

Office of the Commissioner
MAJOR LEAGUE BASEBALL



MEMORANDUM

TO: All Major League Clubs
FROM: The Office of the Commissioner of Baseball
DATE: January 23, 2004
RE: Proposed Transfer of Control Interest - Los Angeles Dodgers

I. **The Proposed Transaction.**

As more fully described below, Fox Baseball Holdings, Inc. and the other Sellers (defined below) propose to sell substantially all of the assets constituting the Los Angeles Dodgers and assign substantially all of the related liabilities to two newly formed entities controlled by Frank H. McCourt, Jr. The purchase price for the assets related to the Club (as defined below) would be \$330 million, subject to a closing working capital adjustment, and the purchase price for the real property assets related to the Club would be \$100 million, for a total purchase price of \$430 million. As described below, the entity purchasing the Club assets would receive from the Sellers payments totaling \$50 million over the course of the first two years following the closing of the transaction. The financing arrangements related to the proposed transaction, including a note for \$40 million from one of the McCourt entities to the Sellers that automatically converts into an indirect equity interest in the Club if not paid in three years, are described in paragraph 4. below.

The Los Angeles Dodgers (the "Club") are presently owned by the Los Angeles Dodgers, Inc., a Delaware corporation (the "Company"). Fox Baseball Holdings, Inc., a Delaware corporation ("Fox Baseball"), owns all of the outstanding capital stock of each of the Company, Dodgertown Inc., a Florida corporation which operates the Club's Spring Training facility ("Dodgertown"), Venue Merchandising Inc., a California corporation ("VMI"), and (except as otherwise required by the laws of the Dominican Republic) Camp Management Incorporated, S.A., a Sociedad Comercial organized under the laws of the Dominican Republic ("CMP"). Fox Entertainment Group, Inc. (NYSE: Fox) ("FEG"), an indirect subsidiary of The News Corporation Limited (NYSE: NWS), owns approximately 95% of Fox Baseball, and Rulemaker, Inc. an entity controlled by Robert R. Daly, owns approximately 5% of Fox Baseball. (The Company, Fox Baseball, Dodgertown, and VMI are referred to herein as the "Sellers".) A chart depicting the current ownership structure of the Club is attached hereto as Exhibit A.

The Sellers propose, in the manner described below, to sell to LA Team Co. LLC (the "Buyer"), (a) all of the assets of the Sellers (other than the Real Property Assets (as defined below), which are proposed to be sold to the McCourt entities as described below; and other than certain excluded assets); and (b) from Fox Baseball, all outstanding shares of capital stock of CMI ((a) and (b), together, the "Club Assets"). The Sellers also propose to assign to the Buyer, and the Buyer proposes to assume, all of the liabilities of the Sellers, except for certain excluded liabilities and except for liabilities related to the Real Property Assets, which are proposed to be assigned to and assumed by the McCourt entities as described below.

Additionally, Fox Baseball, the Company and Dodgertown (collectively, the "Real Property Sellers") propose to sell to LA Real Estate LLC, a Delaware limited liability company (the "LA Real Property Buyer"), and the Buyer (together with the LA Real Property Buyer, the "Buyers"), all of the real property interest owned, leased, or occupied by the Real Property Sellers (the "Real Property Assets"), and the Real Property Sellers propose to assign, and the Buyers propose to assume, all of the liabilities related to the Real Property Assets, except for certain excluded liabilities. The proposed sale and purchase of the Club Assets and the Real Property Assets, and the proposed assignment and assumption of the related liabilities, are referred to herein as the "Acquisition."

The terms of the Acquisition are set forth in two agreements, (i) an asset purchase agreement (the "Asset Purchase Agreement") by and among FEG, the Sellers, the Buyers and Frank H. McCourt, Jr. ("McCourt"), and (ii) a real property purchase agreement (the "Real Property Purchase Agreement" and together with the Asset Purchase Agreement the "Purchase Agreements") by and among FEG, the Real Property Sellers, the Buyers and McCourt. The purchase price for the Club Assets would be \$330 million, consisting of (a) a cash payment of \$250 million paid at the time of closing (the "Cash Portion"), (b) a secured promissory note with a principal amount of \$40 million (the "Seller Note") payable in full in cash four years from the closing date ("Seller Note Maturity Date"); and (c) a convertible note with a principal amount of \$40 million (the "Convertible Note") that automatically converts into preferred membership interests (the "Preferred Membership Interests") in LA Partners LLC, an indirect parent company of the Buyer ("Partners"), if it is not paid in full in cash within three years of the closing date ("Convertible Note Maturity Date"). The Seller Note would not bear any interest if paid in full in cash on or prior to the Seller Note Maturity Date. The Convertible Note would not bear any interest if paid in full in cash on or prior to the Convertible Note Maturity Date. In the event the Convertible Note converts into the Preferred Membership Interests, then such interests would accrue dividends at a fixed rate that increases every six months following the conversion up to a maximum rate after thirty months following the conversion. The Cash Portion of the purchase price for the Club Assets is subject to adjustment under the terms of the Asset Purchase Agreement based on the balance sheet of the Company at the time of the closing of the Acquisition, as determined by comparing the amount of current assets of the Company to the current liabilities of the Company, in each case calculated in accordance with a balance sheet and methodologies agreed upon by the parties. The purchase price for the Real Property Assets would be \$100 million payable in cash at the time of closing.

As a condition to the closing of the Acquisition, the parties have agreed that amendments to the Club's local over-the-air and cable television contracts will be executed, which will extend the terms of the agreements and provide for incremental increases in the rights fees payable to the Club. The Sellers have also agreed to enter into a four-year signage or sponsorship agreement with the Club commencing with the 2005 season.

During the first year following the closing date, FEG and the Sellers would pay to the Buyer a total of \$35 million to compensate the Buyer for certain pre-existing commitments. During the second year following the closing date, FEG and the Sellers would pay to the Buyer a total of \$15 million which payments will be characterized as revenue for accounting purposes and will be subject to revenue sharing.

A chart depicting the new ownership structure of the Club after the consummation of the Acquisition is attached as Exhibit B.

2. The Purchasers.

The designated control person of the Buyer would be McCourt. A biography of McCourt is attached as Exhibit C. The Buyer is a newly formed Delaware limited liability company and is 100% owned and managed by LA Holdco, LLC, a newly formed Delaware limited liability company ("Holdco"). Holdco is 100% owned and managed by Partners, a newly formed Delaware limited liability company. Partners is 100% owned and managed by The McCourt-Broderick Limited Partnership, a Massachusetts limited partnership ("MBLP"). MBLP is owned 10% by its general partner, The McCourt Company, Inc. a Delaware corporation ("TMC"), and 90% by its limited partner McCourt. TMC is owned 100% by McCourt, and McCourt is the President and a director thereof.

Members of the Ownership Committee had the opportunity to discuss the Acquisition with McCourt during a meeting on December 22, 2003, which McCourt and certain members of the committee attended in New York and other members participated in via telephone. McCourt has also participated in several other meetings with some members of the Ownership Committee and members of Central Baseball's staff.

McCourt does not maintain a management or ownership interest in any gambling-related businesses or enterprises, nor does he maintain a management or significant ownership interest in any broadcasting, cable or similar enterprises.

McCourt has agreed to relocate his principal residence to the Los Angeles area and hereby confirms that agreement.

The background investigation for McCourt revealed no known problems or any other matter that raises a question as to his qualifications or suitability to own a Major League Club.

3. Management and Operations.

As the designated control person of the Buyer and the President of TMCI, which is the general partner of MBLP, which is the manager of Partners, which is the manager of Holdco, and the manager of the Buyer, McCourt would be the person who is accountable to Baseball for the operation of the Club and for the Club's compliance with the rules of Baseball, and he would be the single individual with ultimate authority and responsibility for making all Club decisions. McCourt would have full power and authority to direct the business affairs of the Club. Each of the Buyers and McCourt hereby acknowledge and agree that any change in the identity of the control person of the Buyer would be subject to the prior approval of Baseball, in its sole discretion.

The Buyer and McCourt would employ other appropriate and qualified individuals to assist in the operation of the Club.

4. Financial Considerations.

The Buyers and McCourt would finance the Acquisition as follows:

- (a) \$225 million from institutional lenders arranged by Bank of America ("B of A"); It is anticipated that \$75 million of this amount will be replaced either prior to or following closing by the participation of the Club in the MLB league-wide credit facility. It is anticipated that \$75 million of the \$225 million will be secured by a mortgage on the Real Property Assets. The remaining \$150 million would be secured by the Club Assets.
- (b) \$25 million of senior notes arranged by B of A for working capital and other expenses.
- (c) \$145 million two-year loan from Fox Baseball to Seaport I, LLC ("Seaport"), which is indirectly wholly owned by McCourt, and MBLP (the "Fox Loan") secured by certain real property owned by Seaport and MBLP in Boston, Massachusetts (the "Boston Property") and guaranteed (up to a maximum of \$20 million) by McCourt (the "Fox Loan Amount"). If the Fox Loan is paid in full on or before the date on which it is due, then Seaport and MBLP will be entitled to pay a reduced principal amount of \$125 million. Of the Fox Loan Amount, \$100 million will be applied to the purchase price of the Club Assets, and \$25 million will be applied to the purchase price of the Real Property Assets. Other than the \$20 million guarantee by McCourt, the Fox Loan is non-recourse to McCourt and the assets of the Club. An appraisal of the Boston Property prepared on behalf of FEG has appraised the value of the property on an "as is" basis as in excess of the Fox Loan Amount and other liens against the property.
- (d) The Seller Note will be secured by a bank letter of credit, which will be provided by the Club's new concessionaire and secured by a lien on the indirect ownership interests in Seaport. If the Seller Note is paid in full in cash prior to the Seller Note Maturity Date, then the Buyer will be entitled to pay a reduced principal

amount equal to the present value of the principal amount based upon an agreed upon discount rate.

- (e) The Convertible Note would automatically convert into the Preferred Membership Interests if not paid on or before the Convertible Note Maturity Date. If the Convertible Note is paid in full in cash prior to the Convertible Note Maturity Date, then Partners would be entitled to pay a reduced principal amount equal to the present value of the principal amount based on an agreed upon discount rate. Pursuant to an agreement with FEG, McCourt and Partners have agreed to use reasonable best efforts to raise equity capital to repay the Convertible Note.

McCourt has agreed to provide an additional \$30 million of equity in the Club (no less than \$10 million following the closing of the Acquisition through December 31, 2004, an additional \$10 million from December 31, 2004 to December 31, 2005 and an additional \$10 million on and after December 31, 2005), with such funds to be generated through either (a) the sale of certain real estate assets owned by McCourt or (b) adding partners following the closing of the Acquisition.

A three-year pro forma operating budget and pro forma balance sheets of the Club following the closing of the transaction have been submitted and reviewed by the Commissioner's Office.

The amount of debt on the Club will be limited by the amount permitted pursuant to Baseball's 60/40 Rule and its debt service rule (as set forth in the Basic Agreement between the 30 Major League Clubs and the Major League Baseball Players Association effective as of September 20, 2002) (the "DSR"). Specifically, because the obligations under the Fox Loan, the Seller Notes and the Convertible Note (collectively, the "Equity Notes") would be (a) respectively, the obligations of MBLP, McCourt, and Partners, respectively, (b) non-recourse to the Club and (c) not secured by any Club assets, they would not be included in the definition of "Total Debt" as defined in the DSR. Instead, the Equity Notes would be treated as equity on the balance sheet of the Club for DSR purposes.

Buyer and McCourt acknowledge that they have reviewed and understand the DSR and acknowledge and agree that in the event the Acquisition and the Purchase Agreements are approved, the Buyer and McCourt would be subject to the DSR, including without limitation, the remedial measures set forth in Section 6 of the DSR. In addition, McCourt has agreed that, to the extent that the Club is not able to comply with the DSR within the required timeframe, he will take all necessary steps to bring the Club into compliance, including but not limited to, raising additional equity or selling certain real property owned by MBLP in Boston.

5. Additional Considerations.

McCourt, on the one hand, and the Sellers, on the other hand, have each agreed to indemnify each of the Major League Clubs, the Office of the Commissioner, the American League, the National League, and their affiliated entities, against any and all claims, costs and expenses (including attorneys' fees) arising out of or in any way related

to any approval or consent granted or withheld with respect to the foregoing. Each of them has also released each of the Major League Clubs, the Office of the Commissioner, the American League, the National League, and their affiliated entities from all claims arising out of or in any way related to the foregoing.

The Buyers and McCourt, on the one hand, and the Sellers and the Club, on the other hand, acknowledge that the transaction is conditioned upon the approval of the Office of the Commissioner and three-quarters of the Major League Clubs, each acting in its sole discretion.

In the event the transactions described herein are approved by the Office of the Commissioner and the Clubs, McCourt has agreed to comply with Baseball's rules and guidelines with respect to control interest transfers by devise or descent. McCourt further acknowledges and agrees that any transfer of a direct or indirect interest in the Club by him would be subject to all required Baseball approvals at the time of such transfer, including those specified in the Major League Constitution.

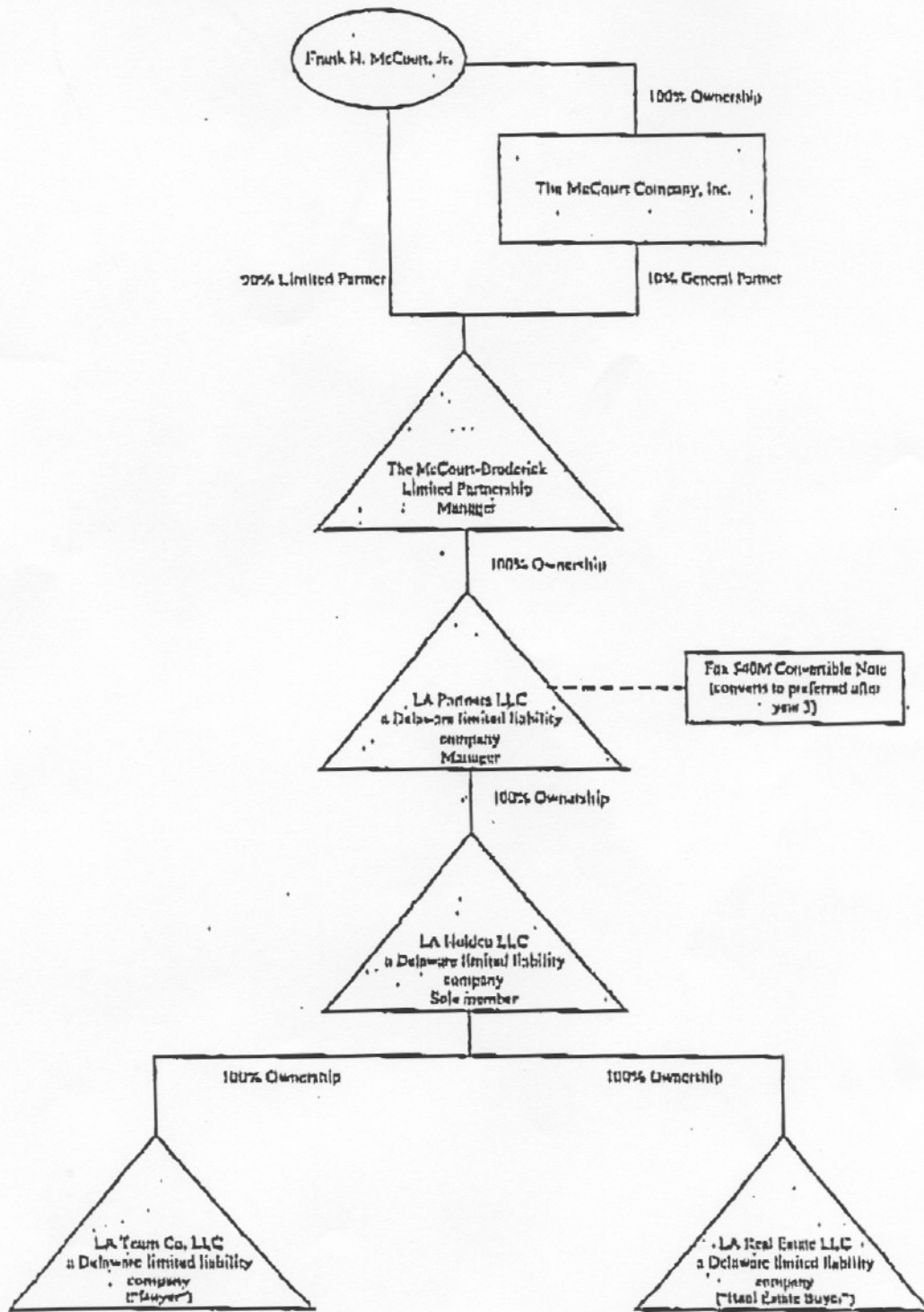
In the event the transactions described herein are approved by the Office of the Commissioner and the Clubs, the Buyer has agreed to execute an Assumption Agreement pursuant to which the Buyer and McCourt will adopt, assume and agree to perform all the terms and conditions imposed by the Office of the Commissioner and any other governing Baseball persons or entities, and all of the duties, liabilities, responsibilities and obligations of a Major League Club under the instruments and agreements specified in the Assumption Agreement, and will further agree to assume all obligations and liabilities of the Company in accordance with the specific terms of the Assumption Agreement. Pursuant to the Assumption Agreement, the Buyer would also agree to adopt, assume and agree to perform the Club's proportionate share of all liabilities and obligations asserted by any party jointly and/or severally, in whole or in part, against any central Baseball entity or the Clubs. Each of the Major League Clubs, the Office of the Commissioner, the American League, and the National League would be named a beneficiary of, and be entitled to enforce, the Assumption Agreement.

Each of the Buyers and McCourt represents that such person or entity has conducted his or its own due diligence, and acknowledges that, in deciding to acquire an interest in the Club, such person or entity is not relying upon any representation by any of the Major League Clubs (other than the Los Angeles Dodgers), the Office of the Commissioner, the Ownership Committee, the American League, the National League, their affiliated entities, or any owner, officer, employee or representative of any of them.

Each of the Buyers, McCourt and the Club hereby confirms its commitment to equal employment opportunity and, in the event the transactions described herein are approved by the Office of the Commissioner and the Clubs, agrees to comply with all Baseball policies, as well as all federal, state and local laws, pertaining to equal employment opportunity.

THE OFFICE OF THE COMMISSIONER OF BASEBALL

BUYER ACQUISITION STRUCTURE FOR PURCHASE OF LOS ANGELES DODGERS



Frank McCourt, Jr., is President and CEO of The McCourt Company. The original McCourt company was founded in 1893 in Boston, Massachusetts, by his great-grandfather. Through the years, the company focused primarily on large construction projects including, as one of its prime contractors, building the original Central Artery in the 1950s, and constructing much of Boston's Logan Airport. The company gained a reputation for high quality work and for providing its employees with industry-leading compensation and benefits.

Frank McCourt, Jr., founded The McCourt Company as an offshoot of the original firm in 1977. Over the years, The McCourt Company has successfully developed projects throughout the northeast United States. Among the properties Mr. McCourt acquired were abandoned railroad yards owned by the Penn Central Railroad in the now burgeoning Seaport. Over the years, The McCourt Company has since expanded its holdings in the Seaport.

Mr. McCourt is active in a variety of educational and civic organizations. He sits on the Board of Regents of Georgetown University, from which he graduated in 1975. He is a member of the board of the Greater Boston Chamber of Commerce, the Boston Municipal Research Bureau, the Artery Business Committee, Youth-Build Boston, and the Make-A-Wish Foundation. He is Chairman Emeritus of the Massachusetts Chapter of the National Association of Industrial and Office properties (NAIOP).

Nowhere is Mr. McCourt more active than in the South Boston community where his forebears lived for many years and where the McCourt family construction company is headquartered. He provides support for an array of civic, educational and charitable causes in South Boston. He is President of the Board of the South Boston Neighborhood House, a 100+-year-old community-based settlement house. Mr. McCourt also serves on the Board of Advisors of the South Boston Harbor Academy Charter School.

Frank and Jamie McCourt have four sons: Drew, 21, Travis, 19, Casey, 16, and Gavin, 12. For many years, Mr. McCourt has been active as a coach in both the Brookline Little League and the Brookline Youth Hockey league.