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**UNITED STATES BANKRUPTCY COURT
DISTRICT OF ARIZONA**

In re

DEWEY RANCH HOCKEY, LLC,

COYOTES HOLDINGS, LLC,

COYOTES HOCKEY, LLC, and

ARENA MANAGEMENT GROUP, LLC,

Debtors.

Chapter 11

Case No. 2:09-bk-09488

(Jointly Administered)

**DECLARATION OF MICHAEL NEALY
IN SUPPORT OF CHAPTER 11
PETITIONS AND FIRST DAY
MOTIONS**

Michael Nealy, under penalty of perjury, states:

1. I am Executive Vice President and Chief Financial Officer (“**EVP and CFO**”) to the Coyotes Hockey, LLC and Arena Management Group, LLC (together with Dewey Ranch Hockey, LLC and Coyotes Holdings, LLC, the “**Debtors**”).

2. I make this affidavit on personal knowledge in my capacity as the EVP and CFO in connection with the Debtors’ voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code, filed on May 5, 2009 (the “**Petition Date**”). The statements set forth

below are true to the best of my personal knowledge and if called to testify to those statements, I would do so competently.¹

3. As the EVP and CFO, I am familiar with the operations of Coyotes Hockey and Arena Management, but am not, and was not, involved in the formation or operations of Dewey or Coyotes Holdings. The statements set forth below are true to the best of my knowledge and if called to testify to those statements, I would do so competently.

4. This Declaration is submitted in support of factual allegations contained in the following motions, filed contemporaneously with this Declaration:²

- “Omnibus Statement Of Facts In Support Of Chapter 11 Petitions And First Day Motions”
- “Motion For An Order Authorizing And Directing Joint Administration And Use Of Consolidated Caption”
- “Emergency Motion For Order Under 11 U.S.C. §§ 105(a), 362, 1107 and 1108 Confirming Ordinary Course Business Practices And Imposition Of Automatic Stay”
- “Motion For Order Authorizing The Debtors To (A) Prepare, But Not File, A Consolidated List Of Creditors In Lieu Of Individual Matrices, (B) Make The Consolidated List Of Creditors Available Only Upon Request, And (C) File A Consolidated List Of The Debtors’ 40 Largest Unsecured Creditors”

¹ Some of the information contained in this Declaration was provided to me by representatives of the Debtors (including the Debtors’ attorneys), which I have relied on for purposes of preparing this Declaration.

² All capitalized terms not defined in this Declaration have the same meanings ascribed to them in the corresponding pleadings.

- “Motion For Interim and Final Orders Under 11 U.S.C. §§ 105(a), 345 And 363: (A) Authorizing Maintenance Of Existing Bank Accounts; And (B) Allowing Debtors To Continue Using Existing Business Forms”
- “Motion For Entry Of Interim And Final Orders Under 11 U.S.C. § 366 Determining Adequate Assurance Of Payment For Future Utility Services And Establishing Determination And Objection Procedures”
- “Motion For Interim And Final Orders: (A) Authorizing The Debtors To Continue To Pay And Honor Certain Pre-Petition Claims For (I) Wages, Salaries And Other Compensation, (II) Withholdings And Deductions, And (III) Reimbursable Employee Expenses; (B) Authorizing The Debtors To Continue To Provide Employee Benefits In The Ordinary Course Of Business; (C) Authorizing The Debtors To Pay All Related Costs And Expenses; And (D) Directing Banks To Receive, Honor And Pay All Checks And Electronic Payment Requests Related To The Foregoing”
- “Emergency Application For Entry Of Interim And Final Orders Under 11 U.S.C. § 327(a) Authorizing The Retention And Employment Of Squire, Sanders & Dempsey L.L.P. As Attorneys For The Debtors”
- “Debtors’ Motion To File Certain Confidential Sale Information Under Seal”
- “Motion Of The Debtors For An Order Under Sections 105(a), 363, And 365 Of The Bankruptcy Code (i) Authorizing Coyotes Hockey, LLC’s Sale Of Substantially All Of Its Assets, Free And Clear Of Liens, Claims, And Encumbrances, Subject To Higher And Better Offers, And (ii) Approving An Asset Purchase Agreement”

- “Motion Of The Debtors For An Order: (A) Authorizing The Conduct Of An Auction Of Coyotes Hockey, LLC’s Assets; (B) Establishing Procedures To Be Employed In Connection With The Sale, Including Approval Of Termination Fee; And (C) Approving Form And Manner Of Notice Of Conditional Cure Notice And Notice Solicitation”
- “Motion For An Administrative Order Under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures For Interim Compensation And Reimbursement Of Expenses Of Professionals”
- “Emergency Motion For Entry Of An Order Enforcing The Protections Of Section 525(a) Of The Bankruptcy Code”

OMNIBUS STATEMENT OF FACTS IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS

DESCRIPTION OF THE DEBTORS

Jurisdiction and Venue

1. On May 5, 2009 (the “**Petition Date**”), the Debtors filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101, et seq. (as amended, the “**Bankruptcy Code**”), which cases are pending before the United States Bankruptcy Court for the District of Arizona (the “**Court**”).

2. Dewey Ranch Hockey, LLC is an Arizona limited liability company with its principal place of business located in Yavapai County, Arizona. The remaining Debtors are affiliates of Dewey Ranch Hockey, LLC. Accordingly, venue of these Cases is proper in this District under 28 U.S.C. §§ 1408 and 1409.

Coyotes Hockey, LLC

The Phoenix Coyotes

3. Coyotes Hockey is a Delaware limited liability company based in Glendale, Arizona that owns and operates the Phoenix Coyotes professional hockey team (the “**Phoenix Coyotes**”), which is a member of the Pacific Division of the Western Conference of the National Hockey League (the “**NHL**”). The NHL is a professional ice hockey league composed of 30 teams in North America. It is the premier professional ice hockey league in the world and one of North America’s major professional sports leagues.

4. The Phoenix Coyotes were founded in 1972 as the Winnipeg Jets of the World Hockey Association (the “**WHA**”). The Winnipeg Jets were the most successful team in the short-lived WHA, winning three Avco World Trophies, the WHA’s championship trophy, and making the finals five out of the WHA’s seven seasons. The NHL and WHA competed for players and fans until the WHA folded in 1979 as part of an agreement under which four of the remaining six WHA teams, including the Winnipeg Jets, entered the NHL as expansion teams.

5. In October 1995, the Winnipeg Jets were purchased by American businessmen Richard Burke and Steven Gluckstern. Mr. Burke and Mr. Gluckstern relocated the team to Phoenix, Arizona and renamed the team the “Phoenix Coyotes.” In 1997, Mr. Burke purchased Mr. Gluckstern’s interest in the Phoenix Coyotes.

6. From the commencement of the 1996–1997 season until December 2003, the Phoenix Coyotes played their home games in the America West Arena in downtown Phoenix (now US Airways Arena). This location was a state-of-the-art basketball facility, but its small size made it grossly inadequate for a professional hockey organization. Poor sight lines for hockey games (more than 4,000 seats had obstructed views of the on-ice play) hurt ticket sales,

and this -- combined with an unfavorable lease that had the Phoenix Coyotes turning over a sizeable portion of its ticket revenues to the Phoenix Suns professional basketball team -- resulted in financial woes for the Phoenix Coyotes.

7. Mr. Burke sold the Phoenix Coyotes in 2001 to Phoenix-area real estate developer Steven Ellman, with Wayne Gretzky as a part-owner and Managing Partner. Mr. Ellman was successful in attracting new investors, the largest of whom was Jerry Moyes, the founder and Chief Executive Officer of Phoenix-based trucking company Swift Transportation Co., Inc. With significant financial support from Mr. Moyes, the Phoenix Coyotes were able to obtain additional bank financing and the commitment of the City of Glendale to build a new hockey arena. In this regard, the Phoenix Coyotes played their first game in the new Glendale Arena, which has since been renamed "Jobing.com Arena," on December 27, 2003.

8. Until September 2006, Steven Ellman and Jerry Moyes were co-owners of the Westgate City Center Development, a suburban shopping and entertainment development that includes Jobing.com Arena. In September 2006, Jerry Moyes, deciding to focus his energies on the Phoenix Coyotes, entered into an agreement with Steven Ellman, that left Mr. Ellman and certain of his affiliates in control of the Westgate City Center Development, and ultimately, through various affiliated entities, left Mr. Moyes and his wife Vickie Moyes as super-majority owners of the Phoenix Coyotes.

9. The Phoenix Coyotes has played its home games in the Jobing.com Arena in accordance with an "Arena Management, Use and Lease Agreement" dated November 29, 2001, among the City of Glendale (the "**City**"), Arena Management, Coyotes Hockey, Glendale-101 Development, LLC, and Coyote Center Development, LLC (the "**Lease and Management Agreement**").

10. Coyotes Hockey is owned by a handful of investors, the foremost of whom (in terms of ownership percentage and dollars invested) are ultimately Jerry and Vickie Moyes.³ Hockey Hall of Fame member Wayne Gretzky also owns a portion of Coyotes Hockey, and he is the Managing Partner in charge of hockey operations, one of the Phoenix Coyotes' Alternate Governors to the NHL, and the team's head coach.

Revenues and Expenses

11. *Ticket Sales Revenues.* Generally, a typical NHL team generates approximately 50% of its total revenues from gate receipts. Over the last three seasons, however, the ticket revenues equaled approximately 41.3%, 43.0%, and 40.7% of total revenues, respectively, which suggests that the tickets are currently underpriced or the number sold is inadequate. The average ticket price for the Phoenix Coyotes was \$37.45, which is \$12.21 below the NHL average.

12. *Concessions and Merchandise Revenues.* Coyotes Hockey is entitled to receive and retain revenues from the sale of Phoenix Coyotes merchandise, all payments received from concessionaires that are directly attributable to hockey events held in the Jobing.com Arena, and other specified event revenues. Payments made by concessionaires in connection with all other events held in Jobing.com Arena are to be paid to Arena Management as part of Jobing.com Arena's operating revenue.

13. *Box Office Revenues.* Coyotes Hockey collects a "Box Office Fee" on all hockey tickets sold. This fee is comprised of a service charge and a portion of the ticket master fee charged on each hockey ticket sold.

³ A chart illustrating the Debtors' corporate family and their relation to the Jerry and Vickie Moyes is attached to the Omnibus Statement as Exhibit "A."

14. *Corporate Revenues.* Corporate revenues consist of corporate sponsorship, advertising, and naming rights revenues. Currently Coyotes Hockey has corporate sponsorship agreements with several companies.

15. *Broadcast Revenues.* Broadcast revenues are derived from the Phoenix Coyotes local broadcasting contracts with Fox Sports Net, LLC and with AZ-TV.

16. *NHL Revenues -- Broadcast & Enterprises.* NHL broadcast revenues are Coyotes Hockey's portion of broadcast revenues collected by the NHL on behalf of all teams in the league. For the duration of these national media contracts, the revenues from this source are contractual in nature with strong counterparties such as NBC, the Canadian Broadcasting Company, and The Sports Network. Coyotes Hockey also shares in revenues collected by National Hockey League Enterprises as part of its national licensing activities in the United States, Canada, and Europe.

17. *NHL Revenue Sharing (under the Collective Bargaining Agreement).* Generally, under the current "Collective Bargaining Agreement" dated July 22, 2005, between the NHL and the National Hockey League Players' Association (the "CBA"), the more profitable teams of the NHL supplement teams that fall in the bottom half of the league in terms of producing NHL hockey-related revenues.

18. *Player Salaries and Benefits.* Player salaries are wages paid to the Phoenix Coyotes' players. Player salaries have been and will continue to be Coyotes Hockey's single largest expense category.

19. *Other Expenses.* Other expenses of Coyotes Hockey include administrative, coaching, and equipment expenses, and certain non-team expenses, such as rental payments for the Jobing.com Arena and other expenses.

20. As of the Petition Date, Coyotes Hockey employed approximately 139 employees, of which 137 are full-time salaried employees and 2 are part-time hourly wage employees. In addition, as of the Petition Date, 50 players are under contract with Coyotes Hockey.

Arena Management Group, LLC, and Jobing.com Arena

21. Arena Management is a Delaware limited liability company that manages Jobing.com Arena under the terms of the Lease and Management Agreement, to which it is a party. As the manager of Jobing.com Arena, Arena Management is responsible for the operation, direction, management, and supervision of the arena and its staff. Chief among its managerial responsibilities is its responsibility to collect event revenues and to distribute any excess cash flow to the Phoenix Coyotes and the City in accordance with the Lease and Management Agreement.

22. The Phoenix Coyotes' right to play their home games in the Jobing.com Arena is governed by the terms of the Lease and Management Agreement, under which the City has agreed to lease the Jobing.com Arena to Coyotes Hockey for 30 full hockey seasons, with an option to extend that lease for an additional 12 seasons. Coyotes Hockey -- which is also a party to the Lease and Management Agreement -- pays an annual rental payment to the City under the Lease and Management Agreement, and as additional consideration for its use of the Jobing.com Arena, Coyotes Hockey pays a per game fee to Arena Management.

23. In addition to the Phoenix Coyotes' right to use the Jobing.com Arena for hockey events, Coyotes Hockey is afforded a number of rights under the terms of the Lease and Management Agreement. These rights include, without limitation, the right to:

- Control the pricing, the advertising of and on, and the distribution of hockey tickets, and the right to receive and retain, as exclusive Phoenix Coyotes revenue, all hockey ticket receipts and box office fees;
- Engage in and conduct the sale of Phoenix Coyotes merchandise, and the right to receive and retain, as exclusive Phoenix Coyotes revenue, all revenues related to such sales;
- Post, exhibit, display, and otherwise present, and sell and license, all advertising to be posted, exhibited, displayed, and presented at, in, or on the Jobing.com Arena premises or any portion thereof (other than parking areas), and the right to receive and retain, as exclusive Phoenix Coyotes revenue, all revenue from such advertising;
- Control, and receive as exclusive Phoenix Coyotes revenue, all revenue from all radio, television, and other media broadcasts, reproductions and transmittals of the pictures, descriptions, and accounts of hockey events and all other activities of the Phoenix Coyotes and visiting teams incidental to hockey events held in the Jobing.com Arena;
- Negotiate and enter into all concession agreements, and the right to receive and retain, as exclusive Phoenix Coyotes revenue, any payment received from any concessionaire that is directly attributable to hockey events held in the Jobing.com Arena;
- Enter into suite license agreements on such terms and subject to such conditions as Coyotes Hockey deems appropriate, and the right to receive and retain, as exclusive Phoenix Coyotes revenue, all suite licensing revenues;
- Enter into contracts or agreements for the use of premium seats for hockey events and the first right to purchase the use of premium seats for all other events, and the right to receive and retain, as exclusive revenue, all hockey ticket receipts payable under premium seat agreements;
- Sell and license all naming and sponsorship rights with respect to any portion or all of the Jobing.com Arena (other than parking areas); and
- Receive certain revenue produced by the non-hockey events held in the Jobing.com Arena each fiscal year.

24. As of the Petition Date, Arena Management employed approximately 385 employees, of which 35 are full-time salaried employees and, depending on the current event at Jobing.com Arena, approximately 350 are part-time hourly wage employees.

Coyotes Holdings, LLC and Dewey

25. Holdings is a Delaware limited liability company and the 100% owner of Arena Management. Holdings owns 91.97% of the membership units in Coyotes Hockey. Holdings is a holding company for the Debtor entities and has no employees. Coyotes Hockey is the 100% owner of Dewey.

Financial Information

26. The Debtors operate on a fiscal year beginning in July. For the 2005-2006 fiscal year, Coyotes Hockey experienced approximately \$54,078,000 in revenues and \$75,947,000 in expenses, resulting in negative EBITDA of \$21,870,000. Similarly, in the 2006-2007 season, Coyotes Hockey experienced approximately \$59,460,000 in revenues and \$88,971,000 in expenses, resulting in negative EBITDA of \$29,511,000. In 2007-2008, Coyotes Hockey had \$56,584,000 in revenues and \$84,311,000 in expenses, resulting in negative EBITDA of \$21,727,000.

27. Arena Management's operations produced negative EBITDA of \$5,747,000 in fiscal year 2005-2006, negative EBITDA of \$6,966,000 in fiscal year 2006-2007, and negative EBITDA of \$7,549,000 in fiscal year 2007-2008.

THE DEBTORS' CAPITAL STRUCTURE

28. Coyotes Holdings is owned by The Jerry and Vickie Moyes Family Trust (75.14%) and Coyotes Holdings MemberCo, LLC (24.86%), each of which is ultimately owned by Jerry and Vickie Moyes.⁴ During the period from December 2002 through June 2007, Mr. Moyes made numerous unsecured loans to Coyotes Holdings. Most recently the proceeds of these loans were used to cover administrative expenses related to the operation of Coyotes

⁴ A chart illustrating the Debtors' corporate family and their relation to Jerry and Vickie Moyes is attached to the Omnibus Statement as Exhibit "A."

Holdings, including professional fees for tax preparation and legal services, but through the years, the proceeds from the vast majority of these loans were used by Coyotes Holdings to make unsecured loans to Coyotes Hockey to cover Coyotes Hockey's operating expenses, the largest of which was player payroll. In connection with the restructuring of ownership in Coyotes Hockey that took place in September 2006, approximately \$85 million of the unsecured debt owed by Coyotes Holdings to Mr. Moyes was repaid. There remains today an outstanding principal balance on these unsecured loans owing from Coyotes Holdings to Mr. Moyes of approximately \$91.9 million.

29. Coyotes Hockey has been capitalized through the issuance of (i) equity in the form of Class A and Class B membership units, (ii) convertible debentures, which have, since their issuance, been converted into Class A and Class B membership units, (iii) \$75 million in principal amount of debt consisting of a \$20 million senior secured promissory note and a \$55 million second lien credit facility (described more fully below), and (iv) a \$95 million revolving line of credit from Jerry Moyes (described more fully below).⁵ During the 2008-2009 NHL season, Coyotes Hockey has received approximately \$31.4 million of financing from the NHL in the form of cash advances against Coyotes Hockey's right to receive its share of certain NHL revenues under the league's CBA. Even more recently, the NHL has provided Coyotes Hockey with an open ended line of credit secured by substantially all of Coyotes Hockey's assets (described more fully below). To date, Coyotes Hockey owes the NHL approximately \$13.4 million under the line of credit, which amount includes interest.

⁵ Since 2002 a significant portion of the funding needed to support Coyotes Hockey's continued operations were provide by unsecured loans from Coyotes Holdings, which in turn received the money needed to make these loans from unsecured loans from Jerry Moyes. As part of the September 2006 restructuring of Coyotes Hockey's ownership, the debt owing from Coyotes Hockey to Coyotes Holdings was either canceled or converted into a priority capital contribution from Coyotes Holdings. At present Coyotes Holdings' priority capital contribution to Coyotes Hockey stands at \$146,855,719. After September 2006, Mr. Moyes continued to provide funds for Coyotes Hockey's operations, but did so directly through the \$95 million revolving line of credit.

Debt

30. As discussed in greater detail below, the majority of debt of the Debtors is held at Coyotes Hockey and consists of: (i) a \$75 million secured credit facility with two tranches; (ii) an unsecured revolver from Jerry Moyes; and (iii) certain secured advances and a senior secured line of credit from the NHL.

The SOF Facility

31. Coyotes Hockey currently has outstanding principal obligations of \$75 million under a secured loan facility (the “**SOF Facility**”) with SOF Investments, L.P., White Tip Investments, LLC, and Donatello Investments, LLC (collectively “**SOF**”). The SOF Facility is evidenced by a “Credit Agreement” dated December 31, 2003 and consists of two tranches -- Tranche A which comprises a \$20 million secured promissory note, and Tranche B which comprises a \$55 million secured promissory note. The SOF Facility matured on December 31, 2008 and is secured by substantially all of Coyotes Hockey’s assets.⁶

32. As of the Petition Date, the approximate amount outstanding on the SOF Facility with interest is \$79.6 million.

The Moyes Revolver

33. Beginning in September 2006, Jerry Moyes has provided Coyotes Hockey with the funds necessary to cover its operating losses. These funds have been provided under the terms of the “Sixth Amended and Restated Revolving Loan Agreement” and the corresponding “Sixth Amended and Restated Promissory Note” each in the amount principle amount of \$95 million and dated April 16, 2008 (together, the “**Moyes Revolver**”). Coyotes Hockey owes

⁶ The SOF Facility was originally two separate loan facilities that comprised a \$20 million senior loan facility from SOF Investments, L.P., and a \$55 million second facility from SOF Investments, L.P., White Tip Investments, LLC, and Donatello Investments, LLC. In accordance with a “Fifth Amended to Credit Agreement and First Amendment to Pledge Agreement and Limited Recourse Guaranty” dated September 17, 2008, these two facilities were combined into the single SOF Facility with two tranches.

Moyes approximately \$104.4 million in principal and unpaid interest under the Moyes Revolver. The Moyes Revolver is an unsecured obligation of Coyotes Hockey.

NHL Letter Agreement

34. In November of 2008, Mr. Moyes notified the NHL that he would no longer provide the funds to cover Coyotes Hockey's operating losses. Together the NHL, Mr. Moyes, and Coyotes Hockey reached an agreement evidenced by a letter dated November 21, 2008 (as subsequently modified, the "**NHL Letter Agreement**"), under which the NHL made certain cash advances to Coyotes Hockey in the amount of approximately \$31.4 million (the "**NHL Priority Advances**"). The NHL Priority Advances represent advances of cash that Coyotes Hockey is likely to be entitled to receive from its share of the NHL's league-generated television revenues from the 2008–2009 season and other potential distributions calculated for the 2008–2009 season. The NHL Priority Advances accrue interest at a rate tied to the NHL's own cost of borrowing from the date any such advance is made until repaid or set off against amounts owing from the NHL to Coyotes Hockey.

35. SOF has expressly subordinated the SOF Facility to the NHL, and therefore, the NHL Priority Advances are senior to and have priority over all secured and unsecured indebtedness owed by Coyotes Hockey. The current outstanding principal balance of the NHL Priority Advances is approximately \$23.6 million.

Senior Secured Line of Credit

36. On February 24, 2009, after the NHL notified Coyotes Hockey that it would no longer fund NHL Priority Advances, the NHL and Coyotes Hockey entered into a "Secured Credit Agreement" (the "**Senior Secured Line of Credit**"). The Senior Secured Line of Credit is an open-ended line of credit secured by substantially all of the assets of Coyotes Hockey.

While there is no cap on the amount that could be borrowed under the Senior Secured Line of Credit, the NHL is under no obligation to make loans under the Senior Secured Line of Credit. To date, the Coyotes Hockey owes the NHL approximately \$13.4 million under the Senior Secured Line of Credit. All obligations under the Senior Secured Line of Credit are due on demand, and such outstanding obligations under the Senior Secured Line of Credit are senior in rights of payment and collection to the SOF Facility and the Moyes Revolver.

Coyotes Holdings Guarantees

37. Under a "Limited Recourse Guaranty" dated December 31, 2003, Coyotes Holdings has guaranteed Coyotes Hockey's obligations under the SOF Facility. This limited recourse guaranty is secured by an interest in Coyotes Holdings' ownership interest in Coyotes Hockey, which is junior in priority to the security interest granted to the NHL in the same ownership interest.

38. Under "Limited Recourse Guaranty" dated February 24, 2009, Coyotes Holdings has guaranteed Coyotes Hockey's obligations under the NHL Letter Agreement and the Senior Secured Line of Credit. This guaranty is secured by an interest in Coyotes Holdings' ownership interest in Coyotes Hockey, which is senior in priority to the security interest granted to SOF in the same ownership interest.

EVENTS LEADING TO CHAPTER 11 FILING

39. The Phoenix Coyotes have never posted a profit since moving to Arizona in 1996. As set forth above, in the last three years, Coyotes Hockey has suffered approximately \$73,000,000 in operating losses. Since the time Phoenix Coyotes relocated to Arizona, Mr. Moyes has provided the organization a significant amount of money to fund operations (including the \$95,000,000 Moyes Revolver discussed above). In November of 2008, Mr.

Moyes notified the NHL that he would no longer provide the funds to cover Coyotes Hockey's operating losses. Further discussions and negotiations led to the NHL Letter Agreement and the NHL Priority Advances, under which the NHL advanced Coyotes Hockey approximately \$31.4 million, which is offset by normally-scheduled future distributions to Coyotes Hockey.

40. Unwilling to advance any further amounts under the NHL Letter Agreement, the NHL and Coyotes Hockey entered into the Senior Secured Line of Credit. However, this open-ended facility -- under which Coyotes Hockey owes the NHL approximately \$13.4 million -- is due on demand, and the NHL may refuse in its discretion to fund any further advances to Coyotes Hockey.

DECLARATION IN SUPPORT OF FIRST DAY MOTIONS

Motion For An Order Authorizing And Directing Joint Administration And Use Of Consolidated Caption

41. The Debtors share common ownership and corporate management. In addition, the Debtors are financially and administratively interdependent at an operational level.

42. Accordingly, the Debtors believe these Cases not only may, but should, be jointly administered. Entry of an order directing joint administration of these Cases will eliminate the need for duplicative notices, applications, and orders, and thereby save considerable time and expense for the Debtors and their estates.

43. Joint administration of these Cases will not result in any prejudice to the Debtors' creditors or other parties in interest. In fact, joint administration serves the best interests of these bankruptcy estates since the issues pertinent to the reorganization of all of the above-listed Debtors involve common ownership, creditor, and management interests. Consequently, joint administration will facilitate the administration process, and will ease the burden and expense of administering these estates.

Motion For Order Authorizing The Debtors To (A) Prepare, But Not File, A Consolidated List Of Creditors In Lieu Of Individual Matrices, (B) Make The Consolidated List Of Creditors Available Only Upon Request, And (C) File A Consolidated List Of The Debtors' 40 Largest Unsecured Creditors

44. At this nascent stage of these Cases, the Debtors need to focus their time and efforts on stabilizing their business operations, transitioning into operating under the numerous Chapter 11 restrictions, and otherwise addressing the issues that necessarily arise upon the filing of a Chapter 11 petition. Additionally, the Debtors believe the information, as maintained in the Debtors' computer files (or those of its agents), may be utilized efficiently to provide interested parties with the Notices and other similar documents.

45. Furthermore, requiring the Debtors to convert their computerized information to a format compatible with the matrix requirements would be an exceptionally burdensome task and would greatly increase the risk and recurrence of error with respect to information already intact on computer systems maintained by the Debtors or their agents.

46. The Debtors will be filing a motion (the "**Claims Agent Motion**") seeking the appointment of an agent to handle claims, noticing, and balloting in these Cases. If the Claims Agent Motion is granted, the agent will, among other things, (a) assist with the consolidation of the Debtors' computer records into a creditor database, and (b) complete the mailing of the Notices to the parties in such database, thereby alleviating the need for the Bankruptcy Court to maintain a list of creditors. The Debtors believe preparing the Consolidated Matrix in the format or formats currently maintained in the ordinary course of the Debtors' businesses will be sufficient to permit the agent to promptly notice all applicable parties.

47. The main operations of the Debtors are those run by Coyotes Hockey and Arena Management, while Coyotes Holdings and Dewey currently have few, if any, creditors. Because the creditors are all paid in the ordinary course of business by Coyotes Hockey and Arena

Management, the Debtors respectfully submit that it is not necessary to file a separate Top 20 List in the other cases. The Debtors do not believe such filing would facilitate the U.S. Trustee's review of creditors' claims or appointment of a creditors' committee in these Cases. Accordingly, the Debtors seek authority to file a single consolidated list of the 40 largest unsecured creditors in these Cases. The Debtors respectfully assert that such relief is appropriate under the circumstances.

Motion For Interim and Final Orders Under 11 U.S.C. §§ 105(a), 345 And 363: (A) Authorizing Maintenance Of Existing Bank Accounts; And (B) Allowing Debtors To Continue Using Existing Business Forms

48. In the ordinary course of business, the Debtors utilize several bank accounts to efficiently collect, transfer and disburse funds generated through the Debtors' operations and to accurately record such collections, transfers and disbursements as they are made.

49. The Debtors' bank accounts (the "**Bank Accounts**") are maintained at Wells Fargo Bank, N.A. ("**Wells Fargo**"). The Debtors' principal sources of cash flow include proceeds from Coyotes hockey ticket sales, proceeds from the sale of Coyotes team merchandise, and proceeds received from concert and other events held at the Jobing.com Arena (the "**Proceeds**").

50. Debtors Coyotes Hockey and Arena Management each maintain their own operating account (collectively, the "**Operating Accounts**") at Wells Fargo. All Proceeds received by these Debtors are deposited into the Operating Accounts. Coyotes Hockey and Arena Management then use the funds in the Operating Accounts to satisfy their respective payroll, accounts payable, debt service, tax, and other operating expenses. The Debtors estimate that as of April 30, 2009, the collective balance in the Operating Accounts was approximately \$1,600,000.

51. In addition to the Operating Accounts, the Debtors maintain several other accounts at Wells Fargo. Coyotes Hockey maintains a Certificate of Deposit account at Wells Fargo in the amount of \$50,000 as collateral for balances charged on certain company credit card by select employees. More specifically, fifteen employees of Coyotes Hockey that regularly incur reimbursable expenses have been provided with Wells Fargo credit cards (the “**Company Cards**”). The Company Cards are issued in the individual’s name but Coyotes Hockey is principally liable for any unpaid balances. Individual spending limits on the card vary based on the position held by the employee, however, the aggregate spending limit for all Company Cards is \$88,500. The average monthly balance on all Company Cards is approximately \$20,000. Because the activities of the select employees holding Company Cards are instrumental in the Debtors’ operations and in covering routine expenses, the Debtors seek authority to continue utilizing the Company Cards.

52. In addition, Arena maintains two trust accounts at Wells Fargo as required under the “Arena Management, Use and Lease Agreement” dated November 29, 2001, among the City of Glendale, Arena Management, Coyotes Hockey, Glendale-101 Development, LLC, and Coyote Center Development, LLC (the “**Lease and Management Agreement**”). The first trust account is labeled the “Operating Reserve Account” and maintains a balance of \$1 million in trust to cover any unpaid Jobing.com Arena related operating expenses. The second trust account is labeled the “Renewal and Replacement Account” and is supposed to be funded on a quarterly basis by the Debtors to provide a source of funds for maintenance costs and capital expenditures associated with maintaining the Jobing.com Arena. The Renewal and Replacement Account currently has a balance of approximately \$5,000.

53. The chart attached to the Motion as Exhibit A reflects the Bank Accounts described above and their current balances on or about the Petition Date.

54. The Debtors submit that the Wells Fargo accounts are FDIC-insured Demand Deposit Accounts.

Motion For Entry Of Interim And Final Orders Under 11 U.S.C. § 366 Determining Adequate Assurance Of Payment For Future Utility Services And Establishing Determination And Objection Procedures

55. The Debtors fully intend to pay all post-petition obligations owed to the Utilities in a timely manner. The Debtors expect that cash flow from operations and existing cash on hand will be more than sufficient to pay all post-petition utility obligations.

56. Continued and uninterrupted utility service is essential to the Debtors' ability to sustain their business operations during these Cases. The Debtors are required to oversee the operations of their businesses and manage properties associated with the operation of their businesses. Any interruption of utility service would severely disrupt the Debtors' business operations, their restructuring efforts, and jeopardize the Debtors' ability to preserve the value of the estates.

57. In the normal course of their business, the Debtors use electricity, gas, water, telephone, telecommunications, cellular phone, internet, and other utility services provided by the Utilities. The Debtors' ability to effectively oversee and manage their business during the pendency of these Cases is dependent on the uninterrupted provision of services by the Utilities, and the Debtors' ability to preserve the value of the estates will be irreparably damaged if the Utilities do not continue to provide these services.

58. The Debtors heavily rely on advanced technology (*i.e.*, computers, internet, facsimile machines, photocopy machines, and the like) to oversee their businesses and manage

their properties. Therefore, continued and uninterrupted electric service is critical to the Debtors. The Debtors are similarly dependent on the continuation of other utility services such as telephone, cellular phone, internet services, water, and gas. Indeed, maintenance of all telecommunications service is imperative because the Debtors use telephones and cellular phones to promote and conduct their operations. As with any business operating in today's technological society, e-mail and internet services have become absolutely necessary and critical to the Debtors' operations and business. Absent these basic communication channels, the Debtors cannot effectively and efficiently communicate among themselves or third parties who similarly rely on these advanced—yet common—communication channels. Furthermore, the maintenance of water and gas service is essential to provide the basic necessities of any business operation.

59. The Debtors historically made prompt and complete payments with respect to the Utilities before the Petition Date. As of the Petition Date, the Debtors should be substantially current with the Utilities.

60. Even though some outstanding arrearages may exist with respect to some of the Utilities, the Debtors believe that any Utility seeking a security deposit or seeking to terminate services would be doing so as an automatic reaction to a filing for relief under the Bankruptcy Code. The Debtors have, and will continue to have, sufficient funds to make timely payments to the Utilities for all post-petition utility service.

Motion for Interim and Final Orders: (A) Authorizing the Debtors to Continue to Pay and Honor Certain Pre-Petition Claims for (i) Wages, Salaries and Other Compensation, (ii) Withholdings and Deductions, and (iii) Reimbursable Employee Expenses; (B) Authorizing the Debtors to Continue to Pay and Honor Certain Pre-Petition Claims Related to Employee Benefits; and (C) Directing Banks to Receive, Honor and Pay All Checks and Electronic Payment Requests Related to the Foregoing
The Debtors' Workforce

61. The Debtors employed approximately 524 employees as of the Petition Date (the “**Employees**”). Approximately 172 of the Employees are full-time salaried employees (the “**Salaried Employees**”), and approximately 352 are part-time hourly wage employees (the “**Hourly Employees**”).

62. Arena Management manages Jobing.com Arena (the “**Arena**”) and, as such, is responsible for the operation, direction, management, and supervision of the Arena and its staff. Arena Management employs approximately 385 of the Employees, of which 35 are Salaried Employees and, depending on the current event at the Arena, approximately 350 are Hourly Employees. Coyotes Hockey owns and operates the Phoenix Coyotes professional hockey team (the “**Phoenix Coyotes**”). Coyotes Hockey employs approximately 139 of the Employees, of which 137 are Salaried Employees and 2 are Hourly Employees. In addition, there are 50 professional hockey players under contract with Coyotes Hockey (the “**Players**”). The Players’ contracts provide for salaries and, in some cases, signing and/or performance bonuses. The Players are covered by a collective bargaining agreement (the “**CBA**”) between the National Hockey League (the “**NHL**”) and the National Hockey League Players’ Association. Dewey and Coyotes Holding do not have any employees.

63. The Employees perform a variety of critical functions, including the operation of the Debtors’ businesses, and the performance of many administrative, accounting, consultant, management, sales, coaching, security, and other tasks. If pre-petition compensation and benefit

amounts are not received by the Employees in the ordinary course, they will suffer personal hardship and unnecessary distraction from their duties. Such a result obviously would destroy Employee morale and may result in unmanageable Employee turnover, causing immediate and pervasive damage to the Debtors' ongoing business operations. Any significant deterioration in morale at this time will substantially and adversely affect the Debtors and their ability to function, thereby resulting in immediate and irreparable harm to the Debtors and their estates.

64. The Debtors anticipate that all or substantially all accrued pre-petition obligations owing to individual Employees will be substantially less than the statutory cap of \$10,950 for priority treatment that is set by Bankruptcy Code §§ 507(a)(4) and (a)(5) of the Bankruptcy Code. In any event, the Motion only seeks authorization to satisfy accrued pre-petition obligations owing to individual Employees up to the statutory cap of \$10,950.

65. The relief requested in the Motion will reduce significantly the administrative burden that might otherwise be imposed in these Cases. The compensation, benefit and reimbursement amounts that the Debtors seek to pay to the Employees constitute priority claims under Bankruptcy Code §§ 507(a)(4) and (5) to the extent of \$10,950 per Employee. Requiring the Debtors to identify to what extent each of their Employees hold priority or general unsecured claims for employee benefits, and to modify benefit policies to enforce these distinctions, would impose substantial additional burdens of administration and expense that would unduly hamper the Debtors' operations and are, therefore, unwarranted under the circumstances.

66. The Debtors' Employee Obligations include wages, salaries, commissions, payroll deductions and withholdings, and Reimbursable Expenses. Before the Petition Date, the Debtors customarily either paid or withheld all of these Employee Obligations in the ordinary course of business. A description of the Debtors' Employee Obligations, and the estimated

liabilities associated with each, is set forth below.

67. Each of the Players is a party to a "Standard Player's Contract" (a "SPC"), which provides for an annual salary and, in some cases, periodic signing and/or performance bonuses. The Players' are paid two times each month during the NHL regular season, which generally runs from October to mid-April. The 2008-2009 regular season concluded prior to the Petition Date and the Players have been paid their salaries for that season. In addition, Coyotes Hockey is current on substantially all pre-petition bonus payments under the Players' contracts. Accordingly, the Debtors are not seeking authorization in the Motion to make any salary or bonus payments to the Players.

68. With one exception described below, all of the Debtors' Salaried and Hourly Wage Employees are paid every two weeks at the end of the two-week period in which their salaries or hourly wages are earned. The one exception pertains to wages that Hourly Employees earn during the last few days of a two-week pay period. In the ordinary course of business, hourly wages earned in the last few days of a pay period are paid as soon as those wages can be processed and, in any event, no later than the end of the following two-week pay period. Certain of the Debtors' Salaried Employees also receive commissions based on, among other things, revenue generated from the sale of tickets, merchandise, and corporate sponsorships.

69. Coyotes Hockey has historically paid its Salaried Employees, on average, approximately \$518,000 per pay period in gross salaries and, when applicable, approximately \$50,000 per pay period in gross commissions.⁷ Coyotes Hockey has historically paid its Hourly Employees, on average, approximately \$450 per pay period in gross wages. Arena Management has historically paid its Salaried Employees, on average, approximately \$60,000 per pay period

⁷ Salaries, wages, and commissions before any deductions or withholdings and excluding the Debtors' obligations to taxing authorities.

in gross salaries. Arena Management has historically paid its Hourly Employees, on average, approximately \$70,000 per pay period in gross wages.

70. The last payroll period prior to the Petition Date ended on April 29, 2009. Accordingly, the Debtors estimate that, as of the Petition Date, accrued but unpaid salaries and hourly wages total approximately \$194,535, which consists of: (a) \$155,400 of accrued unpaid wages for Coyotes Hockey's Salaried Employees; (b) \$135 of accrued unpaid wages for Coyotes Hockey's Hourly Employees; (c) \$18,000 of accrued unpaid wages for Arena Management's Salaried Employees; and (d) \$21,000 of accrued unpaid wages for Arena Management's Hourly Employees. In addition, the Debtors estimate that, as of the Petition Date, accrued but unpaid commissions for its Employees range from between \$0 to \$100,000.

71. The Debtors are required by law to withhold from each Employee's paycheck certain amounts related to federal, state and local income taxes, and social security and Medicare taxes (collectively, the "**Withholding Taxes**") for remittance to the appropriate taxing authorities. The Debtors must also match from their own funds social security and Medicare taxes so withheld, and pay (based on a percentage of gross payroll) additional amounts for state and federal unemployment insurance (the "**Employer Payroll Taxes**" and, together with the Withholding Taxes, the "**Payroll Taxes**").

72. Coyotes Hockey has historically withheld approximately \$150,000 per pay period from its Salaried Employee's paychecks and approximately \$300 per pay period from its Hourly Wage Employees' paychecks for Withholding Taxes. Coyotes Hockey has historically paid approximately \$20,000 per pay period in Employer Payroll Taxes on account of its Salaried Employees and approximately \$35 per pay period in Employer Payroll Taxes on account of its Part-Time Employees.

73. Arena Management has historically withheld approximately \$12,000 per pay period from its Salaried Employee's paychecks and approximately \$8,500 per pay period from its Hourly Wage Employees' paychecks for Withholding Taxes. Arena Management has historically paid approximately \$2,250 per pay period in Employer Payroll Taxes on account of its Salaried Employees and approximately \$5,500 per pay period in Employer Payroll Taxes on account of its Hourly Wage Employees.

74. Payroll Taxes are funded through a direct withdrawal from the Debtors' operating account by ADP on the day on which payroll is met during each pay period. As of the Petition Date, the amount of Payroll Taxes pertaining to the Employees' pre-petition salaries and hourly wages is approximately \$59,575.50. Accordingly, the Debtors seek authority to fund all such Payroll Taxes in the ordinary course of business.

75. As described below, the Debtors provide their Salaried Employees with various insurance options and programs including health, dental, life, short-term disability, long-term disability, and a 401(h) plan (the "**Employee Benefits**"). The Debtors seek authority to satisfy all of their pre-petition obligations related to the Employee Benefits (e.g. to pay any pre-petition insurance premiums that remain outstanding as of the Petition Date) and to remit all withholdings associated with such Employee Benefits.

76. The Debtors provide their Salaried Employees with health insurance through CIGNA (the "**Health Insurance**") and dental insurance through Delta Dental of Arizona (the "**Dental Insurance**"). The Debtors make premium payments of approximately \$42,000 per month for the Health Insurance and approximately \$5,000 per month for the Dental Insurance. The Debtors believe they are current on all premiums for the Health Insurance and Dental Insurance as of the Petition Date. Nevertheless, in an abundance of caution, the Debtors are

seeking authorization to pay any such premiums in the event the Debtors discover that any such pre-petition obligations have not been satisfied as of the Petition Date.

77. Employees also pay a portion of the Health and Dental Insurance premiums through withholdings made during each pay period, which are remitted to CIGNA bi-weekly (the “**Employee Health and Dental Insurance Contributions**”). The Debtors estimate that they withhold approximately \$9,000 per pay period from their Salaried Employees’ paychecks on account of the Health Insurance and approximately \$11,000 per pay period from their Salaried Employees’ paychecks on account of the Dental Insurance. As of the Petition Date, approximately \$6,000 of Employee Health and Dental Insurance Contributions have accrued. Accordingly, the Debtors seek authority to remit all such contributions in the ordinary course of business.

78. The Debtors also provide their Salaried Employees with life, accidental death and dismemberment, and long-term disability insurance through CIGNA (the “**Life, AD&D, and Long-Term Disability Insurance**”). The Life Insurance provides each employee with death benefits of one times his or her annual salary to a maximum of \$50,000. The AD&D Insurance provides each employee with benefits of two times his or her annual salary to a maximum of \$50,000. The benefits of the Long-Term Disability Insurance begin after 180 days of disability with benefits up to 60% of monthly earnings, to a maximum of \$15,000 per month for executives and directors, \$8,000 per month for managers, and \$4,000 per month for all other eligible Employees.

79. The Debtors make premium payments of approximately \$2,500 per month for the Life, AD&D, and Long-Term Disability Insurance. The Debtors believe they are current on all pre-petition premium payments for the Life, AD&D, and Long-Term Disability Insurance as of

the Petition Date. Nevertheless, in an abundance of caution, the Debtors are seeking authorization to make such payments in the event the Debtors discover that any such pre-petition obligations have not been satisfied as of the Petition Date.

80. In addition, the Debtors offer each Salaried Employee the option of purchasing supplemental life insurance through CIGNA up to five times his or her salary in increments of \$10,000 not to exceed \$500,000 (the “**Supplemental Life Insurance**”). Employees pay the full cost of the Supplemental Life Insurance through withholdings made during each pay period, which are remitted to CIGNA bi-weekly. As of the Petition Date, the amount withheld but not remitted on account of the Supplemental Life Insurance is *de minimus*. Accordingly, the Debtors seek authorization to withhold and remit this *de minimus* amount in the ordinary course of business.

81. The Debtors also provide their Salaried Employees with short-term disability insurance, which is fully self-funded by the Debtors (the “**Short-Term Disability Insurance**”). These benefits begin after fourteen days of total disability with benefits up to 60% of weekly earnings to a maximum of \$1,500 per week, and include payments for maternity leave. The Debtors currently have one Employee receiving such payments, on account of maternity leave, at a total cost of approximately \$1,500 per week. The Debtors believe they are current on all such payments as of the Petition Date. Nevertheless, in an abundance of caution, the Debtors are seeking authorization to make such payments in the event the Debtors discover that any such pre-petition obligations have not been satisfied as of the Petition Date.

82. The Debtors offer their Salaried Employees the opportunity to participate in the Debtors’ 401(k) plan administered through Wells Fargo (the “**401(k) Plan**”). Employee contributions are voluntary and are processed through payroll deductions up to the maximum

allowable IRS limit (the “**Employee Contributions**”). The Debtors estimate that they withhold approximately \$22,000 per pay period from their Salaried Employees’ paychecks on account of the Employee Contributions. The Debtors match up to four percent (4%) of the eligible Employee Contributions (the “**Matching Contributions**”). The Matching Contributions are remitted to Wells Fargo within forty-eight hours of each bi-weekly payroll. The Debtors estimate that the average Matching Contributions total approximately \$12,000 per pay period.

83. As of the Petition Date, approximately \$6,600 of Employee Contributions accrued. The amount of Matching Contributions not remitted is approximately \$2,400. Accordingly, the Debtors seek authority to continue to remit all such contributions in the ordinary course of business.

84. Coyotes Hockey maintains a workers’ compensation insurance policy through BWD Group, LLC (Policy No. 71637283); and Arena Management maintains a workers’ compensation insurance policy through The Mahoney Group (Policy No. WC3428157) (collectively, the “**Workers’ Compensation Insurance**”). The Debtors pay for the premiums on these policies in four quarterly payments. The Debtors believe there are no outstanding amounts owed on Arena Management’s policy as of the Petition Date. However, the Debtors believe that the first two quarterly payments for Coyotes Hockey’s workers’ compensation insurance have not been paid as of the Petition Date. The Debtors estimate that the total pre-petition amount owed for this insurance is \$168,842.50, which covers the first two quarters for the 2008-2009 year. Accordingly, the Debtors are seeking authority to remit payment to BWD for all pre-petition amounts owed on account of Coyotes Hockey’s workers’ compensation insurance.

85. The Debtors have a policy governing travel and business expense reimbursement

for certain Salaried Employees that allows these employees to carry out their duties in an efficient and cost effective manner. The Debtors reimburse employees for reasonable out-of-pocket expenses incurred when those employees are engaged in business on behalf of the Debtors, including meals, lodging, shuttles and taxis, airfare, automobile use, cell phone, blackberry, entertainment expenses, and tips. The Debtors estimate that the monthly costs associated with this reimbursement policy during the NHL regular season is approximately \$10,000 per month and approximately \$5,000 per month during the off season. The Debtors estimate that the total accrued unpaid reimbursable expenses as of the Petition Date is between \$0 and \$5,500. If the Debtors are not permitted to satisfy such pre-petition obligations, the Employees who incurred those expenses may be personally liable. Accordingly, the Debtors seek authorization to reimburse its Employees for any Reimbursable Expenses that were incurred by Employees prior to the Petition Date.

Emergency Application For Entry Of Interim And Final Orders Under 11 U.S.C. § 327(a) Authorizing The Retention And Employment Of Squire, Sanders & Dempsey L.L.P. As Attorneys For The Debtor

86. The Debtors propose to retain Squire Sanders to render the following services:

- a) advise the Debtors with respect to their powers and duties as debtors-in-possession in the continued management and operation of their business and property;
- b) attend meetings and negotiate with representatives of creditors and other parties in interest and advising and consulting on the conduct of the Cases, including all of the legal and administrative requirements of operating in Chapter 11;
- c) assist the Debtors with the preparation of their Schedules of Assets and Liabilities and Statements of Financial Affairs;
- d) advise the Debtors in connection with any contemplated sales of assets or business combinations, including the negotiation of asset, stock, purchase, merger or joint venture agreements, formulate and implement appropriate procedures with respect to the closing of any such transactions, and counseling the Debtors in connection with such transactions;

- e) advise the Debtors in connection with any post-petition financing and cash collateral arrangements and negotiating and drafting documents relating thereto, providing advice and counsel with respect to pre-petition financing arrangements, and negotiating and drafting documents relating thereto;
- f) advise the Debtors on matters relating to the evaluation of the assumption, rejection or assignment of unexpired leases and executory contracts;
- g) advise the Debtors with respect to legal issues arising in or relating to the Debtors' ordinary course of business including attendance at senior management meetings, meetings with the Debtors' financial and turnaround advisors, and meetings of boards of directors and/or members;
- h) take all necessary action to protect and preserve the Debtors' estates, including the prosecution of actions on their behalf, the defense of any actions commenced against them, negotiations concerning all litigation in which the Debtors are involved and objecting to claims filed against the Debtors' estates;
- i) prepare, on the Debtors' behalf, all motions, applications, answers, orders, reports and papers necessary to the administration of the estates;
- j) negotiate and prepare, on the Debtors' behalf, a plan of reorganization, disclosure statement, and all related agreements and/or documents and taking any necessary action on behalf of the Debtors to obtain confirmation of such plan;
- k) attend meetings with third parties and participate in negotiations with respect to the above matters;
- l) appear before the Court, any appellate courts, and the United States Trustee and protecting the interests of the Debtors' estates before such courts and the United States Trustee; and
- m) perform all other necessary legal services and providing all other necessary legal advice to the Debtors in connection with the Cases.

Motion Of The Debtors For An Order Under Sections 105(a), 363, And 365 Of The Bankruptcy Code (i) Authorizing Coyotes Hockey, LLC's Sale Of Substantially All Of Its Assets, Free And Clear Of Liens, Claims, And Encumbrances, Subject To Higher And Better Offers, And (ii) Approving An Asset Purchase Agreement

87. Coyotes Hockey's most significant asset is the Phoenix Coyotes professional hockey team (the "**Phoenix Coyotes**"), which is a member of the National Hockey League (the "**NHL**"). Since moving to Phoenix in 1996, the Phoenix Coyotes professional hockey franchise

has operated at significant losses. Indeed, since 2001, Jerry Moyes (“**Moyes**”) and his wife Vickie Moyes, the ultimate super-majority owners of the franchise, have provided the franchise with approximately \$300 million to fund operations.

88. In November of 2008, Mr. Moyes notified the NHL that he would no longer provide the funds to cover Coyotes Hockey’s substantial operating losses. Although the NHL has provided Coyotes Hockey with certain advances and a line of credit -- amounting to an aggregate of approximately \$36 million in borrowed funds secured by certain of the Coyotes Hockey’s assets -- the NHL has no obligation to fund Coyotes Hockey and can refuse to provide the organization with further advances and loans.

Motion For Entry Of An Order Authorizing But Not Directing The Debtors To (A) Remit And Pay Certain Taxes And Fees And (B) Authorizing Financial Institutions To Honor All Related Checks And Electronic Payment Requests

89. In the ordinary course of business, the Debtors collect certain taxes on behalf of certain taxing authorities and pay certain fees for licenses and permits required to conduct the Debtors’ businesses (collectively, the “**Taxes and Fees**”). Such taxes and fees are paid either bi-weekly, monthly, quarterly, or annually to various taxing authorities. The Debtors seek the relief in the Motion in the event and to the extent that any taxes and fees that accrued prepetition (a) were not paid prepetition, (b) were paid in an amount that was less than is actually owed, (c) in the event that any payments made prepetition were rejected, lost or otherwise not received in full by any taxing authorities, or (d) were incurred or collected from sales and services provided prepetition and will become due shortly after the filing.

90. Sales and Use Taxes. The Debtors collect and remit to certain taxing authorities (collectively, the “**Taxing Authorities**”) a variety of sales, local gross receipts and other similar taxes in connection with the sale of products to its customers (collectively, the “**Sales Taxes**”).

The Debtor is required to pay use taxes (collectively, the “**Use Taxes**”, together with the Sales Taxes, the “**Sales and Use Taxes**”) when it purchases certain materials from out-of-state vendors. If a vendor has no business operations within the state, it has no legal obligation to charge or remit sales taxes for sales to parties within such state. Nevertheless, under certain circumstances, governing law requires the Debtor to self-assess the amount of sales taxes that would have been owed on purchases from out-of-state vendors and pay these amounts as Use Taxes to the applicable Taxing Authorities. In most jurisdictions, the Debtor remits the Use Taxes to the Taxing Authorities on a monthly basis. In an average month, the Debtors approximately \$200,000 in Sales and Use Taxes to the Taxing Authorities. The Debtors estimates that the aggregate amount of Sales and Use Taxes owing to the Taxing Authorities as of the Petition Date is approximately \$100,000.

91. Franchise Taxes. The Debtors pay franchise taxes (collectively, the “**Franchise Taxes**”) to certain of the Taxing Authorities to maintain the right to operate their businesses in the applicable taxing jurisdictions. Some states assess a flat Franchise Tax on all businesses, while other states assess a Franchise Tax based upon net operating income. Certain states will refuse to qualify a debtor to do business in a state if Franchise Taxes have not been paid. Most jurisdictions assess Franchise Taxes on an annual basis, in arrears. In 2008, the Debtors remitted approximately \$500 to the Taxing Authorities for Franchise Taxes. The Debtors estimate that the aggregate amount of franchise taxes owing to the Taxing Authority as of the Petition Date is approximately \$500.

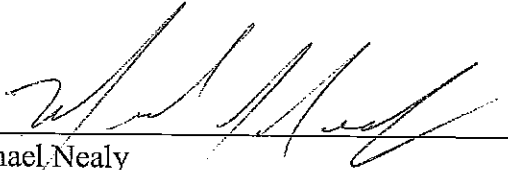
92. The Debtors estimate that the total amount of pre-petition Taxes and Fees owing to the various Taxing Authorities will not exceed approximately \$100,500, of which the significant majority would constitute claims secured by statutory liens or would relate to funds

that are held in trust for the Taxing Authorities. This amount represents only a very small fraction of the Debtor's consolidated assets.

93. If the Debtors fail to pay the Taxes and Fees on a timely basis, the Taxing Authorities may assert that the Debtors directors and officers are personally liable for the Taxes and Fees even if such a failure to pay such Taxes and Fees was not a result of malfeasance on their part. Such litigation would prove distracting for the Debtors, their named directors and officers, as well as this Court, which may be asked to entertain various motions seeking injunctions relating to potential court actions. As such, it is in the best interest of the Debtors' estates to eliminate the possibility of these distractions and to enable the Debtors to continue operating without interruption.

94. The Debtors represent that they have sufficient availability of funds to pay the amounts described herein in the ordinary course of business by virtue of cash reserves, expected cash flows from ongoing business operations and anticipated access to post-petition funding. Also, under the Debtors' existing cash management system, the Debtors represent that checks or wire transfer requests can be readily identified as relating to an authorized payment in respect of the Taxes and Fees. Accordingly, the Debtors believe that checks or wire transfer requests, other than those relating to authorized payments, will not be honored inadvertently and that all applicable financial institutions should be authorized, when requested by the Debtors, to receive, process, honor and pay any and all checks or wire transfer requests in respect of the Taxes and Fees.

Dated this 18th day of May, 2009.


Michael Nealy