn and move the team across the country to Los Angeles.¹⁵

Within the Dodgers' first seven years in Los Angeles, they won three World Series Titles,¹⁶ the last title involving another of baseball's memorable homeruns. On October 15, 1988, in the bottom of the 9th inning of Game One of the World Series, the Dodgers found themselves down to their last out with a runner on base and trailing by one. Injured outfielder and fan-favorite Kirk Gibson hobbled to the plate to face the American League's best relief pitcher, Dennis Eckersley. Although falling behind in the count 0-2, Gibson battled back to even it up at 2-2. On the next pitch Gibson hit a towering game-winning homerun over the right field wall at Dodger Stadium. Dodgers went on to win the series against the Oakland Athletics, 4 games to 1.

¹⁴ <http://losangeles.dodgers.mlb.com/la/ballpark/information/index.jsp?content=history>. The Dodgers still play at Dodger Stadium at Chavez Ravine.

¹⁵ <http://www.sportsecyclopedia.com/nl/sfgiants/sfgiants.html>. Ironically, the Dodgers' hated cross-town rival Giants, also left New York that off-season, relocating to San Francisco to begin the 1958 season.

¹⁶ <http://www.sportsecyclopedia.com/nl/ladodgers/ladodgers.html>.

FRANK MCCOURT BECOMES THE OWNER OF THE DODGERS

In 1998, the O'Malley family sold the Dodgers to Fox Entertainment Group, Inc.¹⁷ Fox purchased the team's media rights, created a regional sports network called Prime Ticket on which to showcase the Dodgers baseball games, and thereafter placed the team back on the market.¹⁸ On January 29, 2004, Frank McCourt, a Boston real estate developer who had made the bulk of his fortune from parking garages,¹⁹ bought the Dodgers for \$430 million. The purchase consisted of two transactions. McCourt paid \$330 million for the Dodgers and another \$100 for the stadium and the land surrounding the stadium, including parking lots. The Dodgers became an asset of Holdco, while Dodger Stadium and the surrounding parking lots became assets of RealCo.

Both Realco and Holdco were holding companies recently created by Frank McCourt.²⁰ They were components²¹ of a much larger corporate network.²² This complex web of entities was the means used by McCourt to monetize the Dodgers' assets.²³

Although most, if not all,²⁴ of the funds used to purchase the Dodgers were borrowed,²⁵ Major League Baseball and team owners voted²⁶ in favor of the sale. Selig

¹⁷ <http://sports.espn.go.com/mlb/news/story?id=1719414>.

¹⁸ Disclosure Statement Relating to the Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Los Angeles Dodgers LLC and its Debtor Affiliates. p.12, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Feb. 17, 2012) (No. 1326).

¹⁹ <http://www.forbes.com/sites/briansolomon/2012/03/28/baseball-bandit-frank-mccourt-escapes-dodgers-with-860-million-profit/>. (Last visited April 25, 2013).

²⁰ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

²¹ McCourt Entity Structure, Declaration of Paul J. Laurin in Support of Motion of Fox Sports Net West 2, LLC to Dismiss Debtors' Chapter 11 Cases for Lack of Good Faith, Exh-12, p. 21, *In re Dodgers*, No. 11-12010, (Bankr. D. Del. Nov. 19, 2011) (No.816).

²² See <http://www.npr.org/templates/story/story.php?storyId=135712505>. MLB's monitor, Tom Schieffer, stated that the Dodgers were comprised 26 interlocking entities.

²³ Objection of Major League Baseball to Debtors' Motion to Obtain Post-Petition Financing and for Related Relief, ¶ 15, *In re Dodgers*, No. 11-12010, (Bankr. D. Del. Jun. 28, 2011) (No.27).

²⁴ <http://articles.latimes.com/print/2012/apr/13/sports/la-sp-sn-dodgers-sale-frank-mccourt-magic-johnson-20120413>. McCourt's divorce attorney said he bought the team with "not a penny of his own cash."

²⁵ Objection of Major League Baseball to Final Approval of Debtors' Emergency Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11

later stated that the League had approved the sale because of representations made by Frank McCourt²⁷ that he would contribute an additional \$30 million of cash to the team during the first three years of ownership.

The Dodgers leased the parking lots for \$14 million dollars a year, an amount that exceeded the Dodger's parking-lot-generated revenues.²⁸ RealCo eventually transferred the properties to McCourt's Blue LandCo LLC, which then used the properties as collateral against which McCourt borrowed \$70 million.²⁹ In 2005, McCourt created Dodger Tickets LLC ("Tickets") to which he transferred the right to sell the tickets to the Dodgers' home games. McCourt then borrowed \$390 million against these ticket revenues.³⁰

McCourt was later accused of using the proceeds of these transactions to fund a lavish lifestyle.³¹ Frank and his wife paid \$74 million for four homes.³² They paid another \$12 million to build an indoor Olympic-sized swimming pool for one of their new homes, which neighbored the Playboy Mansion. They even had their own hairstylist, a luxury for which they paid an additional \$10,000 per month.

Frank McCourt made extensive roster and organizational changes including the firing of Dodger front office executives. He hired his wife, Jamie McCourt, as the

U.S.C. §§ 105, 362, and 364, and (II) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c), ¶ 15, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 14, 2011) (No. 199).

²⁶ <http://sports.espn.go.com/mlb/news/story?id=1719414>. "Baseball officials want to make sure the sale complies with the sport's rules about the level of debt. As part of the talks, the sides agreed that the amount of debt could be reduced in the future by converting some of it to equity."

²⁷ Letter from Bud Selig to Frank McCourt, Feb. 24, 2011, pg. 2. Exh. 32, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 25, 2011) (No. 697). The League asked for three \$10 million dollar investments. The first was due by December 31, 2004, the second by December 31, 2005, and the third thereafter.

²⁸ Letter from Bud Selig to Frank McCourt, Feb. 24, 2011, pg. 2. Exh. 32, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 25, 2011) (No. 697).

²⁹ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, ft.3, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4); Only \$10 million of this amount was invested back into the Dodgers.

³⁰ Letter from Bud Selig to Frank McCourt, June 20, 2011, pg. 6. \$32 million of debt service had to be satisfied before the Dodgers ever received a penny from their ticket sales.

³¹ <http://online.wsj.com/article/SB10001424052748704071704576277251208785750.html>.

³² <http://www.vanityfair.com/society/features/2011/08/mccourt-divorce-201108>.

Dodgers Vice Chairman and Senior Executive in charge of all business operations.³³ The team improved and in 2008 and 2009 advanced to the National League Championship Series. During McCourt's stewardship the Dodgers appeared in the post-season four times and in 2009, the team drew a league-best attendance of 3.8 million fans.³⁴

JAMIE FILES FOR DIVORCE

On October 29, 2009, Jamie McCourt filed a petition for divorce. Frank had fired her days earlier for insubordination and an inappropriate relationship with her personal driver, who was also fired. The divorce became a hot topic in southern California as word spread about the McCourt's lavish lifestyle. Accustomed to private jets, five star resorts, and comfortable California living, Jamie responded to her firing by suing Frank and seeking one million dollars a month in support. Jamie claimed half ownership of the Dodgers. Jamie also sought her job back with the Dodgers.

The largest issue in their divorce was whether the Dodgers were community property.³⁵ The couple's marital agreement listed the Dodgers and the adjoining property, which included Dodger Stadium, as Frank McCourt's assets. The couple's homes were listed as belonging to Jamie McCourt.³⁶

The California Superior Court rejected her request, instead awarding \$225,000 a month in spousal support.³⁷ Frank was ordered to pay \$412,000 per month³⁸ for the upkeep on all their properties, which included seven homes, a ranch in Montana, condominium in Vail Colorado, and land in San Luca, Mexico. The court's resolution of Dodgers ownership was put on hold until a hearing in November 21. Meanwhile, Frank McCourt's finances were straining under the weight of the divorce.³⁹ Even prior to beginning the divorce litigation in earnest, experts estimated each party would spend \$10 million each in legal fees.⁴⁰

³³ <http://sports.espn.go.com/mlb/news/story?id=2028060>.

³⁴ Disclosure Statement Relating to the Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Los Angeles Dodgers LLC and its Debtor Affiliates. p.14, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Feb. 17, 2012) (No. 1326).

³⁵ <http://nbcports.msnbc.com/id/36083411/ns/sports-baseball//>.

³⁶ <http://sports.espn.go.com/mlb/news/story?id=4600431>.

³⁷ <http://www.vanityfair.com/society/features/2011/08/mccourt-divorce-201108>.

³⁸ <http://www.vanityfair.com/society/features/2011/08/mccourt-divorce-201108>.

³⁹ <http://www.vanityfair.com/society/features/2011/08/mccourt-divorce-201108>. By August 2011. Frank had spent almost \$20 million in attorneys' fees.

⁴⁰ <http://sports.espn.go.com/mlb/news/story?id=4601465>.

LOS ANGELES DODGERS ARE BROKE

By 2011, the finances of the Dodgers had deteriorated to the point where McCourt would be unable to fund the team's payroll due to lack of cash. McCourt blamed the Dodgers' financial troubles on a variety of factors going back to the 2010 baseball season. The Dodgers were a mediocre 80-82 that season — a disappointment to a fan base which had seen the 2009 Dodgers win the National League West Division and advance to the National League Championship Series. The team's poor record translated into a decline in home attendance — from 3,761,669 in 2009 to 3,562,320 in 2010. In addition to these lost revenues, the Dodgers owed \$22 million in deferred compensation to players.⁴¹ The deferred compensation issue carried over to 2011 season. By June 2011, the Dodgers had paid \$10 million in deferred salaries with another \$29.5 million due by the beginning of July.⁴² Major League Baseball's revenue sharing program⁴³ was also a factor in the Dodgers' liquidity crisis.⁴⁴ In 2010, the Dodgers paid roughly 10% of all revenues back into the League's revenue sharing program.⁴⁵

Fox Sports owned the Dodgers' media rights through the 2013 season. In 2010, Frank McCourt took a \$25 million⁴⁶ advance from future telecast rights payments that would have become due during the upcoming season. In early 2011, Frank received

⁴¹ Collective Bargaining Agreement 2007-2011, Article XVI—Deferred Compensation. Pursuant to the CBA, Major League Baseball players' contracts are guaranteed. MLB teams must pay each player's salary even if that team releases him or he is injured and unable to play. Deferred compensation is simply the compensation due to players no longer with the team.

⁴² Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p.9, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

⁴³ Collective Bargaining Agreement 2007-2011, Article XXIV—The Revenue Sharing Plan (A)(10)&(11). At the time of the Dodgers' issues each MLB team contributed 31% of the previous season's revenue into a pool (Today this amount is 34%). This revenue consists of the team's aggregate operating revenues minus operating expenses and any centrally-generated revenue received from the Office of the Commissioner, i.e., revenue generated from national broadcasting agreements, MLB Network, LLC, etc. The pool is then divided equally among all MLB teams. The difference between each team's payment into the pool and its receipt from the pool produces either a "net payment" or "net receipt." A club with a net receipt is referred to as a payee club. A club that pays more than it receives is a payor club.

⁴⁴ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p.9, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

⁴⁵ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, ¶21, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

⁴⁶ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, ¶22, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

another \$30 million from Fox, this time in the form of a personal loan.⁴⁷ During the months leading up to the filing of the petition, McCourt and Fox discussed the possibility of a sale the Dodgers' post-2013 media rights.⁴⁸ Major League Baseball's governing documents, however, required that the Commissioner first approve the deal before it could be consummated.⁴⁹

MLB requires all owners to agree to assume certain agreements that when taken together constitute Major League Baseball's governing documents ("Baseball Agreements"). These agreements subordinate an individual owner's personal interests to the interests of the League.⁵⁰ As a condition to purchasing the Dodgers, McCourt had to assume the MLB's governing documents. Thus, even though McCourt technically "owned" the Los Angeles Dodgers, his ability to make decisions was limited by the needs of Major League Baseball as those needs were articulated by Bud Selig.

McCourt began lobbying Selig for permission to proceed with the proposed telecast agreement with Fox. Standing in the way, however, were tensions between McCourt and Selig that had been growing for some time. McCourt had failed to satisfy his initial obligation to inject \$30 million of cash into the Dodgers in those years following his purchase of the team.⁵¹ The pair's relationship unraveled shortly after the first game of the 2011 season where a violent attack after the game left a fan permanently disabled. The game featured the Dodgers hosting the reigning world champions and archrival San Francisco Giants. Bryan Stow, a Giants fan, had traveled with friends from San Francisco to Los Angeles to attend the game. The Giants defeated the Dodgers 2-1. After the game, Stow was attacked in the Dodger Stadium parking lot during which he suffered a severe brain injury. The 42-year-old father of two was left permanently

⁴⁷ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, In re Dodgers, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

⁴⁸ Letter from Bud Selig to Frank McCourt, June 20, 2011. pg.1-2.

⁴⁹ Motion of Major League Baseball to Terminate Exclusivity or, in the alternative, to compel the Debtors to Seek Assumption or Rejection of the Baseball Agreements, ¶ 7, In re Dodgers, No. 11-12010 (Bankr. D. Del. Sept. 23, 2011) (No. 476).

⁵⁰ Objection of Major League Baseball to Final Approval of Debtors' Emergency Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 362, and 364, and (II) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c), ¶ 15, In re Dodgers, No. 11-12010 (Bankr. D. Del. July 14, 2011) (No. 199).

⁵¹ Letter from Bud Selig to Frank McCourt, Feb. 24, 2011, pg. 3. "First, you have utterly failed to have new equity invested into the club in accordance with your promises. When pressed for an explanation, your CFO asserted that you had met this commitment in part by contributing discounts on loans secured by prepayment, despite the fact that the loans were prepaid with the proceeds of new loans."

disabled.⁵² A lawsuit was later filed against the Los Angeles Dodgers on behalf of Stow. In the complaint it was alleged that the Dodgers were liable based upon the organization's failure to provide adequate stadium security personnel.⁵³ The suit would later become a point of contention in the Dodgers' bankruptcy as the Dodgers later attempted to disallow the claim.⁵⁴

The Bryan Stow incident coupled with McCourt's mishandling of Dodger finances prompted Selig to appoint former Texas Rangers President J. Thomas Schieffer as league monitor to oversee Los Angeles Dodgers.⁵⁵ Selig gave Schieffer the authority to review all of the Dodgers' major operational decisions, including the authority to review all expenditures over \$5,000 and all distributions of Dodger funds to Frank McCourt or his family.⁵⁶ McCourt publicly criticized Selig's decision to appoint the League monitor but continued nevertheless to push for the Fox media deal.

Bud Selig had remained non-committal in response to McCourt's numerous requests.⁵⁷ Although McCourt had belabored the issue for months he was unable to provide the Commissioner with any definitive terms in proposed agreement.⁵⁸ Fox had refused to commit itself to any deal while Jamie McCourt's putative claim of 50% ownership in the Dodgers remained unresolved in the California Superior Court.⁵⁹ On

⁵² <http://www.sfexaminer.com/news/2012/03/bryan-stow-family-lawsuit-against-dodgers-can-move-forward>.

⁵³ *Bryan Michael Stow, et. al. v. Los Angeles Dodgers, LLC et. al.* ¶ 68, No. BC462127, May 24, 2011. Stow's complaint against the Dodgers states that from 2008, the Dodgers had decided not to incorporate uniformed officers into its security forces, and instead began relying solely on security in polo shirts as a cost saving measure; Bryan Stow's family filed a proof of claim that later became an issue to be addressed in the bankruptcy proceedings, *infra* p. 45

⁵⁴ Motion of Los Angeles Dodgers LLC for Disallowance of Claims Asserted by Bryan Stow, Tyler Stow and Tabitha Stow, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Feb. 3, 2012) (No. 1252).

⁵⁵ Objection of Major League Baseball to Debtors' Motion to Obtain Post-Petition Financing and for Related Relief, ¶¶ 20-22, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 28, 2011) (No. 27).

⁵⁶ Objection of Major League Baseball to Final Approval of Debtors' Emergency Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 362, and 364, and (II) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c), ¶ 22, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 14, 2011) (No. 199).

⁵⁷ Letter from Bud Selig to Frank McCourt, Jun. 20, 2011, p.2.

⁵⁸ Letter from Bud Selig to Frank McCourt, Jun. 20, 2011, p.2.

⁵⁹ Letter from Bud Selig to Frank McCourt, Jun. 20, 2011, p.2.

June 17, 2010, Frank and Jamie McCourt reached a settlement agreement⁶⁰ providing Frank with the authority to pursue the media rights deal with Fox.

McCourt quickly provided Bud Selig with a term sheet for his review. The proposed 17-year deal would be worth between \$2 and \$3 billion⁶¹ with Frank McCourt receiving \$385 million up front.⁶²

On June 18, 2011, the Office of the Commissioner of Major League Baseball received two letters — one from Frank McCourt, the second from his lawyers. McCourt’s legal team — perhaps in error — also sent a letter to the Office of the Commissioner. As Selig read McCourt’s letter, in which McCourt requested to meet with the Commissioner with hopes they might reach an agreement concerning the proposed contract,⁶³ his lawyers read the other. In *that* letter Frank McCourt threatened to file a lawsuit against Bud Selig and to “pursue ‘acrimonious’ and ‘extensive’ litigation designed to embarrass [him] and Major League Baseball and to cause harm to all constituents (including the Dodgers Franchise).”⁶⁴

On June 20, 2011, McCourt received the Commissioner’s response. Not only did Bud Selig emphatically rejected the proposed deal with Fox,⁶⁵ describing it as a “mortgage on the Dodgers future,”⁶⁶ but he also used the letter as an opportunity to criticize McCourt’s ownership and spending habits.⁶⁷ Selig accuses McCourt of being motivated by personal interests⁶⁸ without regard for the wellbeing of the team and of

⁶⁰ Binding Term Sheet, Exh. 40, ¶ 1, Declaration of Glenn M. Kurtz, Esq., *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 23, 2011) (No. 479).

⁶¹ http://mlb.mlb.com/news/article.jsp?ymd=20111119&...&vkey=news_la&c_id=la&partnerId=rss_la; and http://www.nytimes.com/2011/11/29/sports/baseball/frank-mccourt-now-fighting-fox-over-dodgers-tv-rights.html?_r=0.

⁶² Letter from Bud Selig to Frank McCourt, Jun. 20, 2011, pg.3; *and* http://losangeles.dodgers.mlb.com/news/article.jsp?ymd=20110620&content_id=20770860. Of the upfront payment of \$385 million from FOX, \$173.5 million was slated to go to the McCourts and their attorneys.

⁶³ Letter from Bud Selig to Frank McCourt, June 20, 2011, pg. 6.

⁶⁴ Letter from Bud Selig to Frank McCourt, June 20, 2011, pg. 6.

⁶⁵ Letter from Bud Selig to Frank McCourt, June 20, 2011, pg. 2.

⁶⁶ Letter from Bud Selig to Frank McCourt, June 20, 2011, pg. 4.

⁶⁷ Letter from Bud Selig to Frank McCourt, June 20, 2011.

⁶⁸ Letter from Bud Selig to Frank McCourt, June 20, 2011, pg. 9.

using the revenues generate by the Dodgers' telecast rights for non-baseball purposes, such as a means to fund McCourt's expensive divorce.⁶⁹

McCourt responded in statements to the media McCourt,⁷⁰ describing Selig's rejection of the Fox deal as being "destructive" to the Los Angeles Dodgers and Major League Baseball as a whole.⁷¹ He then publicly accused the Commissioner of withholding his approval to force McCourt to sell the Dodgers.⁷² If McCourt was unable to meet payroll the MLB constitution provided Selig with the authority to terminate the franchise or seize control of the team.⁷³ With \$28.5 million in deferred compensation due by the end of the month,⁷⁴ Frank McCourt did not have enough cash to meet this payroll obligation. Faced with the prospect of losing the Dodgers, Frank threw a curveball of his own. The Los Angeles Dodgers — winners of six World Series titles and one of the most valuable sports franchises in the world — filed for chapter 11 protection under the United States bankruptcy code.⁷⁵

FIRST DAY MOTIONS

⁶⁹ Letter from Bud Selig to Frank McCourt, June 20, 2011, pg. 3.

⁷⁰ <http://hardballtalk.nbcsports.com/2011/06/20/frank-mccourts-attorney-calls-rejection-of-fox-deal-potentially-destructive-to-dodgers-and-mlb/>.

⁷¹ <http://articles.latimes.com/2011/jun/21/sports/la-sp-mccourt-fox-selig-20110621>.

⁷² http://mlb.mlb.com/news/article.jsp?ymd=20110620&...=20770860&vkey=news_la&c_id=la.

⁷³ See Major League Constitution, MLC Art. VIII, Sec. 4 to Art. VIII, Sec. 6. "Sec. 6. Effect of Termination. Upon termination of a Major League Club in accordance with Section 3 or 4 hereof, the Commissioner may, but is not required to, cancel and/or make such other disposition of the terminated Club's rights, privileges and other property rights hereunder or under any other Baseball-related agreement as the Commissioner deems appropriate. Without limiting the foregoing, the Commissioner is hereby authorized and empowered (but not required) to acquire through a designee and operate or dispose of the baseball park (or leasehold interest therein if such park is leased by such Club) and/or all other baseball properties, including without limitation the Club and the television, radio and other media contracts of such Club, the Player Development Contracts of such Club, the trademark and copyright rights of such Club and any other property, contracts, rights under this Constitution or other rights the Commissioner shall designate."

⁷⁴ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p.9, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4). \$10.5 million was due to be paid to former Dodgers players by June 30 with an additional \$18 million required to be reserved for 2012 deferred compensation commitments pursuant to the CBA.

⁷⁵ Chapter 11 Voluntary Petition, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 1).

Upon filing a bankruptcy petition, the chapter 11 debtor also files multiple first-day motions seeking the court's approval for expenditures needed to continue business operations.

Motion for Order Directing Joint Administration of Debtors' Chapter 11 Cases⁷⁶

The debtors had multiple petitions, 10-12010, 10-12011, 10-12012, 12-12013, and 12-12014.⁷⁷ The Debtors were affiliated entities as defined in §101(2) of the bankruptcy code.⁷⁸ In order to promote efficiency, Rule 1015(b) of bankruptcy procedure provides that two or more petitions of a debtor and an affiliate are pending in the same court, that court can order joint administration of the estates.⁷⁹ The motion was granted on June 28 pursuant to the court's power under § 105(a) of the bankruptcy code,⁸⁰ bankruptcy rule 1015(b) and local rule 1015-1. The court granted the motion and consolidated the debtors' five petitions into a single case number, 11-12010.⁸¹

Cash Management Motion⁸²

Local rule 2015(a) of the Delaware bankruptcy court requires all checks to say "debtor in possession."⁸³ Trustee guidelines generally provide that a chapter 11 trustee shall close existing bank accounts and open debtor in possession bank accounts, including one account specifically for tax purposes. The Debtors filed a cash

⁷⁶ Debtor's Motion for an Order Directing Joint Administration of the Debtors' Chapter 11 Cases, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. June 27, 2011) (No. 3).

⁷⁷ Debtor's Motion for an Order Directing Joint Administration of the Debtors' Chapter 11 Cases, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. June 27, 2011) (No. 3).

⁷⁸ See 11 U.S.C. § 101(2).

⁷⁹ See Fed. R. Bankr. P. 1015(b).

⁸⁰ See 11 U.S.C. § 105(a).

⁸¹ Order Directing Joint Administration of the Debtors' Chapter 11 Cases and Granting Related Relief, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. June 27, 2011) (No. 40).

⁸² Motion to Continue Cash Management System and Procedures, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. June 27, 2011) (No. 5).

⁸³ Local Rules for the United States Bankruptcy Court, District of Delaware, Rule 2015-2(a) Bank Debtor-in-Possession Bank Accounts in Chapter 11 Cases – Accounts and Checks. "Where the debtor uses preprinted checks, upon motion of the debtor, the Court may, without notice and hearing, permit the debtor to use its existing checks without the designation "Debtor-in Possession" and use its existing bank accounts. However, once the debtor's existing checks have been used, the debtor shall, when reordering checks, require the designation "Debtor-in-Possession" and the corresponding bankruptcy number on all such checks."

management motion seeking the court's approval for the continuance of a Bank of America cash management system including five separate accounts that collected, transferred, and distributed funds.⁸⁴ The debtors argued that the replacement of their current cash management system would be an unjustified, unnecessarily expensive, and burdensome delay. The motion included a corollary request for the court's authorization for Bank of America to continue receiving, processing, and honoring debtor's post-petition checks.⁸⁵

The court approved the motion on June 28.⁸⁶ The court waived the U.S. Trustee Guidelines requiring the closing of the debtors' prepetition bank accounts. The debtors were authorized to maintain and continue the use of their existing bank accounts provided they maintained adequate records of all postpetition transactions. The debtors were also not required to obtain new checks, which included a legend referring to the debtors as "Debtors in Possession" or "DIP." The order also authorized Bank of America to continue to administer the Debtors' accounts as it had done so prior to the filing of the bankruptcy petitions.

Motion Prohibiting Utilities from discontinuing service⁸⁷

Dodger Stadium and affiliated debtor properties required various utility services such as water, natural gas, electricity, telephone, and similar utility services.⁸⁸ Debtors

⁸⁴ Los Angeles Dodgers LLC and LA Real Estate LLC's Motion Pursuant to Sections 105(A), 363(C), and 345(B) of The Bankruptcy Code For Order: (A) Authorizing Continued Use of Cash Management System and Procedures; Authorizing Maintenance and Continued Use of Existing Bank Accounts and Waiver of Certain Operating Guidelines Relating to Bank Accounts and the Requirements of Section 345 of the Bankruptcy Code; (C) Authorizing the Banks to Honor Certain Prepetition Checks: and (D) Granting Related Relief, pp. 16-17, *In Re Dodgers*, No. 11-12010 (Bankr. D. Del. June 27, 2011) (No. 5).

⁸⁵ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p.39, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

⁸⁶ Order (A) Authorizing Continued Use of Cash Management System and Procedures; Authorizing Maintenance and Continued Use of Existing Bank Accounts and Waiver of Certain Operating Guidelines Relating to Bank Accounts and the Requirements of Section 345 of the Bankruptcy Code; (C) Authorizing the Banks to Honor Certain Prepetition Checks: and (D) Granting Related Relief *In re Dodgers*, No. 11-12010 (Bankr. D. Del. June 28, 2011) (No. 41).

⁸⁷ Los Angeles Dodgers LLC's Motion for Interim and Final Orders (I) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Utility Services, (II) Approving Los Angeles Dodgers LLC's Proposed Form of Adequate Assurance, (III) Establishing Procedures for Resolving Objections Thereto by Utility Companies, and (IV) Scheduling a Final Hearing Thereon, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 6).

⁸⁸ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p. 47, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

estimated an average \$131,400 per month in utilities charges, the payment of which was administered by the Debtors' Bank of America Cash Management system.⁸⁹ Debtors proposed providing the utility companies adequate assurances pursuant to 11 U.S.C. § 366(b)⁹⁰ and (c)⁹¹ consisting of a 50% deposit of LAD's cumulative utility cost into an interest bearing account and maintaining the account until plan confirmation.⁹² This suggestion was not well received by Salt River Project,⁹³ which supplied electricity for the Dodgers' spring training facility at Camelback Ranch in Phoenix, AZ.⁹⁴ Salt River argued § 366(c)(1) did not authorize the escrow, and even if it did, the amount placed in escrow was inadequate.⁹⁵

⁸⁹ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p. 16, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

⁹⁰ See 11 U.S.C. §366(b). "Such utility may alter, refuse, or discontinue service if neither the trustee nor the debtor, within 20 days after the date of the order for relief, furnishes adequate assurance of payment, in the form of a deposit or other security, for service after such date. On request of a party in interest and after notice and a hearing, the court may order reasonable modification of the amount of the deposit or other security necessary to provide adequate assurance of payment."

⁹¹ See 11 U.S.C. § 366(c). "For purposes of this subsection, the term "assurance of payment" means a cash deposit; a letter of credit; a certificate of deposit; a surety bond; a prepayment of utility consumption; or another form of security that is mutually agreed on between the utility and the debtor or the trustee."

⁹² See Los Angeles Dodgers LLC's Motion for Interim and Final Orders (I) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Utility Services, (II) Approving Los Angeles Dodgers LLC's Proposed Form of Adequate Assurance, (III) Establishing Procedures for Resolving Objections Thereto by Utility Companies, and (IV) Scheduling a Final Hearing Thereon, pp.16-17, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 6).

⁹³ Objection of Salt River Project to the Los Angeles Dodgers LLC's Motion for Interim and Final Order (I) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Utility Services, (II) Approving Los Angeles Dodgers LLC's Proposed Form of Adequate Assurance, (III) Establishing Procedures for Resolving Objections Thereto by Utility Companies, and (IV) Scheduling a Final Hearing Thereon, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 13, 2011) (No. 185).

⁹⁴ http://losangeles.dodgers.mlb.com/spring_training/ballpark.jsp?c_id=la.

⁹⁵ Objection of Salt River Project to the Los Angeles Dodgers LLC's Motion for Interim and Final Order (I) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Utility Services, (II) Approving Los Angeles Dodgers LLC's Proposed Form of Adequate Assurance, (III) Establishing Procedures for Resolving Objections Thereto by Utility Companies, and (IV) Scheduling a Final Hearing Thereon, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 13, 2011) (No. 185).

The court issued its interim order on June 28.⁹⁶ The dispute between Debtors and Salt River Project was resolved on July 15, 2010, with the court issuing a final order on July 19.⁹⁷ The court prescribed "adequate assurance procedures" whereby any utility company that determined the Debtors' escrow deposit was insufficient could request an order to increase the amount.⁹⁸

Motion to pay sales and use taxes⁹⁹

Debtors filed a motion seeking the court's approval to pay sales, property, franchise taxes and fees, as well as the customary municipal, state, and federal taxes—both prepetition and postpetition. Relying on 11 U.S.C. § 507(a)(8),¹⁰⁰ the debtors argued sales tax constituted a priority claim, and thereby enabled them to pay sales tax without prejudicing creditors.¹⁰¹

Citing section 11 U.S.C. § 541 debtors argued that certain taxes were not property if the bankruptcy estate and thus debtors must pay them. Finally, relying on sections 105(a) and 363(b) of the bankruptcy code, debtors once again argued that the transaction was in the ordinary course of business, or in the alternative, the court's equitable power

⁹⁶ Interim Order (I) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Utility Services, (II) Approving Los Angeles Dodgers LLC's Proposed Form of Adequate Assurance, (III) Establishing Procedures for Resolving Objections Thereto by Utility Companies, and (IV) Scheduling a Final Hearing, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 28, 2011) (No. 42).

⁹⁷ Final Order (I) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Utility Services, (II) Approving Los Angeles Dodgers LLC's Proposed Form of Adequate Assurance, and (III) Establishing Procedures for Resolving Objections Thereto by Utility Companies, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jul. 19, 2011) (No. 256).

⁹⁸ Final Order (I) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Utility Services, (II) Approving Los Angeles Dodgers LLC's Proposed Form of Adequate Assurance, and (III) Establishing Procedures for Resolving Objections Thereto by Utility Companies, ¶ 6, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jul. 19, 2011) (No. 256).

⁹⁹ Los Angeles Dodgers LLC's Motion for Order Authorizing Payment of Certain Prepetition Taxes and Other Government Assessments Pursuant to Sections 105(a), 363(b), 507(a) and 541 of the Bankruptcy Code, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 8).

¹⁰⁰ See 11 U.S.C. § 507.

¹⁰¹ Los Angeles Dodgers LLC's Motion for Order Authorizing Payment of Certain Prepetition Taxes and Other Government Assessments Pursuant to Sections 105(a), 363(b), 507(a) and 541 of the Bankruptcy Code, pp.18-19, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 8). The Debtors would have to pay the sales tax eventually. Paying before confirmation would have zero effect on the estate funds left to distribute to creditors.

should authorize the debtors based on the doctrine of necessity.¹⁰² Judge Gross issued his order authorizing the payment of all taxes on June 28.¹⁰³

Motion to pay employee wages¹⁰⁴

Debtors filed a motion to pay the Dodgers' employees which included: 5 officers, 292 full-time employees, 1057 part-time/seasonal employees, 250 Dodgers baseball players, of which only 25 of which were actually on the MLB roster. The rest of the players were members of minor league teams within the Dodgers' farm system. The motion estimated a monthly payroll obligation of \$15.524 million per month during the MLB season for Dodgers MLB players alone.¹⁰⁵ The debtors' motion argued that the nature of the business, especially the fluctuations in roster wages, the number of home games in a given month, and various other factors prevented the debtors from providing the court with a stable estimate of wage obligations per month. The motion also covered expenses, payroll taxes, employee benefit programs, health and liability insurance, and workers' compensation.

Judge Gross approved the motion to pay prepetition wages on June 28.¹⁰⁶ Major League Baseball filed an objection on July 15.¹⁰⁷ MLB argued that the Dodgers

¹⁰² Los Angeles Dodgers LLC's Motion for Order Authorizing Payment of Certain Prepetition Taxes and Other Government Assessments Pursuant to Sections 105(a), 363(b), 507(a) and 541 of the Bankruptcy Code, pp.18-19, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 8).

¹⁰³ Order Authorizing Payment of Certain Prepetition Taxes, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 28, 2011) (No. 44).

¹⁰⁴ Los Angeles Dodgers LLC's Motion for (I) Authority to Pay Prepetition (a) Wages, Compensation, Payroll Taxes, and Employee Benefits, (b) Business Expenses, and (c) Contributions to, and Under, Employee Benefit Plans, (II) Authority to Pay Prepetition Benefits Providers, and (III) Authorizing Financial Institutions to Honor and Process Checks and Transfers Related to Such Obligations, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 9).

¹⁰⁵ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p.18, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

¹⁰⁶ Order Authorizing Los Angeles Dodgers LLC (I) to Pay Prepetition (a) Wages, Compensation, Payroll Taxes, and Employee Benefits, (b) Business Expenses, and (c) Contributions to, and Under, Employee Benefit Plans, (II) Authority to Pay Prepetition Benefits Providers, and (III) Authorizing Financial Institutions to Honor and Process Checks and Transfers Related to Such Obligations, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 28, 2011) (No. 50).

¹⁰⁷ Limited Objection of Major League Baseball to Debtor Los Angeles Dodgers LLC's Motion for (I) Authority to Pay Prepetition (a) Wages, Compensation, Payroll Taxes, and Employee Benefits, (b) Business Expenses, and (c) Contributions to, and Under, Employee Benefit Plans, (II) Authority to Pay Prepetition Benefits Providers, and (III) Authorizing Financial Institutions to Honor and Process Checks and Transfers Related to Such Obligations, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jul. 15, 2011) (No. 205).

were attempting to cherry pick which severance packages to pay. The Dodgers had refused to honor the severance package of former consultant and current MLB employee, Dr. Charles Steinberg.¹⁰⁸ Steinberg was the architect of the Boston Red Sox world championships of '04 and '07 and was hired by Jamie McCourt.¹⁰⁹ The Dodgers replied to the MLB objection that they were entitled to offset on a dollar-for-dollar basis the amount of compensation Steinberg received from the MLB.¹¹⁰ In addition, the Dodgers argued an investigation was necessary to discern whether Steinberg had taken actions as a MLB employee that were injurious to the Dodgers' interests, and thus reduce or eliminate any claim he might have against the Dodgers.¹¹¹

MLB later withdrew this objection on October 7.¹¹² Steinberg filed a claim against the estate.¹¹³ Steinberg's severance called for a payment of \$3,

¹⁰⁸ Limited Objection of Major League Baseball to Debtor Los Angeles Dodgers LLC's Motion for (I) Authority to Pay Prepetition (a) Wages, Compensation, Payroll Taxes, and Employee Benefits, (b) Business Expenses, and (c) Contributions to, and Under, Employee Benefit Plans, (II) Authority to Pay Prepetition Benefits Providers, and (III) Authorizing Financial Institutions to Honor and Process Checks and Transfers Related to Such Obligations, ¶ 8, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jul. 15, 2011) (No. 205).

¹⁰⁹ <http://www.bostonglobe.com/lifestyle/2012/05/07/namescharles/NEMlt7BK506MXFytdjHtHN/story.html>.

¹¹⁰ Los Angeles Dodgers LLC's Reply to Major League Baseball's Limited Objection to Motion for (I) Authority to Pay Prepetition (a) Wages, Compensation, Payroll Taxes, and Employee Benefits, (b) Business Expenses, and (c) Contributions to, and Under, Employee Benefit Plans, (II) Authority to Pay Prepetition Benefits Providers, and (III) Authorizing Financial Institutions to Honor and Process Checks and Transfers Related to Such Obligations, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jul. 18, 2011) (No. 221-1).

¹¹¹ Los Angeles Dodgers LLC's Reply to Major League Baseball's Limited Objection to Motion for (I) Authority to Pay Prepetition (a) Wages, Compensation, Payroll Taxes, and Employee Benefits, (b) Business Expenses, and (c) Contributions to, and Under, Employee Benefit Plans, (II) Authority to Pay Prepetition Benefits Providers, and (III) Authorizing Financial Institutions to Honor and Process Checks and Transfers Related to Such Obligations, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jul. 18, 2011) (No. 221-1).

¹¹² Notice of Partial Withdrawal of Motion for Authority to Pay Prepetition Wages, Compensation, Payroll Taxes, and Employee Benefits, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 7, 2011) (No. 561).

¹¹³ Los Angeles Dodgers LLC's Objection to Proof of Claim No. 119 Filed By Charles A. Steinberg, Pursuant to Section 502(b) of the Bankruptcy Code and Bankruptcy Rules 3003 and 3007, ¶ 8, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Mar. 14, 2012) (No. 1520).

278,219.18.¹¹⁴ The Dodgers argued this amount should be reduced to \$775,349.49 pursuant to § 502(b)(7) of the bankruptcy code, which caps an amount of compensation under a severance agreement triggered prior to the filing of the petition.¹¹⁵ Steinberg responded claiming that § 502 referred to damages triggered by termination of employee contracts, whereas Steinberg's severance was pursuant to a settlement agreement, thus falling outside the statute.¹¹⁶ The court's opinion was issued on May 7, 2012.¹¹⁷ The court held that § 502(b)(7) did apply to Steinberg's claim but was measured by his annual salary under the Employment Agreement and not the cap on the Severance Agreement.¹¹⁸ Steinberg's allowed claim for purposes of the § 502(b)(7) cap was \$1,008,682.82.

Motion to continue customer programs¹¹⁹

Recognizing that fans are the source of the Dodgers value, debtors sought the court's approval for their ability to honor customer programs such as "Dodger Dollars," a gift certificate program where fans used prepaid certificates as tender to purchase Dodger merchandise. The team had an estimated \$500,000 in outstanding certificates at the time of filing the petition. The Dodger Dollars were certificates representative of a prepetition obligation that the Debtors owed to the note holders.

Absent court approval for the Dodger Dollars program, note holders would be unable to exchange these certificates for merchandise. The result of this, it was argued, could lead to the alienation of fans, which could have disastrous consequences for the Debtors' reorganization efforts.¹²⁰ Debtors opined that honoring the Dodger Dollars

¹¹⁴ Los Angeles Dodgers LLC's Objection to Proof of Claim No. 119 Filed By Charles A. Steinberg, Pursuant to Section 502(b) of the Bankruptcy Code and Bankruptcy Rules 3003 and 3007, ¶ 11, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Mar. 14, 2012) (No. 1520).

¹¹⁵ See 11 U.S.C § 502(b)(7)(A).

¹¹⁶ Response of Creditor Dr. Charles A. Steinberg to Los Angeles Dodgers LLC's Objection to Proof of Claim No. 119, ¶ 17, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Mar. 28, 2012) (No. 1611).

¹¹⁷ Memorandum Order Regarding Debtors' Objection to Proof of Claim No. 119 Filed by Charles A. Steinberg, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. May 7, 2012) (No. 1758).

¹¹⁸ Memorandum Order Regarding Debtors' Objection to Proof of Claim No. 119 Filed by Charles A. Steinberg, p.6, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. May 7, 2012) (No. 1758).

¹¹⁹ Los Angeles Dodgers LLC's Motion for Authority to Honor Prepetition Obligations to Customers and Otherwise Continue Customer Programs in the Ordinary Course of Business, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 10).

¹²⁰ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p.42, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

constituted a transaction in the ordinary course of business pursuant to 11 U.S.C. § 363(b)(1) and consequently did not require court approval. Out of an overabundance of caution, however, the debtors sought the court's approval, arguing the conferral of authority under 11 U.S.C. § 105(a) upon the court enabled Judge Gross to authorize the payment of these prepetition claims under the doctrine of necessity.¹²¹ The court issued the order authorizing the customer program obligations on June 28.¹²² The Dodgers were authorized, though not directed, to honor the Dodgers Dollars programs so long as the aggregate of payments did not exceed \$550,000.¹²³

Motion to Pay Critical Trade Vendor Claims¹²⁴

The debtors argued that they would suffer irreparable injury without the authority to pay critical vendors, including prepetition vendor claims and postpetition claims incurred in the ordinary course of business. The debtors sought approval to pay their critical vendors up to \$500,000. They also sought the authority to raise that amount unilaterally,¹²⁵ reminding the court all unsecured creditors would be paid in full.¹²⁶ The debtors stressed payments to critical vendor claims constituted transactions within the ordinary course of business pursuant to 11 U.S.C. § 363(b)(1).¹²⁷ And even if they were not, the bankruptcy court had the authority under 11 U.S.C. § 105(a) to authorize the payment of these claims under the doctrine of necessity.¹²⁸

¹²¹ Los Angeles Dodgers LLC's Motion for Authority to Honor Prepetition Obligations to Customers and Otherwise Continue Customer Programs in the Ordinary Course of Business, pp.16-17, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 10).

¹²² Order Authorizing Los Angeles Dodgers LLC to Honor Prepetition Obligations to Customers and Otherwise Continue Customer Programs in the Ordinary Course of Business, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 28, 2011) (No. 45).

¹²³ Order Authorizing Los Angeles Dodgers LLC to Honor Prepetition Obligations to Customers and Otherwise Continue Customer Programs in the Ordinary Course of Business, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 28, 2011) (No. 45).

¹²⁴ Motion to Pay Critical Trade Vendor Claims, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 11); Motion to Pay Critical Trade Vendor Claims (Supplemental) *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jul. 23, 2011) (No. 93).

¹²⁵ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p.46, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

¹²⁶ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p.47, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

¹²⁷ See 11 U.S.C. § 363.

¹²⁸ Los Angeles Dodgers LLC's Motion for Authority to Pay the Prepetition Claims of Certain Critical Vendors, p.17, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 11).

The court filed an order approving the critical vendor claims on June 28 provided that payment of the vendor claims would not constitute a waiver to dispute a vendor's claim or an assumption of any agreement, contract, or lease pursuant to section 365 of the bankruptcy code.¹²⁹ A supplemental motion was filed by the Dodgers on July 25,¹³⁰ increasing the critical vendor cap to \$1,100,000. This amount was later amended to \$1,111,333 and then approved by the court on November 30, 2011.¹³¹

Motion Authorizing Debtors to Perform Under Collective Bargaining Agreements¹³²

Debtors filed a motion for authority for the Dodgers to comply with MLBPA's Collective Bargaining Agreement ("CBA"). The CBA provided governing terms for minimum player salaries, maximum salary reductions, salary arbitration, and grievance procedures.¹³³ Additionally, the CBA delineated the MLB revenue sharing plan, in which larger-market teams (i.e., New York Yankees, Chicago Cubs, Boston Red Sox, Los Angeles Dodgers) gave a percentage of their revenues back to the league so it could distribute funds to smaller market teams (i.e., Kansas City Royals, Cleveland Indians, Tampa Bay Devil Rays, Oakland Athletics). The CBA also guaranteed the contracts of MLB players, which for the Dodgers' opening day roster for the 2011 season totaled \$92,569,000.¹³⁴ Deferred player compensation, which was a contributing factor to the Dodgers' financial crises, is a result of the CBA's guarantee of player contracts.

In addition, the Dodgers needed court approval to comply with the American Federation of Television and Radio Announcers ("AFTRA") CBA, which governed the contracts of radio and television broadcasters such as Dodgers hall of fame broadcaster, Vin Scully.

¹²⁹ Order Authorizing Los Angeles Dodgers LLC to Pay the Prepetition Claims of Certain Critical Vendors, ¶ 8, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 28, 2011) (No. 46).

¹³⁰ Los Angeles Dodgers LLC's Supplemental Motion for Authority to Pay the Prepetition Claims of Certain Critical Vendors, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jul. 01, 2011) (No. 93).

¹³¹ Amended Supplemental Order Authorizing Los Angeles Dodgers LLC to Pay the Prepetition Claims of Certain Critical Vendors, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Nov. 30, 2011) (No. 866).

¹³² Los Angeles Dodgers LLC's Motion for Authority to Perform All Obligation Under Collective Bargaining Agreements, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 12).

¹³³ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p.34, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4).

¹³⁴ Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p.34, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4). This amount excluded signing bonuses.

The debtors relied on 11 U.S.C. § 1113 as compelling the court’s approval of the CBAs, arguing that both § 1113(e) and § 1113(f) contemplated uninterrupted postpetition performance of collective bargaining agreements by debtors. Without the ability to assume and comply with the two CBAs, the Dodgers would have been without players and announcers. Thus, the Dodgers needed to pay these obligations under doctrine of necessity coupled with the grant of equitable power conferred upon the court by 11 U.S.C. § 105(a), Judge Gross should authorize the debtors compliance with the CBAs.¹³⁵ Agreeing with Debtors, the court issued its order on June 28, authorizing the debtors to perform all actions necessary to fulfill their obligations under the CBAs pursuant to § 105(a), § 363(b), and § 1113 of the bankruptcy code.¹³⁶

Motion for Postpetition Financing¹³⁷

The Dodgers needed cash immediately to meet the upcoming payroll. Their motion for postpetition financing sought the court’s approval to enter into an agreement for \$150 million loan from Highbridge Senior Loan Holdings (“Highbridge Loan”).¹³⁸ Major League Baseball immediately filed an objection,¹³⁹ offering to loan the same \$150 million to the Debtors (“MLB Loan”) on more generous terms.¹⁴⁰ The court entered its

¹³⁵ Los Angeles Dodgers LLC's Motion for Authority to Perform All Obligation Under Collective Bargaining Agreements, p.19, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 12).

¹³⁶ Order Authorizing Los Angeles Dodgers LLC to Perform All Obligations Under Collective Bargaining Agreements, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 28, 2011) (No. 47).

¹³⁷ Emergency Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 362, and 364, and (II) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c), *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 13).

¹³⁸ Emergency Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 362, and 364, and (II) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c), ¶ 45, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 13).

¹³⁹ Objection of Major League Baseball to Debtors' Motion to Obtain Post-Petition Financing and for Related Relief, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 28, 2011) (No. 27).

¹⁴⁰ Objection of Major League Baseball to Debtors' Motion to Obtain Post-Petition Financing and for Related Relief, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 28, 2011) (No. 27).

interim order approving a \$60 million initial draw from Highbridge.¹⁴¹ Judge Gross scheduled a hearing on the matter for July 20, 2011.

By all accounts, the financial terms of the MLB Loan were superior.¹⁴² Nevertheless, the Dodgers refused to enter into negotiations with Major League Baseball, accusing Bud Selig of using the loan as a pretext to seize control of the team.¹⁴³ The Dodgers likened a deal with Major League Baseball to being a “deal with the devil.”¹⁴⁴

Comparison of Material DIP Terms¹⁴⁵

	Highbridge DIP Facility	MLB DIP Facility
Fees:	0.05% Delayed Draw Fee \$4.5 MM Deferred Comm Fee \$5.25 MM Closing Comm Fee \$50,000 Annual Agent Fee	None
Interest Rate:	LIBOR + 6% (3% Floor) Base Rate + 6%	LIBOR + 5.5% (1.5% Floor) Base Rate + 4.5%
Security:	All Estate Assets	Unsecured
Priority:	Super-Priority Administrative	Administrative
Events of Default:	Case Dismissal Trustee or Examiner Appointed	No Onerous Events of Default

¹⁴¹ Interim Order (I) (I) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 362, and 364, and (II) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and (c), *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 28, 2011) (No. 52).

¹⁴² Memorandum Order Denying the Emergency Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Postpetition Financing and (II) Scheduling a Final Hearing, p.4, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 22, 2011) (No. 285).

¹⁴³ Major League Baseball Debtor-In-Possession Credit Agreement, Exh. A, § 6.1(e), § 9.1(c), *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 18, 2011) (No. 220). The MLB loan agreement required the Dodgers submit budget proposals to the League on a weekly basis, accounting for cash receipts and potential expenditures. If Major League Baseball determined the loan proceeds were being used inappropriately or unreasonably, then MLB reserved the right to declare a default.

¹⁴⁴ Transcript of Hearing on: (#13) Debtors’ Motion for Final Order Approving Postpetition Financing at 14, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 25, 2011), (No. 290). Mr. Bennett comparing the MLB facility with a “deal with the devil” on the basis of its having “attractive benefits in the front end but [...] greater negative consequences on the backend.”

¹⁴⁵ Memorandum Order Denying the Debtors’ Motion for Final Order Approving Postpetition Financing, p.4, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 22, 2011) (No. 285).

	Termination of Debtors' Rights under Baseball Agreement	
Maturity Date:	June 27, 2012 (Before Fox Sports' Right of First Negotiation)	November 30, 2012 (After Fox Sports' Right of First Negotiation)

In order to get the court's approval, the Debtors had to prove they were unable to obtain financing on better terms. Additionally, the bankruptcy code § 364 prohibits secured financing where unsecured financing is available.¹⁴⁶ The MLB Loan was unsecured and had a lower interest rate,¹⁴⁷ while the Highbridge Loan required a senior lien on all estate property and charged an interest rate exceeding that of the MLB Loan. Also working against the Debtors was the fact that Major League Baseball had been able to raise doubt concerning Frank McCourt's objectivity in seeking court approval for the Highbridge loan.

Normally, a bankruptcy court will review a debtor-in-possession's choice for postpetition lender under the business judgment rule, a highly deferential standard of review.¹⁴⁸ The rule creates a presumption that the debtor acted in good faith and with the honest belief that a decision was in the best interest of the company.

Major League Baseball had submitted evidence that Frank McCourt was *personally* liable to Highbridge for \$5.25 million in the event the Highbridge Loan went unapproved by the court.¹⁴⁹ This evidence supported Major League Baseball's

¹⁴⁶ See U.S.C. 11 §364.

¹⁴⁷ Objection of Major League Baseball to Final Approval of Debtors' Emergency Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 362, and 364, and (II) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c), pg. 21, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 14, 2011) (No. 199); *but see* Debtor's Reply in Support of Motion for Final Order Approving Postpetition Financing Facility, pg.37, Exh. A-1, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 25, 2011) (No. 303). The Dodgers argued that if they were forced to accept the MLB Loan "[Bud Selig] would grant himself powers comparable to those of a secured lender on the Debtors' assets, despite purportedly being only an unsecured lender."

¹⁴⁸ Debtor's Reply in Support of Motion for Final Order Approving Postpetition Financing Facility, ¶39, Exh. A-1, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 25, 2011) (No. 303). The question asked is whether the terms of the transaction are fair, reasonable, adequate, given the circumstances of the debtor-borrower and the proposed lender.

¹⁴⁹ Objection of Major League Baseball to Final Approval of Debtors' Emergency Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 362, and 364, and (II) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c), pg. 21, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 14, 2011) (No. 199).

contention that McCourt was pursuing the Highbridge Loan for personal reasons instead of out of his concern for the Debtors. Thus, instead of Judge Gross using the deferential business judgment rule to review the Dodgers' postpetition financing motion, he used a more stringent "entire fairness" standard. This standard required the Dodgers prove the fair dealing, price, and terms of the Highbridge Loan.¹⁵⁰

The Dodgers could not provide sufficient evidence and court denied the Debtors' motion seeking the Highbridge Loan. Judge Gross ordered the Dodgers to negotiate with MLB. The court did provide a concession of sorts, protecting the Dodgers from possible seizure by Major League Baseball by prohibiting onerous terms of default which could have triggered Selig's authority to take control of the team.¹⁵¹

CREDITOR'S COMMITTEE AND SEASON TICKET HOLDERS AD HOC

On July 13, 2011, the United States Trustee appointed the Creditors' Committee pursuant to section 1102 of the Bankruptcy Code. The original members of the creditors committee included the following: (a) AVM Systems Limited Partnership; (b) Elizabeth Ann Stow and/or David Edward Stow, as Conservators to Bryan Stow; (c) KABC Radio LLC; (d) Major League Baseball Players Association; and (e) Pyro Events, Inc. On August 16, 2011, a group of Dodgers season ticket holders notified the court of its intention to participate in the bankruptcy proceedings.¹⁵²

On September 27, 2011, the ticket holders filed a motion to appoint a committee of season ticket holders,¹⁵³ which was opposed by the Dodgers and Creditors' Committee. The season ticket holders argued that their interests were not adequately represented by the official creditor committee,¹⁵⁴ and that they had invested millions of

¹⁵⁰ Objection of Major League Baseball to Final Approval of Debtors' Emergency Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 362, and 364, and (II) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and 4001(c), pg. 32, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. July 14, 2011) (No. 199).

¹⁵¹ Memorandum Order, p.7, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jul. 22, 2011), (No. 285). Judge Gross' order stated that the Baseball Loan must be independent of and uncoupled from Baseball's oversight and governance of the Dodgers.

¹⁵² Verified Statement of the Ad Hoc Committee of Los Angeles Dodgers Season Ticket Holders Pursuant to Bankruptcy Rule 2019. *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Aug. 16, 2012) (No. 379). Some of ticket holders had held season tickets since Dodger Stadium opened in 1962.

¹⁵³ Motion of the Ad Hoc Committee of the Los Angeles Dodgers Season Ticket Holders for Appointment of an Official Committee of Season Ticket Holders, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sep. 27, 2011) (No. 489).

¹⁵⁴ Motion of the Ad Hoc Committee of the Los Angeles Dodgers Season Ticket Holders for Appointment of an Official Committee of Season Ticket Holders, p.6, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sep. 27, 2011) (No. 489).

dollars in the team over the years and thus were deserving of a voice in the bankruptcy.¹⁵⁵ Season ticket holders eventually won two seats on the team's creditors committee,¹⁵⁶ and on October 25, 2011, the United States Trustee appointed the two additional members to the Creditors' Committee.

MARKETING OF TELECAST RIGHTS

Live sports broadcasts have become increasingly valuable to cable and satellite providers.¹⁵⁷ The regional sports network ("RSN") has emerged a means to maximize this value.¹⁵⁸ An RSN is a network that primarily broadcasts games of local teams to a local or regional audience. RSNs generate revenue streams through advertising and subscription fees paid by the programming distributors.¹⁵⁹ Some sports franchise owners have formed their own RSNs in order to receive the revenue directly.¹⁶⁰ This has forced

¹⁵⁵ Motion of the Ad Hoc Committee of the Los Angeles Dodgers Season Ticket Holders for Appointment of an Official Committee of Season Ticket Holders, p.3, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sep. 27, 2011) (No. 489).

¹⁵⁶ Stipulation of Agreement with Respect to Resolution of the Motion of the Ad Hoc Committee of the Los Angeles Dodgers Season Ticket Holders for Appointment of an Official Committee, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 24, 2011) (No. 683).

¹⁵⁷ Los Angeles Dodgers LLC's Motion for Orders: (I) Approving Marketing Procedures for the Licensing of Telecast Rights, Including the Scheduling of an Auction, Objection Deadline, and Disposition Hearing; and (II) Approving and Authorizing the Licensing of Telecast Rights to the Highest and Best Bidder, ¶ 18, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 16, 2011), (No. 443). Live sports broadcasts are perceived as "DVR proof" because people are less likely to prerecord them and bypass the commercials, which makes the broadcasts more valuable to advertisers. In addition, the unique nature of live sports insulates live sports broadcasts from competition.

¹⁵⁸ Los Angeles Dodgers LLC's Motion for Orders: (I) Approving Marketing Procedures for the Licensing of Telecast Rights, Including the Scheduling of an Auction, Objection Deadline, and Disposition Hearing; and (II) Approving and Authorizing the Licensing of Telecast Rights to the Highest and Best Bidder, ¶ 18, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 16, 2011), (No. 443).

¹⁵⁹ Los Angeles Dodgers LLC's Motion for Orders: (I) Approving Marketing Procedures for the Licensing of Telecast Rights, Including the Scheduling of an Auction, Objection Deadline, and Disposition Hearing; and (II) Approving and Authorizing the Licensing of Telecast Rights to the Highest and Best Bidder, ¶ 19, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 16, 2011), (No. 443).

¹⁶⁰ Los Angeles Dodgers LLC's Motion for Orders: (I) Approving Marketing Procedures for the Licensing of Telecast Rights, Including the Scheduling of an Auction, Objection Deadline, and Disposition Hearing; and (II) Approving and Authorizing the Licensing of Telecast Rights to the Highest and Best Bidder, ¶ 20, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 16, 2011), (No. 443).

some broadcast media companies to offer RSN ownership interests as compensation for entering into a long term telecast rights agreement.¹⁶¹

In 2001, when Fox Entertainment owned the Dodgers, the companies entered into a telecast agreement giving Fox's new RSN, Prime Ticket, the exclusive license to produce, record, and telecast the Dodgers' games through the 2013 MLB season.¹⁶² Fox amended the 2001 telecast agreement when McCourt purchased the Dodgers. The amendments gave Fox rights of first and exclusive negotiation and a right of first refusal ("future acquisition rights").¹⁶³ Nevertheless, the Dodgers filed a motion seeking the court's approval to market the team's telecast rights and enter into any subsequent licensing agreement with the highest bidder on September 16, 2011 (Telecast Rights Motion).¹⁶⁴

In conjunction with a sale of the team, the Dodgers insisted that marketing the telecast rights was necessary to maximize the value of the bankruptcy estate.¹⁶⁵ The

¹⁶¹ Los Angeles Dodgers LLC's Motion for Orders: (I) Approving Marketing Procedures for the Licensing of Telecast Rights, Including the Scheduling of an Auction, Objection Deadline, and Disposition Hearing; and (II) Approving and Authorizing the Licensing of Telecast Rights to the Highest and Best Bidder, ¶ 21, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 16, 2011), (No. 443).

¹⁶² Objection of Fox Sports Net West 2, LLC to Los Angeles Dodgers LLC's Motion for Orders: (I) Approving Marketing Procedures for the Licensing of Telecast Rights, Including the Scheduling of an Auction, Objection Deadline, and Disposition Hearing; and (II) Approving and Authorizing the Licensing of Telecast Rights to the Highest and Best Bidder, pp.7-8, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 11, 2011), (No. 586).

¹⁶³ See Los Angeles Dodgers LLC's Motion for Orders: (I) Approving Marketing Procedures for the Licensing of Telecast Rights, Including the Scheduling of an Auction, Objection Deadline, and Disposition Hearing; and (II) and Approving and Authorizing the Licensing of Telecast Rights to the Highest and Best Bidder, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sep. 16, 2011), (No. 443); Declaration of Jefferey J. Ingram in Support of Debtors' Chapter 11 Petitions and First Day Motions, p.27, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jun. 27, 2011) (No. 4). Section 2(c) of the amended telecast agreement provided for a "right of first negotiation" which stated that between October 15, 2012 and November 30, 2012, the Dodgers and Fox would negotiate confidentially, exclusively, and in good faith.

¹⁶⁴ Los Angeles Dodgers LLC's Motion for Orders: (I) Approving Marketing Procedures for the Licensing of Telecast Rights, Including the Scheduling of an Auction, Objection Deadline, and Disposition Hearing; and (II) Approving and Authorizing the Licensing of Telecast Rights to the Highest and Best Bidder, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 16, 2011), (No. 443).

¹⁶⁵ Los Angeles Dodgers LLC's Motion for Orders: (I) Approving Marketing Procedures for the Licensing of Telecast Rights, Including the Scheduling of an Auction, Objection Deadline, and Disposition Hearing; and (II) Approving and Authorizing the Licensing of Telecast Rights to the

motion proposed an acceleration of Fox's future acquisition rights, from October 2012 to November of 2011. According to the motion, the Dodgers would negotiate exclusively with Fox during the 45 days following the motion's approval,¹⁶⁶ and if a deal was reached then Fox would then serve as the stalking horse in an auction of the team's telecast rights.¹⁶⁷ Both Major League Baseball and Fox opposed the Telecast Rights Motion.¹⁶⁸

Major League Baseball submitted a motion¹⁶⁹ requesting the termination of debtor exclusivity¹⁷⁰ to file a plan for reorganization.¹⁷¹ In the alternative, the motion requested that the court compel the Dodgers to either assume or reject the Baseball Agreements.¹⁷² Major League Baseball argued McCourt was not acting in the best interest of the estate,

Highest and Best Bidder, p.21, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 16, 2011), (No. 443).

¹⁶⁶ Objection of Fox Sports Net West 2, LLC to Los Angeles Dodgers LLC's Motion for Orders: (I) Approving Marketing Procedures for the Licensing of Telecast Rights, Including the Scheduling of an Auction, Objection Deadline, and Disposition Hearing; and (II) Approving and Authorizing the Licensing of Telecast Rights to the Highest and Best Bidder, pp.4-5, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 11, 2011), (No. 586).

¹⁶⁷ Objection of Fox Sports Net West 2, LLC to Los Angeles Dodgers LLC's Motion for Orders: (I) Approving Marketing Procedures for the Licensing of Telecast Rights, Including the Scheduling of an Auction, Objection Deadline, and Disposition Hearing; and (II) Approving and Authorizing the Licensing of Telecast Rights to the Highest and Best Bidder, pp.4-5, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 11, 2011), (No. 586).

¹⁶⁸ See Motion of Major League Baseball to Terminate Exclusivity or, in the Alternative, to Compel the Debtors to Seek Assumption or Rejection of the Baseball Agreements, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 23, 2011), (No. 476); and Complaint for Declaratory Judgment, Specific Performance, Temporary and Permanent Injunctive Relief, Breach Of Confidence, Intentional and Negligent Interference with Contract Regarding Telecast Rights Agreement, as Amended, *Fox Sports Net West 2, LLC v. Los Angeles Dodgers LLC et al*, (*In re Dodgers*), No. 11-12010 (Bankr. D. Del. Sep. 27, 2011), (No. 494).

¹⁶⁹ Motion of Major League Baseball to Terminate Exclusivity or, in the Alternative, to Compel the Debtors to Seek Assumption or Rejection of the Baseball Agreements, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 23, 2011), (No. 476).

¹⁷⁰ See 11 U.S.C. § 1121(c).

¹⁷¹ See 11 U.S.C. § 1121. For the first 120 days of a chapter 11 only the debtor can file plans, this time can be extended up to 18 months from the day of filing a petition.

¹⁷² Motion of Major League Baseball to Terminate Exclusivity or, in the Alternative, to Compel the Debtors to Seek Assumption or Rejection of the Baseball Agreements, ¶ 6, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 23, 2011), (No. 476). The Baseball Agreements consist of the MLB Constitution and the various related agreements, rules, guidelines, regulations, bulletins, directives, policies, decisions, and requirements of Major League Baseball.

instead merely using the Dodgers bankruptcy to fix his personal financial problems.¹⁷³ The League contended that McCourt was risking the value of the estate in pursuing the marketing of the Dodgers telecast rights. The League characterized the unapproved marketing of the Dodgers' telecast rights as a voluntary rejection of the Baseball Agreements, the acceptance and adherence of which were conditions precedent to membership in the League. McCourt's pursuit of the media deal with Fox opened the possibility of the termination of the Dodgers franchise.

If the court were to terminate the Dodgers' exclusivity period, Major League Baseball intended to submit its own plan for reorganization providing for the sale of the Dodgers, and thus ending the bankruptcy.¹⁷⁴ In the alternative, Major League Baseball asked the court to compel the Dodgers to assume or reject the Baseball Agreements. The Dodgers would either play by MLB rules or they would not play at all.

Fox's response to the Dodger's motion was equally sharp.¹⁷⁵ On September 27, 2011, it brought an adversary proceeding against the Dodgers seeking an injunction and specific performance of the current telecast contract.¹⁷⁶ Fox contended that the Los Angeles Dodgers' marketing of telecast rights constituted a material breach of its current telecast contract with Fox, and §15(d)(iii) of that agreement explicitly provided for injunctive relief and specific performance for the non-breaching party.¹⁷⁷

¹⁷³ Motion of Major League Baseball to Terminate Exclusivity or, in the Alternative, to Compel the Debtors to Seek Assumption or Rejection of the Baseball Agreements, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 23, 2011), (No. 476).

¹⁷⁴ Motion of Major League Baseball to Terminate Exclusivity or, in the Alternative, to Compel the Debtors to Seek Assumption or Rejection of the Baseball Agreements, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 23, 2011), (No. 476).

¹⁷⁵ Complaint for Declaratory Judgment, Specific Performance, Temporary and Permanent Injunctive Relief, Breach Of Confidence, Intentional and Negligent Interference with Contract Regarding Telecast Rights Agreement, as Amended, *Fox Sports Net West 2, LLC v. Los Angeles Dodgers LLC et al*, (*In re Dodgers*), No. 11-12010 (Bankr. D. Del. Sep. 27, 2011), (No. 494).

¹⁷⁶ Complaint for Declaratory Judgment, Specific Performance, Temporary and Permanent Injunctive Relief, Breach of Confidence, Intentional and Negligent Interference with Contract Regarding Telecast Rights Agreement, as Amended, *Fox Sports Net West 2, LLC v. Los Angeles Dodgers LLC et al*, No. 11-53333, (Bankr. D. Del. Sept. 27, 2011), (No. 494).

¹⁷⁷ Complaint for Declaratory Judgment, Specific Performance, Temporary and Permanent Injunctive Relief, Breach of Confidence, Intentional and Negligent Interference with Contract Regarding Telecast Rights Agreement, as Amended, ¶19, *Fox Sports Net West 2, LLC v. Los Angeles Dodgers LLC et al*, No. 11-53333, (Bankr. D. Del. Sept. 27, 2011), (No. 494).

On September 30, 2011, Judge Gross set the evidentiary hearing on both motions for October 31.¹⁷⁸ The hearing was pushed back until November 29 because of a contested request for discovery.¹⁷⁹ In the meantime, the Dodgers and Major League Baseball were to take part in court-ordered mediation.¹⁸⁰ Judge Gross appointed Joseph Farnan, Jr. as the mediator.¹⁸¹

Farnan had recently retired from his post as judge for the United States District Court for the District of Delaware.¹⁸² Appointed by President Reagan in 1985, Farnan had spent the last 25 years on the bench,¹⁸³ but at the time of his appointment as mediator he was engaged in private practice in Wilmington, Delaware, with his office being a mere one block away from Judge Gross' court.

The mediation was productive. The two parties reached a settlement on November 1, 2011. This agreement called for the sale of the Dodgers, while providing the opportunity for the Dodgers to market their telecast rights though not sell them. The actual sale of the telecast rights would be a decision left to the eventual new team owner. The Debtors would retain control of the Dodgers until its sale, with the qualification that Frank McCourt not be involved in its day-to-day operations.¹⁸⁴ Other key terms of the agreement are as follows:

- **Sale of Team, Telecast Rights, and Dodger Stadium.**¹⁸⁵ The Los Angeles Dodgers would be sold; however, the debtors would retain control of the team

¹⁷⁸ Order Scheduling Evidentiary Hearing, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Sept. 30, 2011), (No. 508).

¹⁷⁹ Los Angeles Dodgers LLC's Motion to Modify Scheduling Order to Allow Discovery Relevant to Course of Dealing Among Parties to Baseball Agreements, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 511); and Objection of Major League Baseball to Debtors' Motion to Reconsider Scheduling Order, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 4, 2011), (No. 532).

¹⁸⁰ Order Appointing Mediator, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 519).

¹⁸¹ Order Appointing Mediator, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 519).

¹⁸³ www.fjc.gov/servlet/nGetInfo?jid=735&cid=999&ctype=na&instate=na.

¹⁸⁴ Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving Settlement Agreement with the Officer of the Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911).

¹⁸⁵ Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving Settlement Agreement with the Officer of the

until then. MLB would retain the exclusive right to review, reject, or approve any potential buyer. Also to be included in the sale, without any limitations, were Dodger Stadium, all fee interests owned by LA Real Estate LLC, and the Dodgers' future telecast rights.

- **Non-Participation of Frank McCourt.**¹⁸⁶ Frank McCourt's departure from Major League Baseball began even earlier than the League had hoped. The settlement prohibited Frank McCourt's and his family from participating, whether directly or indirectly, in the sale of the Dodgers, in any media transaction connected therewith, or any financing involved in such transaction.
- **Sale of Lot and Surrounding Land Not Included.**¹⁸⁷ McCourt had transferred the real property he had acquired in his purchase of the Dodgers to his various business entities. The parking lots and land that surrounded Dodger stadium became assets of Blue Landco LLC, a non-debtor. The settlement did not require that the Debtors include these properties in the sale of the team provided the 30-year/\$14 million per annum lease¹⁸⁸ to use the parking lots was included in the sale. Moreover, the settlement provided that any potential buyers of the team would, upon request, be provided with due diligence information and could submit bids for these real property assets as well. The sole discretion on whether to sell the land would continue to rest with Frank McCourt. Given the fact that McCourt had made his fortune in parking lots, this result may have struck the parties as somewhat appropriate.
- **Role of the Mediator.**¹⁸⁹ The parties agreed that Honorable Joseph J. Farnan would mediate any disputes between MLB and Debtors arising in connection with

Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911).

¹⁸⁶ Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving Settlement Agreement with the Officer of the Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911).

¹⁸⁷ Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving Settlement Agreement with the Officer of the Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911).

¹⁸⁸ Letter from Bud Selig to Frank McCourt, Feb. 24, 2011, pg. 2. Exh. 32, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 25, 2011) (No. 697).

¹⁸⁹ Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving Settlement Agreement with the Officer of the

the sale of the Dodgers and in connection to agreements included in the settlement.

- **Sale Procedure.**¹⁹⁰ The sale would be run by Blackstone but managed by the Debtors. Blackstone would have the sole discretion to identify potential qualified buyers and provide those parties with confidential Dodgers and MLB information, provided the potential buyers signed a confidentiality agreement. Blackstone had no obligation to notify MLB of the identity of potential buyers. MLB only required copies of any offering document submitted to a potential purchaser and of any potential breaches of the confidentiality agreements. Also included as part of the team's sale procedures were "special terms" which were strictly confidential.¹⁹¹
- **Sale Terms.**¹⁹² The agreement provided that the sale of the team could be structured either as an asset sale or as a sale of the equity of LA Holdco LLC. The team, telecast rights included, could be sold to an individual or to a group, and the resulting ownership was given pre-clearance by MLB to pursue the formation of a regional sports network. The auction was to take place no later than April 1, 2012 with the deal consummated by April 30, 2012. The parties' goal was to have the initial bids submitted on or before January 13, 2012.

Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911).

¹⁹⁰ Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving Settlement Agreement with the Office of the Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911).

¹⁹¹ Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving Settlement Agreement with the Office of the Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911). Debtors felt the need to mention that "[...]the Debtors are confident that no purchaser will be arbitrarily or inappropriately rejected as a bidder." Of course, the likely reason Debtors included the statement is that they were probably not 100% confident that MLB was in agreement on the point. Otherwise, the agreement not to withhold its consent unreasonably would have been included in the motion. The fact that it wasn't included means MLB would not commit, which in turn would make the Debtors less than 100% confident, leading to the statement in the first place.

¹⁹² Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving Settlement Agreement with the Officer of the Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911).

- **Telecast Rights.**¹⁹³ MLB agreed to allow the Debtors to pursue the marketing of the Dodgers post-2013 telecast rights as part of the team's sale on the condition that any decision to enter into a new telecast agreement was left to the sole discretion of the buyer.
- **Fox Disputes.**¹⁹⁴ MLB agreed to take no position with regards to the ongoing dispute between the Dodgers and Fox.
- **Dodger Tickets LLC.**¹⁹⁵ MLB agreed that it would consent to any necessary or appropriate amendments to the loan documents needed to ensure that Tickets LLC indebtedness would remain in effect even after the sale of the team.
- **Cooperation.**¹⁹⁶ The parties would cooperate towards the ends of extending Debtors' exclusivity period and a reorganization consistent with the terms of the settlement agreement.

Following the settlement, the Dodgers filed an amended motion to approve marketing the teams telecast rights. The Dodgers insisted that the team's media rights needed to be marketed in conjunction with a sale of the team to maximize value. In opposing this revived plan to sell the Dodgers' media rights, Fox argued that the sale of the team without the media rights would still generate enough money to pay all creditors in full. Lending credibility to the argument was the fact that throughout the bankruptcy the Dodgers had repeatedly taken a position that they were solvent and that all creditors would definitely be paid back in full.

¹⁹³ Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rue 9019, Approving Settlement Agreement with the Officer of the Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911).

¹⁹⁴ Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rue 9019, Approving Settlement Agreement with the Officer of the Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911).

¹⁹⁵ Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rue 9019, Approving Settlement Agreement with the Officer of the Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911).

¹⁹⁶ Debtors' Motion for Order, Pursuant to Sections 363(b) and 105(a) of the Bankruptcy Code and Bankruptcy Rue 9019, Approving Settlement Agreement with the Officer of the Commissioner of Baseball, Doing Business as Major League Baseball, ¶ 2, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 3, 2011), (No. 911).

On December 13, 2011, the bankruptcy court entered an order approving the marketing of Dodger's telecast rights motion. Gross characterized Fox's 45-day exclusive negotiation period and right of first refusal as "no-shop" provisions and unenforceable in the bankruptcy. Fox appealed the order and requested a stay pending the appeal. The request was denied. On December 23, 2011, however, the District Court did stay the order approving the marketing of the Dodgers' telecast rights. In an opinion filed with the court on December 27, 2011, U.S. District Judge Leonard Stark ruled that Judge Gross had likely erred in approving Dodgers marketing process motion.

Eventually the Dodgers and Fox reached an agreement and on January 10, 2012, Dodgers filed a motion requesting the approval of a settlement between themselves and Fox.¹⁹⁷ As part of the agreement the Dodgers withdrew the telecast rights motion and assumed the telecast agreement pursuant to section 365(a) of the bankruptcy code. In turn, Fox dismissed its appeal and all pending adversary proceedings against the Dodgers. Both parties also exchanged mutual releases.

BRYAN STOW CLAIM

The Bryan Stow incident was part of the perfect storm that forced McCourt's hand in filing the bankruptcy. Louie Sanchez and Marvin Norwood were arrested in connection with Stow's beating, which had left Stow with the cognitive ability of a child and doctors doubting whether he would ever walk again.¹⁹⁸ Stow's attorneys estimated his damages in excess of \$50 million.¹⁹⁹ McCourt had fired the head of Dodgers security just 4 months before Stow's attack,²⁰⁰ and Stow's attorney alleged McCourt had additionally tried to save money by reducing the off-duty police presence at Dodgers Stadium.²⁰¹

¹⁹⁷ Debtors' Motion for Order, Pursuant to Section 363(b), 365(b), and 105(5) of the Bankruptcy Code and Bankruptcy Rule 9019, (1) Approving Settlement Agreement with Fox Sports Net West 2, LLC and Fox Sports Net, Inc. and (2) Authorizing Assumption of Telecast Agreement, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jan. 10, 2012), (No. 1156).

¹⁹⁸ <http://www.sfexaminer.com/news/2012/03/bryan-stow-familys-lawsuit-against-dodgers-can-move-forward>.

¹⁹⁹ <http://articles.latimes.com/print/2012/feb/22/sports/la-sp-dodgers-stow-20120223>. Stow is now wheelchair-bound and will require 24-hour nursing care for the rest of his life.

²⁰⁰ <http://www.vanityfair.com/society/features/2011/08/mccourt-divorce-201108>.

²⁰¹ *Bryan Michael Stow, et. al. v. Los Angeles Dodgers, LLC et. al.* ¶ 68, No. BC462127, May 24, 2011.

Stow's family filed a complaint against the Dodgers on May 24, 2011,²⁰² but the bankruptcy's automatic stay brought the state court proceedings to a halt. On July 11, 2011, Stow's family filed claim no. 13 in the Dodgers bankruptcy.²⁰³ The Dodgers responded on February 3, 2012, seeking a disallowance of the claim.²⁰⁴ Stow's attorneys quickly filed a motion seeking the court's abstention and relief from the automatic stay.²⁰⁵

The Dodgers tried to make a deal with Stow, agreeing to permit the California state court negligence claim to proceed provided that damages would only be sought from Dodgers' insurance.²⁰⁶ The Stow family declined.²⁰⁷ Stow's family was eventually permitted²⁰⁸ to proceed with their negligence lawsuit once the Dodgers emerged from bankruptcy.²⁰⁹

²⁰² *Bryan Michael Stow, et. al. v. Los Angeles Dodgers, LLC et. al.*, No. BC462127, May 24, 2011.

²⁰³ Stipulated Order Resolving (A) Motion of Los Angeles Dodgers LLC for Disallowance of Claims Asserted by Bryan Stow, Tyler Stow, and Tabitha Stow; (B) Motion of Bryan Stow for (I) Abstention Pursuant to 28 U.S.C. § 1334(c)(1) and (II) Relief from the Automatic Stay; and (C) Motions of Bryan Stow, Tyler Stow and Tabitha Stow to Deem Proofs of Claim Timely Filed or, In the Alternative, Granting Leave to File Late Claims. *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Mar. 19, 2012) (No. 1551).

²⁰⁴ Motion of Los Angeles Dodgers LLC for Disallowance of Claims Asserted by Bryan Stow, Tyler Stow and Tabitha Stow, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Feb. 3, 2012) (No. 1252).

²⁰⁵ Motion of Bryan Stow for (I) Abstention Pursuant to 28 U.S.C. § 1334(c)(1) and (II) relief from the automatic stay. *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Feb. 22, 2012) (No. 1383).

²⁰⁶ <http://articles.latimes.com/print/2012/mar/01/sports/la-sp-dn-dodgers-bryan-stow-20120301>. "The Dodgers offered to defer to the Superior Court upon three conditions — that Stow does not oppose the team's emergence from bankruptcy; that Stow waits until that emergence to proceed with the civil suit; and that Stow seeks to recover damages only from the Dodgers' insurance carriers and not from the defendants themselves. Dodgers owner Frank McCourt is one of the defendants in the civil suit."

²⁰⁷ <http://articles.latimes.com/print/2012/mar/07/sports/la-sp-0308-dodgers-stow-20120308>. Stow's attorneys agreed to work with the first two conditions but refused the third, claiming it would "severely limit Stow's right to recover punitive damages."

²⁰⁸ Stipulated Order Resolving (A) Motion of Los Angeles Dodgers LLC for Disallowance of Claims Asserted by Bryan Stow, Tyler Stow, and Tabitha Stow; (B) Motion of Bryan Stow for (I) Abstention Pursuant to 28 U.S.C. § 1334(c)(1) and (II) Relief from the Automatic Stay; and (C) Motions of Bryan Stow, Tyler Stow and Tabitha Stow to Deem Proofs of Claim Timely Filed or, In the Alternative, Granting Leave to File Late Claims. *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Mar. 19, 2012) (No. 1551).

²⁰⁹ <http://www.sfexaminer.com/news/2012/03/bryan-stow-familys-lawsuit-against-dodgers-can-37>

THE PLAN²¹⁰ AND SALE

The sale of the Dodgers had to be complete by April 30, 2012, the same day that Frank McCourt was required to pay the \$130 million divorce settlement to Jamie. Blackstone Advisory Partners and the Dodgers plan was to either sell 100% of the equity interests in Holdco LLC, the company that owned the Dodgers, or a \$363 asset sale.

With a winning bid of \$2.15 billion,²¹¹ Guggenheim Partners — an investment group fronted by Los Angeles Lakers’ Magic Johnson — purchased the equity interests of Holdco LLC. The \$2.15 billion purchase price eclipsed the next highest offer by \$850 million.²¹² The \$2 billion sale price was “buoyed by the skyrocketing price of local television contracts.”²¹³ Guggenheim’s bid provided for a cash deposit of about \$159 million²¹⁴ and assumed \$573 million of the team’s debt.²¹⁵

The transaction was approved despite the objections of Major League Baseball, which took issue with a deal struck between Frank McCourt and Guggenheim Partners concerning the use of the land surrounding Dodger Stadium.

FEES AND OTHER PROFESSIONAL EXPENSES

The reimbursement for professional expenses consisted of an 80/20

move-forward.

²¹⁰ Disclosure Statement Relating to the Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Los Angeles Dodgers LLC and its Debtor Affiliates, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Feb. 17, 2012) (No. 1326); Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Los Angeles Dodgers LLC and its Debtor Affiliates, as Revised, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Apr. 6, 2012) (No. 1632); Findings of Fact, Conclusions of Law, and Order Confirming Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Los Angeles Dodgers LLC and its Debtor Affiliates, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Apr. 13, 2012) (No. 1700).

²¹¹ <http://online.wsj.com/article/SB10001424052702303404704577308483250633906.html>.

²¹² <http://money.cnn.com/2013/02/28/news/companies/guggenheim-partners1.pr.fortune/index.html>.

²¹³ <http://www.forbes.com/sites/briansolomon/2012/03/28/baseball-bandit-frank-mccourt-escapes-dodgers-with-860-million-profit/>.

²¹⁴ http://www.huffingtonpost.com/2012/04/06/dodgers-bankruptcy-case-i_n_1409284.html.

²¹⁵ <http://www.forbes.com/sites/briansolomon/2012/03/28/baseball-bandit-frank-mccourt-escapes-dodgers-with-860-million-profit/>.

payment/holdback.²¹⁶ The following professionals were reimbursed for services rendered and expenses incurred:

Professional Fees and Expenses²¹⁷

Professional/Role	Period	Total Fees Requested	Total Expenses Requested	Total Approved Fees	Total Approved Expenses
Young Conaway Stargatt & Taylor, LLP/ <i>Counsel to the Debtors and Debtors in Possession</i>	6/27/11-4/30/12	1,407,792.00	\$144,796.04	\$1,407,792.00	\$144,796.04
Kekst and Company Inc./ <i>Corporate Communications Advisor to the Debtors and Debtors in Possession</i>	6/27/11-5/1/12	\$1,221,770.00	\$44,838.56	\$1,221,770.00	\$44,838.56
Blackstone Advisory Partners L.P./ <i>Financial Advisor to the Debtors in Possession</i>	7/8/11-4/30/12	7,310,483.87	\$283,040.24	\$7,310,483.87	\$280,627.47 ²¹⁸
Deloitte & Touche	8/8/11-4/30/12	\$122,662.50	\$1.91	\$122,662.50	\$1.91

²¹⁶ Debtors' Motion for an Order Pursuant to 11 U.S.C. §§ 105(a) and 331, Bankruptcy Rule 2016 and Local Rule 2016-1 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jul. 1, 2011) (No. 102); *and see* Order Pursuant to 11 U.S.C. §§ 105(A) and 331, Bankruptcy Rule 2016 and Local Rule 2016-1 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Jul. 19, 2011) (No. 258).

²¹⁷ Omnibus Order Awarding Final Allowance of Compensation for Services Rendered and for Reimbursement of Expenses of Various Professionals, Exh. A, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Aug. 21, 2012) (No. 1888-1).

²¹⁸ Omnibus Order Awarding Final Allowance of Compensation for Services Rendered and for Reimbursement of Expenses of Various Professionals, Exh. A, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Aug. 21, 2012) (No. 1888-1). Blackstone Advisory Partners L.P. agreed to and reduce their expenses by \$ 2,412.77 at the request of the United States Trustee.

LLP/ <i>Independent Auditors to the Debtors and Debtors in Possession</i>					
Deloitte Tax LLP/ <i>Tax Services Provider to the Debtor and Debtors in Possession</i>	11/19/11-4/30/12	\$187,075.50	\$157.15	\$187,075.50	\$157.15
Covington & Burling LLP/ <i>Special Counsel to the Debtors and Debtors in Possession</i>	7/20/11-3/31/12	\$240,870.00	\$6,262.73	\$240,870.00	\$6,262.73
Morrison & Foerster LLP/ <i>Counsel to the Official Committee of Unsecured Creditors</i>	7/13/11-4/30/12	\$1,529,843.50	\$18,841.13	\$1,529,843.50	\$18,841.13
Pickney, Harris & Weidinger, LLC/ <i>Counsel to the Official Committee of Unsecured Creditors</i>	7/13/11-4/30/12	\$154,445.75	\$7,272.89	\$154,445.75	\$7,272.89
Lazard Freres & Co. LLC and Lazard Middle Market LLC/ <i>Financial Advisor and Investment Banker to the Official Committee of Unsecured Creditors</i>	7/27/11-4/30/12	\$2,197,580.65	\$24,726.48	\$2,197,580.65	\$24,726.48

Members of the Official Committee of Unsecured Creditors	7/12/11-4/30/12	n/a	\$7,095.30	n/a	\$7,095.30
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Missing from the chart is the Debtors' lead counsel, Dewey & LeBoeuf, which requested²¹⁹ and received multiple extensions from the court to file its final fee application and was thereby addressed by a separate court order.²²⁰ Dewey & LeBoeuf eventually submitted the application to the court on November 13, 2012.²²¹ Jones Day prepared the application,²²² which requested in addition to the lodestar²²³ fee amount of \$12,439,682.50, a fee enhancement of \$500,000.²²⁴ In a memorandum of law submitted separately, Dewey & LeBoeuf argued that the exceptional circumstances surrounding the case coupled with the record-breaking price fetched for Los Angeles Dodgers warranted the fee enhancement, especially when considering that the firm handled the case while facing its own demise.²²⁵ Judge Gross agreed and on December 18, 2012 issued his

²¹⁹ Order Further Extending Time for Dewey & LeBoeuf LLP to File its Final Fee Application for Professional Fee Claims. *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Oct. 25, 2012) (No. 1936).

²²⁰ Order Approving Interim and Final Fee Application of Dewey & LeBoeuf LLP and Request for Fee Enhancement, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Dec. 18, 2012) (No. 1971).

²²¹ Ninth Monthly and Final Application of Dewey & LeBoeuf LLP for Allowance of Compensation for Services Rendered and for Reimbursement of Expenses for the Interim Period from March 1, 2012 Through May 1, 2012 and the Final Period from June 27, 2011 Through May 1, 2012, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Nov. 13, 2012) (No. 1945).

²²² Memorandum of Points and Authorities in Support of Enhancement of Fees of Dewey & LeBoeuf LLP, p.5, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Nov. 13, 2012) (No. 1943).

²²³ Df. A reasonable amount of attorney's fees in a given case, usu. calculated by multiplying a reasonable number of hours worked by the prevailing hourly rate in the community for similar work, and often considering such additional factors as the degree of skill and difficulty involved in the case, the degree of its urgency, its novelty, and the like. *LODESTAR*, Black's Law Dictionary (9th ed. 2009).

²²⁴ Ninth Monthly and Final Application of Dewey & LeBoeuf LLP for Allowance of Compensation for Services Rendered and for Reimbursement of Expenses for the Interim Period from March 1, 2012 Through May 1, 2012 and the Final Period from June 27, 2011 Through May 1, 2012, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Nov. 13, 2012) (No. 1945).

²²⁵ Memorandum of Points and Authorities in Support of Enhancement of Fees of Dewey & LeBoeuf LLP, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Nov. 13, 2012) (No. 1943).

order²²⁶ approving the \$500,000 enhancement, bringing Dewey & LeBoeuf's fee total to \$13,439,682.50 with an additional \$370,940.43 for expenses.

²²⁶ Order Approving Interim and Final Fee Application of Dewey & LeBoeuf LLP and Request for Fee Enhancement, *In re Dodgers*, No. 11-12010 (Bankr. D. Del. Dec. 18, 2012) (No. 1971).

Appendix A



Richard Marrero
CJ Fayton

The Players

- **Frank McCourt.** Boston businessman and owner of the Dodgers and who made his money in parking lots.
- **Jamie McCourt.** Frank's wife, business woman, lawyer, and Dodgers CEO.



The Players

Major League Baseball

- Major League Baseball ("MLB") is an unincorporated association that has as its members thirty baseball clubs.



Bud Selig

- Former Milwaukee Brewers owner, Allan "Bud" Selig serves as the commissioner (CEO) of the League.



The Players

FOX Entertainment Group, Inc. Media company that owned the Los Angeles Dodgers before selling the team to Frank McCourt.



Guggenheim Partners. A privately held, diversified financial services firm that manages \$125 billion in assets and current owner of the Los Angeles Dodgers.

GUGGENHEIM

The Brooklyn Dodgers

- Brooklyn Atlantics change their name to the Brooklyn Dodgers
- Teams Early Success
- Brooklyn's Star Players

Move to LA

- In 1950, real estate businessman Walter O'Malley acquired majority ownership of the dodgers and had plans to build a stadium for the franchise.
- Before the 1958 season, the Dodgers moved to Los Angeles playing their first four seasons at the Los Angeles Memorial Coliseum.
- Within the team's first seven years in Los Angeles, the Dodgers won 3 World Series Titles

The Value of a franchise

- The Dodgers' "First"
 1. First African-American in Major League Baseball
Jackie Robinson
 2. First televised broadcast.
 3. The largest crowd ever to watch a Major League Baseball game, was a Dodgers game (115,300)
 4. First MLB team to open an office in Asia

Frank McCourt

- Frank McCourt, a Boston real estate developer who made most of his fortune from parking garages
- Frank McCourt brought the Dodgers, for \$430 million
- McCourt's complex network of corporate entities and front office moves.

EVENTS LEADING TO CHAPTER 11

Reduced Revenues

Poor on-field performance

=

Decline in Attendance

Deferred Compensation

2010 Dodgers paid \$22 million in deferred compensation. By June of the 2011 season the Dodgers had paid another \$10 million in deferred salaries with another \$29.5 million due by the beginning of July.

EVENTS LEADING TO CHAPTER 11

Frank McCourt
Jamie McCourt

- Frank and his wife paid \$74 million on four homes.

(in addition to properties in Massachusetts, Montana, Colorado, Wyoming and Mexico they already owned)

- They paid \$12 million to build an indoor Olympic-sized swimming pool at their new home, neighboring the Playboy Mansion.
- They employed 6 publicists.
- They had their own hairstylist for which they paid \$10,000 per month.
- Etc.

EVENTS LEADING TO CHAPTER 11

Frank McCourt “Tickets”

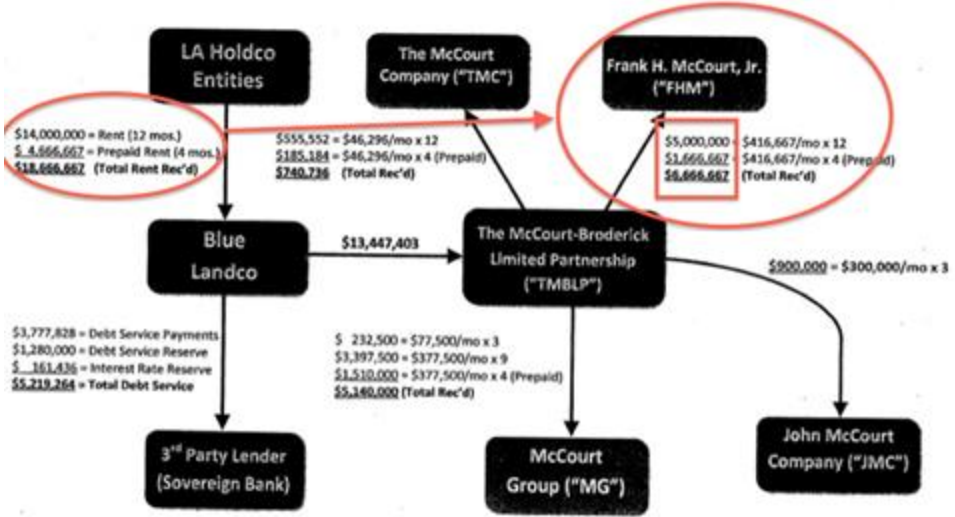
- Tickets was a subsidiary of RealCo and was used to securitize the ticket sales revenue generated from the Dodgers’ home games.
- Frank borrowed \$390 million against those ticket revenues.
- The yearly debt service for these loans was \$32 million.

EVENTS LEADING TO CHAPTER 11

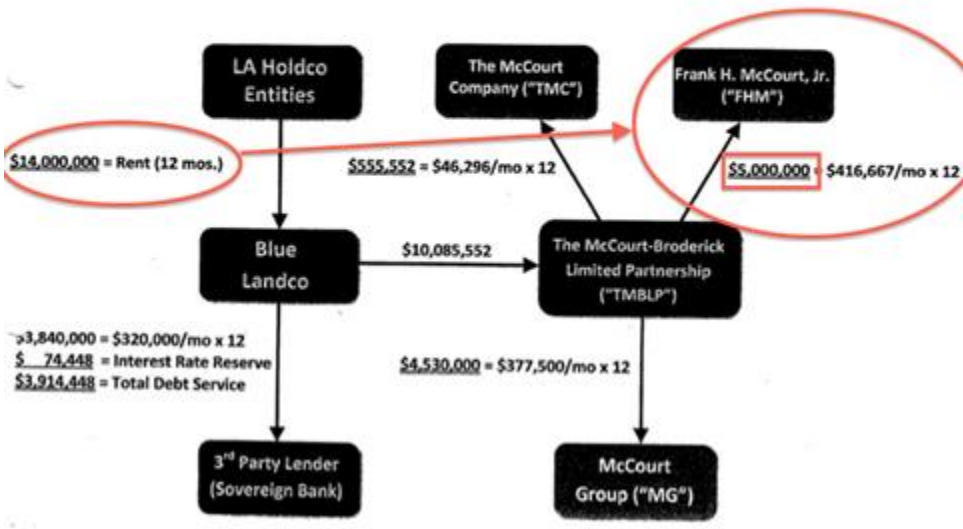
Frank McCourt
vs
Jamie McCourt

In 2011,
divorce cost
Frank McCourt
\$11,559,507

TMBLP (not including LA Holdco entities)
Flow of Blue Landco Rental Income
For the 12 Months Ended March 31st, 2011

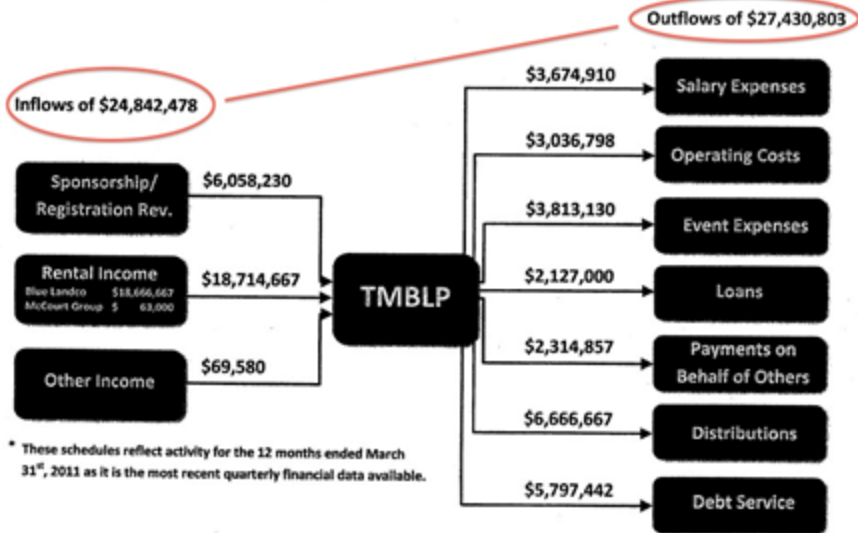


TMBLP (not including LA Holdco entities)
Flow of Blue Landco Rental Income
Forecasted for the 12 Months Ending March 31st, 2012



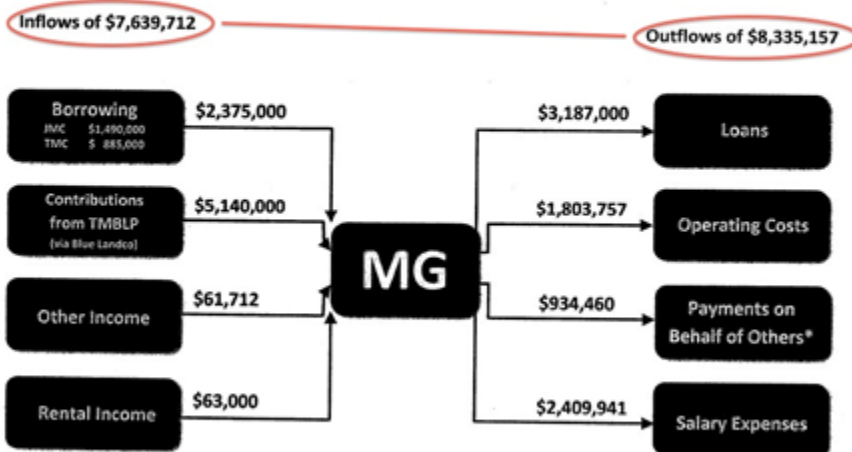
TMBLP (not including LA Holdco entities)
Sources/Uses of Cash
For the 12 Months Ended March 31st, 2011*

Cash as of 3/31/10:	\$ 5,200,572
Inflows:	\$24,842,478
Outflows:	(\$27,430,803)
Accrual to Cash Adj:	\$ 3,882,437
Cash as of 3/31/11:	\$ 6,494,664



McCourt Group LLC ("MG")
Sources/Uses of Cash
For the 12 Months Ended March 31st, 2011

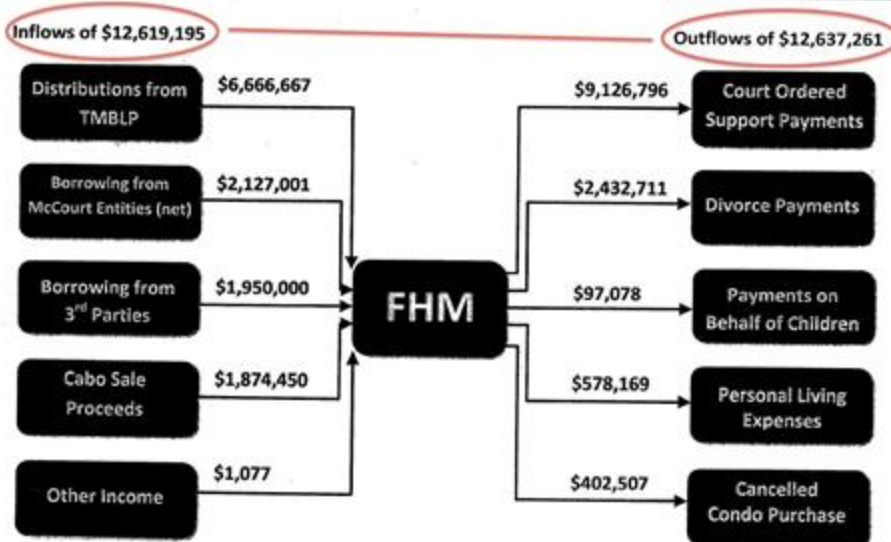
Cash as of 3/31/10:	\$ 244,669
Inflows:	\$7,639,712
Outflows:	(\$8,335,157)
Accrual to Cash Adj:	\$ 888,121
Cash as of 3/31/11:	\$ 437,345



* MG pays expenses on behalf of related entities that do not maintain active bank accounts, including FJM Blue, TMBLP, LA Partners and McCourt College Street.

Frank H. McCourt, Jr. ("FHM")
Sources/Uses of Cash
For the 12 Months Ended March 31st, 2011

Cash as of 3/31/10:	\$ 53,946
Inflows:	\$12,619,195
Outflows:	(\$12,637,261)
Cash as of 3/31/11:	\$ 35,880



Last Ditch Effort and Selig's Rejection

- Sell media rights to Fox for 17 years
- Deal worth at least \$2 billion
- \$385 Accelerated for immediate payment to Frank McCourt

Accordingly, I have considered the Proposed Transaction in the form presented to my Office on June 7, as modified by the terms of the Term Sheet, taking into account all of the information that is available to me.² Unfortunately, much of the information that I have learned about the Proposed Transaction and the extraordinary circumstances surrounding the Dodgers is, to say the least, troubling. While any one of the factors identified below would alone give me serious pause, collectively, and viewing the Proposed Transaction in the context of the Club's and your overall situation, they demonstrate overwhelmingly that the Proposed Transaction is neither in the long-term interests of the franchise nor consistent with the best interests of the game of Baseball. For all of these reasons, I cannot approve the Proposed Transaction.

Sorry Frank, but Bud can't hear you over the sound of **NO**.



Last Ditch Effort and Selig's Rejection

and the Club's liquidity crisis, and to settle your divorce you have proposed an early and lengthy extension to the Club's existing contract with Fox without hearing or considering other options.

Simply put, it is clear that you are pursuing the Proposed Transaction now, rather than waiting until you can "test the market," due to your own personal financial and marital issues. In fact, as your chief financial officer told representatives of my Office on April 5, 2011 you would not even be considering a media rights transaction at this time were it not for the Club's "financial duress." That situation is compounded by your need to finance the \$100 million payment you would owe to Ms. McCourt should you prevail in your divorce proceeding. This duress has caused you to put the Club in the

Last Ditch Effort and Selig's Rejection

I recognize, of course, that the Proposed Transaction contemplates a meaningful increase in the rights fees payable to the Club – at least as compared to the arrangement you negotiated with Fox in 2003. But the Club would have substantially more leverage in its negotiations, and would likely be able to command better terms, were it to wait until the “exclusive negotiation period” with Fox expires when it can offer those rights to all interested parties. At that point, the Club would likely have multiple offers to choose from and could fully maximize its rights fees through a competitive process, as the Los Angeles Lakers recently did. Alternatively, management could potentially seek to launch the Dodgers’ own (or at least a majority-owned) regional sports network, as you had planned until recently. The Proposed Transaction forecloses all of these opportunities. By foregoing these and other options that may be superior, you put your personal needs before the Club’s and failed to act in the best long-term interests of the franchise and of Baseball.

Acceleration of Club Revenues. The Proposed Transaction effectively accelerates hundreds of millions of dollars of the franchise’s television revenues over the next 17 seasons in exchange for an up-front payment from Fox that would be received by one of your affiliated entities. While other clubs have received signing bonuses and other up-front payments as part of media rights deals, the \$385 million that would be accelerated as part of the Proposed Transaction far exceeds any up-front payment previously received by any other club. No other owner has sacrificed so much of his team’s future for an immediate payoff.

First Day Motions

- Cash Management Motion
- Motion Prohibiting Utilities from discontinuing service
- Motion to pay employee wages
- Motion to continue customer programs
- Motion to pay critical trade vendor claims
- Motion Authorizing debtors to perform under the Collective Bargaining Agreement

Post-Petition Financing

	Highbridge DIP Facility	MLB DIP Facility
Fees:	0.05% Delayed Draw Fee \$4.5 MM Deferred Comm Fee \$5.25 MM Closing Comm Fee \$50,000 Annual Agent Fee	None
Interest Rate:	LIBOR + 6% (3% Floor) Base Rate + 6%	LIBOR + 5.5% (1.5% Floor) Base Rate + 4.5%
Security:	All Estate Assets	Unsecured
Priority:	Super-Priority Administrative	Administrative
Events of Default:	Case Dismissal Trustee or Examiner Appointed Termination of Debtors' Rights under Baseball Agreement	No Onerous Events of Default
Maturity Date:	June 27, 2012 (Before Fox Sports' Right of First Negotiation)	November 30, 2012 (After Fox Sports' Right of First Negotiation)

Marketing the Telecast Rights

Live sports broadcasts have become increasingly more valuable to cable and satellite providers in recent years.

Regional Sports Networks ("RSN") have emerged to maximize value for the cable and satellite providers.

RSNs are networks that primarily broadcast games of local teams to a local or regional audiences.

RSNs generate revenue through advertising and subscription fees paid by programming distributors.

Some sports franchise owners have formed their own RSNs to receive the revenue directly.

Broadcast media companies have responded by offering ownership interests of an RSN as compensation for entering into a long-term media rights agreement.



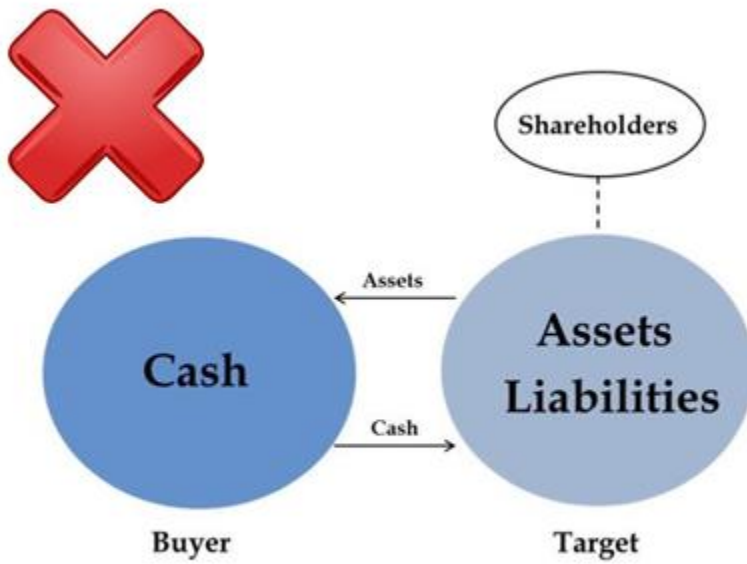
Marketing the Telecast Rights

- Prior to the bankruptcy McCourt had failed to convince Selig to approve the sale of the Dodgers media rights.
- When Fox owned the Dodgers Fox "sold" the exclusive license to produce, record and telecast Dodgers games through the 2013 season to itself.
- McCourt's purchase of the Dodgers amended that telecast rights contract to give to Fox rights of first and exclusive negotiation and first refusal.

Marketing the Telecast Rights

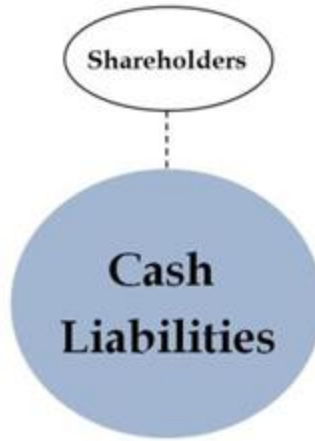
- The Dodgers motion to sell the team's telecast rights was opposed by MLB and FOX.
- Dodgers and MLB settled in mediation.
- Fox brought an adversary proceeding against the Dodgers seeking an injunction and specific performance that ultimately led to the Dodgers' assumption of the current telecast contract pursuant to §365.

The Plan: §363 sale or 100% Equity Sale of McCourt's Holdco





Buyer



Target



Buyer



Target



The Sale

- Guggenheim had the winning bid: \$2.15 billion
- The purchase price included a cash deposit of about \$159 million and assumption of \$573 million of debt.
- McCourt netted close to \$1 billion in profit. His ex-wife, Jamie, is suing him.

Fees 1/2

Professional/Role	Period	Total Fees Requested	Total Expenses Requested	Total Approved Fees	Total Approved Expenses
Young Conaway Stargatt & Taylor, LLP/ <i>Counsel to the Debtors and Debtors in Possession</i>	6/27/11-4/30/12	1,407,792.00	\$144,796.04	\$1,407,792.00	\$144,796.04
Kekst and Company Inc / <i>Corporate Communications Advisor to the Debtors and Debtors in Possession</i>	6/27/11-5/1/12	\$1,221,770.00	\$44,838.56	\$1,221,770.00	\$44,838.56
Blackstone Advisory Partners L.P./ <i>Financial Advisor to the Debtors in Possession</i>	7/8/11-4/30/12	7,310,483.87	\$283,040.24	\$7,310,483.87	\$280,627.47
Deloitte & Touche LLP/ <i>Independent Auditors to the Debtors and Debtors in Possession</i>	8/8/11-4/30/12	\$122,662.50	\$1.91	\$122,662.50	\$1.91
Deloitte Tax					

Fees 2/2

<i>in Possession</i> Deloitte Tax LLP/ <i>Tax Services Provider to the Debtor and Debtors in Possession</i>	11/19/11-4/30/12	\$187,075.50	\$157.15	\$187,075.50	\$157.15
Covington & Burling LLP/ <i>Special Counsel to the Debtors and Debtors in Possession</i>	7/20/11-3/31/12	\$240,870.00	\$6,262.73	\$240,870.00	\$6,262.73
Morrison & Foerster LLP/ <i>Counsel to the Official Committee of Unsecured Creditors</i>	7/13/11-4/30/12	\$1,529,843.50	\$18,841.13	\$1,529,843.50	\$18,841.13
Pickney, Harris & Weidinger, LLC/ <i>Counsel to the Official Committee of Unsecured Creditors</i>	7/13/11-4/30/12	\$154,445.75	\$7,272.89	\$154,445.75	\$7,272.89
Lazard Freres & Co. LLC and Lazard Middle Market LLC/ <i>Financial Advisor and Investment Banker to the Official Committee of Unsecured Creditors</i>	7/27/11-4/30/12	\$2,197,580.65	\$24,726.48	\$2,197,580.65	\$24,726.48

Dewey & LeBoeuf Fees *Dodgers/McCourt's Attorneys*

- Lodestar fee amount of \$12,439,682.50
- Fee Enhancement of \$500,000
- Total fee amount of \$13,439,682.50
- Total expense amount \$370,940.43