

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	Chapter 11
LOS ANGELES DODGERS LLC, <i>et al.</i> , ¹)	Case No. 11- <u>12010</u> (___)
Debtors.)	Joint Administration Requested
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**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; (B) 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**

Los Angeles Dodgers LLC (“LAD”) and LA Real Estate LLC (“RealCo” and together with LAD, the “Debtors”), each a debtor and debtor in possession in these chapter 11 cases, hereby request by this motion (the “Motion”) entry of an order, substantially in the form of an order attached hereto as Exhibit A, pursuant to sections 105(a), 345(b), and 363(c) of title 11 of the United States Code (the “Bankruptcy Code”), Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 2015-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”): (a) authorizing the continued use of its cash management system and procedures (the “Cash Management System”); (b) authorizing the maintenance and continued use of its existing bank accounts (the “Bank Accounts”) and business forms, and a

¹ The Debtors, together with the last four digits of each Debtor’s federal tax identification number are: Los Angeles Dodgers LLC (3133); Los Angeles Dodgers Holding Company LLC (4851); LA Holdco LLC (2567); LA Real Estate Holding Company LLC (4850); and LA Real Estate LLC (3029). The location of the Debtors’ corporate headquarters and the service address for the Debtors is: 1000 Elysian Park Avenue, Los Angeles, California 90012.

waiver of certain operating guidelines relating to bank accounts set forth in the U.S. Department of Justice, Office of the U.S. Trustee, District of Delaware (the “U.S. Trustee”) Operating Guidelines for Chapter 11 Cases (the “U.S. Trustee Guidelines”), and the requirements of section 345 of the Bankruptcy Code on an interim basis; (c) authorizing Bank of America (“BOA”) to receive, process, honor, and pay all of the Debtors’ prepetition checks and fund transfers on account of any prepetition obligations that have been authorized by the Court to be paid (the “Prepetition Payment Obligations”); and (d) granting related relief (the “Motion”). In support of this Motion, the Debtors rely upon and incorporate by reference the *Declaration of Jeffrey J. Ingram in Support of Debtors’ Chapter 11 Petitions and First Day Motions* (the “Ingram Declaration”), which was filed with the Court concurrently herewith. In further support of the Motion, the Debtors, by and through their undersigned proposed co-counsel, respectfully represents as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of LAD’s chapter 11 case and this Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief requested herein are sections 105(a), 345(b), and 363(c) of the Bankruptcy Code, Bankruptcy Rules 6003 and 6004 and Local Rule 2015-2.

2. No previous request for the relief requested herein has been made to this Court or any other court.

BACKGROUND

3. On June 26, 2011 (the “Commencement Date”), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

4. The Debtors intend to continue in the possession of their properties and the management of their businesses as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. As of the date hereof, no trustee or examiner has been appointed in these chapter 11 cases, and no committees have been appointed or designated.

A. Ownership Structure

6. LAD operates a professional major league baseball club located in the Los Angeles metropolitan area. The club's membership in Major League Baseball ("MLB") is described in the Major League Constitution (the "Major League Constitution"), as assumed by LAD pursuant to an Assumption Agreement, dated as of February 13, 2004.²

7. LAD is a Delaware limited liability company, whose sole member is debtor Los Angeles Dodgers Holding Company LLC ("LAD Holding"), also a Delaware limited liability company. LAD Holding's sole member is debtor LA Holdco LLC ("HoldCo"), also a Delaware limited liability company. Both LAD Holding and HoldCo are holding companies with no operating assets. As described further below, HoldCo is the sole member of debtor LA Real Estate Holding Company LLC ("RealCo Holding"), a Delaware limited liability company. RealCo Holding is the sole member of RealCo, a Delaware limited liability company that owns Dodger Stadium and the real estate upon which it is located, as well as Dodger Tickets LLC ("Tickets"), a Delaware limited liability company that owns the right to receive future ticket revenue from Dodger games at Dodger Stadium. HoldCo is a wholly owned subsidiary of LA Partners LLC ("LA Partners"), which in turn is a wholly owned subsidiary of The McCourt-Broderick Limited Partnership ("TMBLP"), a Massachusetts limited partnership. TMBLP is the

² None of the other Debtors are a party to the Major League Constitution nor do they have any role in the operation of the baseball club.

sole member of Blue Landco LLC (“Blue Land”), a Delaware limited liability company that owns the parking lots surrounding Dodgers Stadium. Frank H. McCourt, Jr. (“Mr. McCourt”) is the sole limited partner of TMBLP and owns a 90% interest, with the remaining 10% interest owned by TMBLP’s sole general partner, The McCourt Company, Inc., a Delaware corporation. None of the parents of HoldCo are debtors in these chapter 11 cases.

B. Major League Baseball

8. The Office of the Baseball Commissioner (the “Commissioner’s Office”) is an unincorporated association also doing business as Major League Baseball (“MLB”) that has as its members thirty baseball clubs. Those clubs are divided into two leagues, the American League and the National League (the Dodgers are in the West division of the National League). The commissioner of baseball, Allan H. “Bud” Selig (the “Commissioner”), serves as the chief executive officer of Major League Baseball.

C. The Los Angeles Dodgers Baseball Club

9. The Los Angeles Dodgers have a storied history that dates back to the late 1800’s. Originally located in Brooklyn, New York, the Dodgers moved to Los Angeles in 1958. Before doing so, the Dodgers broke baseball’s color barrier by signing Jackie Robinson in 1945. In 1962, the Los Angeles Dodgers moved into their new home at Dodger Stadium, where they continue to play. The Dodgers have won six World Series championships (five in Los Angeles), the most recent of which occurred in 1988.

D. The 2004 Acquisition

10. The Dodgers were acquired by Fox Entertainment Group, Inc. (“Fox Group”) in 1998. After creating a Regional Sports Network (“RSN”) associated with the Dodgers, Fox

Group made the decision in 2003 to sell the team and the real estate where the stadium and parking lots are located.

11. Following a sale process, the winning bidder for the assets was Mr. McCourt, who in early 2004 became the owner of the Los Angeles Dodgers, as well as the other assets owned by Fox Group (the “Acquisition”). The purchase by Mr. McCourt, which was unanimously approved by Major League Baseball and supported by the Commissioner, was consummated under two separate agreements. Pursuant to one agreement, Mr. McCourt paid \$330 million to purchase the Los Angeles Dodgers. Under a separate agreement, Mr. McCourt paid \$100 million to acquire the real estate consisting of Dodger Stadium, the land under the stadium, and about 250 acres of land surrounding the stadium that includes the parking lots.

12. Under the terms of the Acquisition, the land purchased by Mr. McCourt, including Dodger Stadium and the surrounding parking lots, became an asset of RealCo. Pursuant to a lease agreement between RealCo and LAD executed in 2004, RealCo agreed to lease both the land and the stadium, along with granting associated rights, for a term of 38 years.

13. A portion of the purchase price for the Acquisition (\$125 million) was financed by Fox Group pursuant to a two year loan made to an affiliate of Mr. McCourt. To secure repayment, Mr. McCourt provided, as collateral, 24 acres of undeveloped real estate in the Boston seaport district. The contribution of that property was, at the time of the Acquisition, treated as an equity contribution to fund a large portion of the aggregate purchase price paid under the Acquisition. Two years after the Acquisition, Mr. McCourt transferred that valuable real property to Fox Group in satisfaction of the \$125 million repayment obligation.

E. Subsequent Financing Transactions

14. In May 2005, HoldCo reorganized its subsidiary operations and formed Tickets, which became a subsidiary of RealCo. RealCo and LAD amended their lease agreement to provide for RealCo to lease Dodger Stadium and the underlying land to Tickets, which then subleased the stadium to LAD with the notable exception of the general admission seats. Those seats are not subleased, and tickets for these seats are sold by Tickets, thereby enabling Tickets to earn revenue from Dodger home games.

15. As part of the reorganization, Tickets entered into two securitization financing transactions. The first, in 2005, generated \$250 million that were used to permanently refinance debt incurred under the Acquisition on favorable terms. The second transaction, in 2007, generated \$140 million, which was primarily used to pay the cost of upgrading Dodger Stadium and to reimburse LAD for costs that it had incurred to upgrade the stadium. The improvements made included (a) replacement of all of the seats in the stadium, (b) a new playing surface, (c) drainage improvements, (d) expansion of concession space, (e) reconfiguration of parking lots to improve traffic flow, (f) expansion of the Dugout Club, (g) renovation of the Stadium Club, (h) creation of two new Baseline Box Clubs, (i) significant upgrades to the video in-game experience, and (j) completion of numerous structural and seismic upgrades. Both financing transactions involved the securitization of the income stream from future ticket sales. Importantly, the Commissioner and Major League Baseball approved the formation of Tickets as a wholly owned subsidiary of HoldCo, as well as the securitization of the ticket income stream.

16. In 2006, RealCo transferred the parking lots and other land surrounding Dodger Stadium (but not Dodger Stadium itself or the land on which the stadium is located) to Blue Land.³

F. Improved On Field and Off Field Performance Since 2004

17. Under Mr. McCourt's stewardship, the 2004 Dodgers won their first playoff game in sixteen years, advanced to back-to-back National League Championship Series (2008 and 2009) for the first time in over 30 years, and appeared in the post-season four times in a six year period for the first time ever since moving to Los Angeles in 1958. During this time period, benefitting from the team's success and the renovation of the stadium, the Dodgers enjoyed consistently high attendance for home games. During the 2009 season, the Dodgers drew 3.8 million fans, the highest attendance in Major League Baseball.

18. The Dodgers also recently opened a new state-of-the-art spring training facility in Arizona – a 13,000 person stadium that it shares with the Chicago White Sox. LAD and Chicago White Sox Ltd. are equal members in Camelback Spring Training LLC, a Delaware limited liability company, which operates the facility.

G. Sources of Revenue

19. LAD's primary sources of revenues from the operation of the baseball club consist of the following:

³ To facilitate that transaction, the boundary lines of the existing parcels were changed in order to enable the stadium and the land under the stadium to be a single parcel that continued to serve as collateral for the financing provided to Tickets. The surrounding land was released from that mortgage. Blue Land borrowed \$60 million, secured by the surrounding property, of which \$10 million was contributed to LAD. Subsequently, Blue Land borrowed an additional \$10 million to purchase an additional parcel of land, which is owned by Blue Land's wholly owned subsidiary, McCourt College Street LLC. Blue Land currently owes \$67 million in debt which is scheduled to mature on June 30, 2011.

Entertainment Fee. LAD is paid an entertainment fee by RealCo in connection with providing entertainment at Dodger home games. The entertainment fee is paid from proceeds of ticket sales by Tickets.

Broadcasting Rights. LAD receives payments for the licensing of rights to broadcast their games on television (both over the air and by cable television) and on the radio. Currently, LAD is party to a telecast agreement (the "Fox Telecast Agreement") with Fox Sports Net West 2, LLC ("Fox Sports 2"), under which Fox Sports 2 has been granted exclusive cable television rights until the end of the 2013 baseball season. LAD has separate agreements to broadcast games on television and radio.

Sponsorship and Advertising. A substantial portion of revenues is derived from sponsorship and advertising. LAD's major corporate sponsors include Best Buy, Anheuser-Busch, Coca-Cola, Bank of America, United Airlines, and Time Warner.

Concession Income. LAD receives substantial revenue from concessionaires who are authorized to sell food/beverages and souvenirs, both at Dodger Stadium and online.

Major League Central Fund. LAD also is entitled to receive payments indirectly from the Major League central fund ("MLCF"), which generates income primarily through national telecasting and radio broadcasting revenue. LAD's interest in that revenue is owned by Dodgers Club Trust, a Delaware statutory trust that is 90% owned by LAD and 10% owned by Major League Baseball. The Dodgers Club Trust is party to various credit agreements, evidencing loans secured by the monies payable by MLCF to Dodgers Club Trust and by Dodgers Club Trust to LAD. The outstanding balance of the loans to the Dodgers Club Trust is about \$55 million. Distributions from MLCF are subject to approval of the Commissioner as to timing and amount.

Other Significant Revenue Sources. LAD also receives revenue from premium seating, parking, national licensing, spring training, and in some years, sales of postseason tickets.

20. LAD is required to contribute a substantial amount of its revenue to Major League Baseball for the purpose of revenue sharing with other baseball clubs that receive less revenue than LAD. For example, in 2009, LAD paid about 12.5% of its revenue to other baseball clubs.

21. For RealCo, the source of its revenue, which comes from Tickets, are sublease payments by LAD and ticket sales by Tickets.

H. Events Leading to LAD's Chapter 11 Filing

22. In 2010, LAD experienced cash flow difficulties. During 2010, LAD lost money as a result of declines in attendance, failed to reach the playoffs, and paid substantial deferred compensation totaling about \$22 million. LAD was also required to contribute a large portion of its revenue to revenue sharing. In 2010, this amounted to approximately 10% of total revenue.

23. To ensure the availability of sufficient capital to pay expenses as they become due, LAD entered into an agreement with Fox Sports in 2010 to obtain a \$25 million advance of the payment due under the Fox Telecast Agreement (described below) for the 2011 season. Subsequently, in early 2011, Mr. McCourt obtained a \$30 million personal loan from Fox Sports, of which \$23.5 million has been contributed by Mr. McCourt over the past several months to fund LAD's payroll and other expenses.

24. To date, LAD has remained current in its obligations. However, LAD is now on the verge of running out of cash, the result of a perfect storm of events. First, under its financing agreements, Tickets is required to reserve a large portion of its revenues this year because the Collective Bargaining Agreement (the "CBA") with the MLB Players Association is scheduled to expire, which occurs about every five years. So far, Tickets has reserved about \$17 million

and expects to reserve as much as an additional \$6 million. Assuming the CBA is extended, that reserved cash will become available to contribute to LAD's operations, but in the meantime, that cash is unavailable.

25. Second, LAD, which has already paid \$10 million in deferred compensation this year, is required to make another payment of \$10.5 million in deferred compensation on June 30, 2011. Making matters even more difficult, on July 1, 2011, LAD is, under the terms of the CBA, required to reserve more than \$18 million to prefund deferred compensation that is not payable to the players at issue until 2012.

26. Third, LAD has experienced a significant decline in attendance this year. This decline may be attributable in part to the Commissioner's appointment of a "monitor" in April 2011, which generated adverse publicity. Despite the Commissioner's questionable authority under the Major League Constitution to appoint a monitor and require the monitor's approval of expenditures, LAD has, through the Commencement Date, voluntarily cooperated with the monitor.

27. For more than a year, LAD has been actively pursuing alternatives to generate sufficient cash to address the liquidity timing challenges described above. In particular, LAD has focused on monetizing the exclusive cable television rights for periods after the expiration of the existing Fox Telecast Agreement. The value of those rights is enormous, and when it is able to unlock that value, LAD will be in a position to satisfy all of its existing claims, pay debts as they become due, and generate a substantial return for its equity holder.

28. Section 2(c) of the Fox Telecast Agreement contains a "Right of First Negotiation" provision, which states that "[f]rom October 15, 2012 through November 30, 2012 (the "Exclusive Negotiating Period"), [LAD] and FOX Sports shall negotiate confidentially,

exclusively and in good faith with respect to the terms and conditions on which FOX Sports may retain exclusive Cable Television Rights to Exhibit future Games for a subsequent term of at least five years beginning with the 2014 MLB season.” The provision further states that LAD “shall not solicit offers from or negotiate with any person or entity (other than Fox Sports) for Cable Television Rights with respect to any future Games at any time preceding November 30, 2012.”

29. In an effort to monetize the value of the right to telecast future games on cable without jeopardizing its rights under the existing Fox Telecast Agreement, LAD and its parent companies, led by Mr. McCourt, entered into negotiations with Fox Sports. The transaction, as proposed (the “Proposed Fox Transaction”), contemplated an agreement under which Fox Sports would retain the exclusive cable television rights for a period of 17 years, at rates in excess of the rates currently paid under the Fox Telecast Agreement. Using what the Commissioner has acknowledged are terms that share similar features to transactions by certain other clubs in Major League Baseball, the Proposed Fox Transaction provided that a current Fox Sports subsidiary (“Prime Ticket”) will thereafter be owned in part by TMBLP through a wholly owned subsidiary, LA Media LLC (“LA Media”).

30. To address the pressing liquidity issues, the Proposed Fox Transaction provided for a \$385 million loan by Fox Sports or one of its affiliates to Prime Ticket, which will be distributed to LA Media. Mr. McCourt agreed not only to guarantee collection of that loan, but also to personally guarantee repayment of the loan in the event the new agreement with Fox Sports was terminated for reasons other than a material breach by Fox Sports. As contemplated, a majority of those proceeds were to be used to pay obligations of LAD and provide sufficient working capital, while a substantial portion was to be used to repay outstanding obligations of

subsidiaries of TMBLP, including the \$67 million owed by Blue Land on its loan, which is scheduled to mature at the end of this month.

31. The ability of LAD and its parent companies to reach a final agreement with Fox Sports has, however, been complicated by ongoing divorce proceedings between Mr. McCourt and his former wife, Jamie McCourt (“Ms. McCourt”). In those divorce proceedings, Ms. McCourt asserts an ownership interest in the assets of TMBLP and its subsidiaries, including those of LAD, Blue Land, RealCo, and Tickets. She has also sought an order in those proceedings to compel the sale of the assets of TMBLP. Although Mr. McCourt disputes that Ms. McCourt has any ownership interest in those assets, Fox Sports was unwilling to enter into the Proposed Fox Transaction with LAD absent the consent of Ms. McCourt.

32. Throughout the process of the negotiations with Fox Sports, LAD kept the Commissioner and his senior officers fully apprised regarding the status of those negotiations and the terms that were being negotiated. LAD repeatedly sought the Commissioner’s approval of the terms proposed by LAD. In response, the Commissioner postponed any decision, citing both the unwillingness of Ms. McCourt to consent to the proposed terms, and the unwillingness of Fox Sports to proceed forward absent the consent of Ms. McCourt.

33. With LAD facing the June 30 deadline to meet its extraordinary non-recurrent payroll and future reserve obligations, the McCourts were able to reach a settlement in their divorce proceeding pursuant to which Ms. McCourt agreed to consent to the Proposed Fox Transaction. Under the terms of the divorce settlement, announced on June 16, 2011, the McCourts agreed that a one day trial would occur in August to determine ownership of the Dodgers. If Mr. McCourt prevailed, then Ms. McCourt would receive a payment of \$100 million, which was to be funded in part (\$55 million) from the \$385 million loan. If

Ms. McCourt prevailed, then LAD and the assets owned by TMBLP would be sold with the proceeds to be divided by the Court. The settlement was conditioned upon consummation of the Proposed Fox Transaction, which in turn was conditioned upon the consent of the Commissioner's Office.

34. In addition, the divorce settlement required that the \$385 million in loan proceeds to be received by LA Media under the Proposed Fox Transaction be distributed in a certain manner. Notably, the vast majority of the proceeds, totaling more than \$310 million, would be used and distributed as follows: 1) \$211.5 million for LAD's operations and working capital; 2) \$23.5 million to return the proceeds loaned by Fox Sports to Mr. McCourt which were used to fund payroll and other operational expenses of LAD; and 3) \$80 million to repay debt obligations of subsidiaries of the TMBLP, including Blue Land. Of the remaining funds, \$50 million would be available to pay Ms. McCourt if Mr. McCourt prevailed in his argument that she lacked an ownership interest in the assets, and the remaining \$20 million was to be distributed to the McCourts for legal expenses (\$5 million each) and personal use (\$5 million each).

35. As explained above, Fox Sports required the consent of Ms. McCourt in order for it to move forward with the Proposed Fox Transaction. Without the consummation of the Proposed Fox Transaction, LAD would not have access to the cash needed to pay its players and other expenses. Having obtained Ms. McCourt's consent on June 16, 2011, LAD renewed its request that the Commissioner promptly approve the Proposed Fox Transaction.

36. On June 20, 2011, the Commissioner advised Mr. McCourt that he would not approve the Proposed Fox Transaction. The first reason offered by the Commissioner for his refusal to approve the transaction was the Commissioner's preference that LAD wait until after

the expiration of the Right of First Negotiation in December 2012, and negotiate with potential suitors other than Fox Sports prior to entering into any new television rights agreement. But given LAD's immediate cash flow difficulties, and faced with the potential risk that Fox Sports would seek to enforce the Right of First Negotiation, LAD simply did not have the luxury of waiting 18 months until the end of 2012.

37. The Commissioner also criticized the use of a portion of the \$385 million to fund a divorce settlement with Ms. McCourt. In that regard, the Commissioner did not take into account Fox Sports' unwillingness to move forward with any agreement absent Ms. McCourt's consent, which in turn required either a payment to Ms. McCourt or the liquidation of the assets of LAD and the other subsidiaries owned by TMBLP.

38. Next, the Commissioner criticized the creation of a separate entity not owned by LAD to receive a 35% interest in the RSN. But even the Commissioner acknowledged that "other clubs have entered into transactions that share similar features with the Proposed Transaction."

39. Finally, the Commissioner complained about the manner in which the sale of the Dodgers to Mr. McCourt was structured, as well as the securitization that occurred shortly thereafter, notwithstanding the fact that: a) both he and Major League Baseball approved those transactions; and b) using the funds generated by the securitization, the existing debt of Holdco's subsidiaries, including LAD, was refinanced on favorable terms and Dodger Stadium was substantially renovated.

40. Based on the Commissioner's refusal to approve the Proposed Fox Transaction, LAD does not have sufficient cash on hand to meet substantial payroll expenses that come due

on June 30, 2011, including the deferred payments owed to former players in 2011 and to be reserved for 2012, or to pay expenses as they become due over the next several weeks.

41. Accordingly, LAD and the other Debtors negotiated a debtor in possession financing commitment and commenced this chapter 11 case.

I. Business Plan

42. Through this bankruptcy case, LAD will explore and implement any and all options to maximize the value of the future exclusive cable television rights that have not been granted beyond 2013. Specifically, LAD will propose and, to the extent authorized by this Court, implement procedures that are designed to promote a competitive sale process with respect to those exclusive cable television rights, one that results in the highest and best offer being acceptable to all parties. In fashioning procedures, LAD will give due consideration to Fox Group and the provisions of the Existing Fox Agreement. LAD expects, and the terms of the recently negotiated Fox transaction demonstrate, that a sale or license of exclusive cable television rights will fully resolve all of LAD's financial challenges as well as generate value for the holders of the equity interests in LAD.

43. In order to implement the above process and achieve its objectives, LAD and the other Debtors have filed for bankruptcy protection and are seeking first day relief from this Court designed to preserve going concern value while LAD implements its strategy. The most important relief sought by LAD is approval of sufficient debtor in possession bridge financing to pay expenses over the next 12 months, as well as compliance with its payment obligations to players and others under collective bargaining agreements. LAD also seeks additional relief that will avoid any interruption of the business that would otherwise adversely impact its operations.

RELIEF REQUESTED

44. By this Motion, the Debtors seek entry of an order pursuant to sections 105(a), 345(b), and 363(c) of the Bankruptcy Code, Bankruptcy Rules 6003 and 6004, and Local Rule 2015-2, (a) authorizing the continued use of the Cash Management System; (b) authorizing the maintenance and continued use of the Bank Accounts and existing business forms, and a waiver of certain operating guidelines relating to bank accounts set forth in the U.S. Trustee Guidelines and the requirements of section 345 of the Bankruptcy Code on an interim basis; (c) authorizing BOA to receive, process, honor, and pay all Prepetition Payment Obligations; and (d) granting related relief. Without the requested relief, the Debtors will be unable to operate their businesses and maintain their finances effectively and efficiently, which would cause significant harm to the Debtors and their estates and creditors.

THE DEBTORS' EXISTING BANK ACCOUNTS AND CASH MANAGEMENT SYSTEM

45. To manage their businesses efficiently and seamlessly, the Debtors utilize the Cash Management System, which is a centralized system to collect and transfer the funds generated by their operations and to disburse funds to satisfy their financial obligations. The Cash Management System facilitates the Debtors' cash monitoring, forecasting, and reporting, and enables them to maintain control over the administration of their Bank Accounts, all five of which are held at BOA. The accounts and their primary use are:

- a. Concentration Account (No. 6167) – this is the primary operating account of LAD where all funds are deposited and from which all of the disbursements are made. This is the only account where LAD maintains a non-zero balance. The funds are kept in the account continuously prior to their disbursement for LAD's operational needs and are not swept, transferred, or invested in any securities.
- b. Payroll Account (No. 2112) – this is a pass-through zero-balance account used to fund LAD's payroll expenses. Payroll checks are issued against this account. When a check is posted, funds necessary to cover the check are automatically

drawn from the Concentration Account and are immediately disbursed to the check payee.

- c. A/P Account (No. 0338) – similar to the Payroll Account, this is a pass-through zero-balance account, used for all non-payroll related expenses, with the exception of petty cash expenses. Upon posting of a check, funds are automatically drawn from the Concentration Account and immediately transferred to satisfy LAD’s payment obligation.
- d. Road Account (No. 5332) – similar to the Payroll and A/P Accounts, this is a zero-balance pass-through account that is used to fund petty cash and other *de minimis* expenses, primarily those incurred by the traveling secretary for the players’ needs and accommodations when the team is on the road.
- e. RealCo Account (No. 6872) – this is the only non-LAD account of the Debtors and is also a zero-balance pass-through account. When non-debtor Tickets makes a distribution to RealCo, the funds are deposited into the RealCo Account and, from there, are immediately transferred to LAD’s Concentration Account. No funds are kept in this account on a daily basis.

46. In light of the historically low interest rates, the Debtors decided, in the exercise of their business judgment, to forego earning interest on funds deposited in the Concentration Account in exchange for a reduction of BOA’s monthly bank fees. All such fees are automatically debited from the Concentration Account as incurred.

47. The Cash Management System serves several distinct uses: cash collection, concentration, and disbursement. All funds earned by the Debtors from any source are deposited directly into the Concentration Account and stay there until such time as a disbursement is made. As described above, LAD has three disbursement accounts – the Payroll Account, the A/P Account, and the Road Account—each of which is a zero-balance account linked to the Concentration Account. Funds only flow through these accounts to cover checks and other debits presented for payment by automatically withdrawing such funds from the Concentration Account and immediately transferring them to the payee.

48. The Debtors believe that modification of the existing Cash Management System or the implementation of a new system would be expensive, and would result in unjustified delay, expense, and disruptions to the detriment of the Debtors' estates and their creditors.

U.S. TRUSTEE GUIDELINES

49. The U.S. Trustee Guidelines were adopted to assist the U.S. Trustee in supervising the administration of chapter 11 cases. The U.S. Trustee Guidelines require chapter 11 debtors to, among other things:

- a. close all existing bank accounts and open new accounts that must be designated debtor in possession bank accounts;
- b. establish and maintain separate debtor in possession accounts for the payment of taxes and separate debtor in possession accounts for cash collateral; and
- c. obtain and utilize new checks for all debtor in possession accounts that bear the designation "LAD in Possession" and contain certain other information related to the chapter 11 case.

50. Notwithstanding the U.S. Trustee Guidelines, the continued use of the Bank Accounts is essential to a smooth and orderly transition into, and out of, chapter 11. All parties in interest will be best served by the continued use of such Bank Accounts as it will minimize disruption of the Debtors' businesses. Moreover, such a changeover is unnecessary because the Debtors will perform a "hard close" of their books (including recordation of account balances) as of the Commencement Date, which will ensure that the Debtors and others will be able to differentiate between pre and postpetition transactions, account balances, and obligations. Accordingly, the Debtors request a waiver of the U.S. Trustee Guidelines requiring that they close all existing Bank Accounts and open new debtor in possession accounts.

51. The Debtors further request that BOA be authorized to: (a) continue to administer the Bank Accounts in the manner maintained prior to the Commencement Date, without

interruption, in the usual and ordinary course; (b) receive, process, honor, and pay any and all postpetition checks, drafts, wires, or ACH transfers issued or initiated by the Debtors, and drawn on the Bank Accounts by the holders or makers thereof, as the case may be; and (c) honor and pay any check drawn or issued by the Debtors before the Commencement Date to the extent authorized by order of this Court.

52. The Debtors also seek a waiver of the requirement to establish a specific bank account for tax payments. The Debtors believe that their tax obligations can be paid most efficiently out of their existing Bank Accounts, that the U.S. Trustee can adequately monitor the flow of funds into, among, and out of such accounts, and that the creation of a new debtor in possession account designated solely for tax obligations would be unnecessary and inefficient.

53. Furthermore, to minimize administrative expense and delay, the Debtors request authority to continue to use their checks without reference to its status as a debtor in possession. Pursuant to Local Rule 2015-2(a), in the event the Debtors need to purchase new check stock during the pendency of this chapter 11 case, such check stock will include a legend referring to the Debtors as “Debtor in Possession” or “DIP.”

BASIS FOR RELIEF REQUESTED

A. Continuation Of The Cash Management System Is In The Best Interests Of The Debtors, Their Creditors, And All Other Parties In Interest

54. The Debtors’ cash management procedures constitute ordinary course, essential business practices for the Debtors. The Cash Management System provides significant benefits to the Debtors including, *inter alia*, the ability to: (i) control corporate funds; (ii) ensure the maximum availability of funds when necessary; and (iii) reduce administrative expenses by facilitating the movement of funds and the development of timely and accurate account balance information.

55. The Debtors' business operations require continuing use of the existing Cash Management System, as any serious disruption could have a severe and adverse impact upon the restructuring efforts of the Debtors. Moreover, absent the Debtors' ability to continue to use their cash management practices, it may be difficult for the Debtors to accurately track the location, sources, and uses of its cash. The existing Cash Management System is the most effective mechanism for managing the Debtors' receipts and disbursements. The Debtors submit that the relief requested herein is appropriate and within the authority of this Court. A debtor's request to maintain its existing cash management system has been held to be entirely consistent with section 363(c)(1) of the Bankruptcy Code, "which allows a debtor in possession to use property of the estate in the ordinary course of business." *See Charter Co. v. Prudential Ins. Co. of America (In re Charter Co.)*, 778 F.2d 617, 621 (11th Cir. 1985).

56. In other large chapter 11 cases, this Court has granted substantially similar relief. *See, e.g., In re Trade Secret, Inc.*, Case No. 10-12153 (KG) (Bankr. D. Del. July 7, 2010); *In re CCS Medical, Inc.*, Case No. 09-12390 (CSS) (Bankr. D. Del. July 10, 2009); *In re Smurfit-Stone Container Corporation*, Case No. 09-10235 (BLS) (Bankr. D. Del. Feb. 23, 2009); *In re Pliant Corp.*, Case No. 09-10443 (MFW) (Bankr. D. Del. Feb. 12, 2009); *In re Merisant Worldwide, Inc.*, Case No. 09-10059 (PJW) (Bankr. D. Del. Jan. 13, 2009); *In re Tribune Company*, Case No. 08-13141 (KJC) (Bankr. D. Del. Dec. 10, 2008). The Debtors respectfully submit that such relief should be granted here.

B. Maintenance Of The Debtors' Existing Bank Accounts And Business Forms Is Warranted

57. Section 345 of the Bankruptcy Code governs a debtor's deposit and investment of cash during a chapter 11 case and authorizes the deposits or investments of money that "will

yield the maximum reasonable net return on such money, taking into account the safety of such deposit on investment.” 11 U.S.C. § 345(a).

58. Section 345(b) of the Bankruptcy Code provides:

Except with respect to a deposit or investment that is insured or guaranteed by the United States or by a department, agency, or instrumentality of the United States or backed by the full faith and credit of the United States, the trustee shall require from an entity with which such money is deposited or invested—

(1) a bond—

(A) in favor of the United States;

(B) secured by the undertaking of a corporate surety approved by the United States trustee for the district in which the case is pending; and

(C) conditioned on—

(i) a proper accounting for all money so deposited or invested and for any return on such money;

(ii) prompt repayment of such money and return; and

(iii) faithful performance of duties as a depository; or

(2) the deposit of securities of the kind specified in section 9303 of title 31; unless the court for cause orders otherwise.

11 U.S.C. § 345(b) (emphasis added).

59. Local Rule 2015-2(b) provides that no waiver of “section 345 shall be granted without notice and an opportunity for hearing in accordance with these Local Rules.” Local Rule 2015-2(b). Nevertheless, Local Rule 2015-2(b) further provides that “if a motion for such waiver is filed on the first day of a chapter 11 case in which there are more than 200 creditors, the Court may grant an interim waiver until a hearing on the debtor’s motion can be held.”

60. The purpose of section 345(b) of the Bankruptcy Code is to protect creditors of an estate against a loss of funds of the estate through deposit or investment. See 3 COLLIER ON BANKRUPTCY ¶345.04 (Lawrence P. King, 15th ed. rev’d 2008). However, in 1994, in order to

avoid “needlessly handcuff[ing] larger, more sophisticated debtors,” the Bankruptcy Code was amended to allow bankruptcy courts to waive or modify the stringent requirements of section 345(b) of the Bankruptcy Code. *See* 140 Cong. Rec. H10767 (daily ed. October 4, 1994).

61. As this Motion has been filed on the first day of the Debtors’ chapter 11 cases and LAD has in excess of 200 creditors, the Debtors’ request that the Court enter an order waiving, on an interim basis, the requirements of section 345(b) of the Bankruptcy Code for forty-five (45) days, without prejudice to the Debtors’ ability to seek a further interim waiver or a final waiver (either by passage of the 45-day period without an objection having been filed or upon a final hearing).

62. As described above, the Debtors maintain a Concentration Account, which is a cash deposit account that is not invested in any securities. The Debtors believe that the funds held in the Concentration Account in excess of the amounts insured by the Federal Deposit Insurance Corporation are secure and obtaining bonds to secure these funds is unnecessary and detrimental to the Debtors’ estates. The Debtors’ believes that there is ample “cause” to waive the deposit, investment, and reporting requirements because the Debtors maintain their Bank Accounts with BOA, one of the largest and most reputable banking institutions, they have no investment accounts, all funds in the Concentration Account (the only non-zero-balance account) are held in cash, and the size of the Debtors’ business operations and the costs associated with satisfying the requirements of section 345(b) make satisfying such requirements impracticable. *See e.g., In re Service Merchandise*, 240 B.R. 894 (Bankr. M.D. Tenn. 1999).

63. The Debtors believe it is in the best interests of their estates to continue to follow the banking practices necessitated by the Cash Management System, notwithstanding the requirements of section 345(b) of the Bankruptcy Code and the U.S. Trustee Guidelines. The

Debtors further believe that their deposits in the Concentration Account are held in a commercially reasonable and appropriate manner that is consistent with the intent of section 345 of the Bankruptcy Code. The Debtors submits that the funds are not sufficiently at risk to necessitate strict adherence to the requirements of section 345(b) of the Bankruptcy Code. Moreover, if granted a waiver, the Debtors will not be required to incur the significant administrative difficulties and expenses relating to opening new accounts to ensure that all of its funds are fully insured or invested strictly pursuant to section 345 of the Bankruptcy Code. Significantly, the Concentration Account is already held with a financial institution that has executed the Uniform Depository Agreement required by the U.S. Trustee for compliance with the requirements of section 345(b) of the Bankruptcy Code. However, out of an abundance of caution, the Debtors requires additional time to ensure that all of the Bank Accounts are in compliance or come into compliance or seek a further waiver of the requirements of section 345(b) of the Bankruptcy Code. Therefore, the Debtors submit that cause exists for an interim waiver of the investment and deposit restrictions of section 345(b) of the Bankruptcy Code.

64. Courts in this District have granted requests to approve similar relief as requested herein. See, e.g., *In re Trade Secret, Inc.*, Case No. 10-12153 (KG) (Bankr. D. Del. July 7, 2010); *In re CCS Medical, Inc.*, Case No. 09-12390 (CSS) (Bankr. D. Del. July 10, 2009); *In re Smurfit-Stone Container Corporation*, Case No. 09-10235 (BLS) (Bankr. D. Del. Feb. 23, 2009); *In re Pliant Corp.*, Case No. 09-10443 (MFW) (Bankr. D. Del. Feb. 12, 2009); *In re Merisant Worldwide, Inc.*, Case No. 09-10059 (PJW) (Bankr. D. Del. Jan. 13, 2009); *In re Tribune Company*, Case No. 08-13141 (KJC) (Bankr. D. Del. Dec. 10, 2008).

C. LAD's Prepetition Payment Obligations

65. By separate motions filed concurrently herewith, LAD has sought authority to pay certain Prepetition Payment Obligations. Unless otherwise ordered by this Court, BOA may not honor or pay any check issued on account of a Prepetition Payment Obligation. Accordingly, LAD requests that the Court authorize BOA to honor any checks issued on account of Prepetition Payment Obligations where this Court has specifically authorized such checks to be honored. Such authority would also provide that BOA would not be liable to any party on account of following LAD's instructions or representations regarding which checks should be honored.

66. Furthermore, LAD requests that BOA shall be prohibited from offsetting, freezing, affecting, or otherwise impeding the use or transfer of, or access to, any funds of LAD deposited in the Bank Accounts before or after the Commencement Date on account, or by reason, of any claim (as defined in section 101(5) of the Bankruptcy Code) of BOA against LAD that arose before or by reason of the commencement of this case.

67. Based on the foregoing, LAD submits that the relief requested herein is necessary and appropriate, is in the best interests of its estate and all other interested parties, and should be granted in all respects.⁴

THE MOTION SATISFIES BANKRUPTCY RULE 6003

68. Pursuant to Rule 6003 of the Federal Rules of Bankruptcy Procedure, the Court may grant relief regarding the Court may approve a motion to "pay all or part of a claim that arose before the filing of the petition" prior to twenty-one (21) days after the Commencement Date if the relief is necessary to avoid immediate and irreparable harm. Fed. R. Bank. P. 6003.

⁴ Nothing in this Motion shall be construed as impairing LAD's rights to contest the amount, classification or allowability of any Taxes asserted in this case.

As described herein and in the Ingram Declaration, the relief requested is necessary to avoid immediate and irreparable harm to the Debtors' estates for the reasons set forth above, and the Debtors accordingly submit that Bankruptcy Rule 6003 has been satisfied.

WAIVER OF BANKRUPTCY RULES 6004(a) AND 6004(h)


69. To successfully implement the foregoing, the Debtors seek a waiver of the notice requirements under Bankruptcy Rule 6004(a) and the fourteen (14) day stay of an order authorizing the use, sale, or lease of property under Bankruptcy Rule 6004(h).

NOTICE

70. Notice of this Motion has been given to (i) the United States Trustee for the District of Delaware; (ii) the Debtors' forty (40) largest unsecured creditors on a consolidated basis; (iii) counsel to Major League Baseball; (iv) counsel to the Major League Baseball Players Association; (v) counsel to proposed postpetition secured lender; and (vi) cash management banks. Notice of this Motion and any order entered hereon will be served in accordance with Local Rule 9013-1(m). LAD submits that, under the circumstances, no other or further notice is required.

CONCLUSION

WHEREFORE, the Debtors respectfully requests that the Court enter an order substantially in the form attached hereto as Exhibit A, granting the relief requested in the Motion and such other and further relief as may be just and proper.

<p>Dated: June 27, 2011 Wilmington, Delaware</p>	<p>YOUNG CONAWAY STARGATT & TAYLOR, LLP</p>  <p>Robert S. Brady (No. 2847) Donald J. Bowman, Jr. (No. 4383) Ryan M. Bartley (No. 4985) The Brandywine Building – 17th Floor 1000 West Street, Post Office Box 391 Wilmington, Delaware 19899 Telephone: (302) 571-6600 Facsimile: (302) 571-1253</p> <p>-and-</p> <p>DEWEY & LEBOEUF LLP Bruce Bennett Sidney P. Levinson <i>(pro hac vice applications forthcoming)</i> 333 South Grand Avenue, Suite 2600 Los Angeles, California 90071 Telephone: (213) 621-6000 Facsimile: (213) 621-6100</p> <p>-and-</p> <p>DEWEY & LEBOEUF LLP Martin J. Bienenstock Philip M. Abelson <i>(pro hac vice applications forthcoming)</i> 1301 Avenue of the Americas New York, New York 10019 Telephone: (212) 259-8000 Facsimile: (212) 259-6333</p> <p><i>Proposed Co-Counsel for LAD and LAD in Possession</i></p>
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