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10 LLC and Donatello Investments, LLC

11 **IN THE UNITED STATES BANKRUPTCY COURT**  
12 **FOR THE DISTRICT OF ARIZONA**

13 In Re:  
14 DEWEY RANCH HOCKEY, LLC,  
15 COYOTES HOLDINGS, LLC,  
16 COYOTES HOCKEY, LLC, and  
17 ARENA MANAGEMENT GROUP, LLC,  
18 Debtors.

Case No. 2:09-bk-09488-RTB  
(Jointly Administered)

Chapter 11

**LIMITED OBJECTION AND  
RESERVATION OF RIGHTS OF SOF  
INVESTMENTS, L.P., WHITE TIP  
INVESTMENTS, LLC AND  
DONATELLO INVESTMENTS, LLC  
WITH RESPECT TO AUCTION/SALE  
OF PHOENIX COYOTES NATIONAL  
HOCKEY LEAGUE TEAM**

20 This Filing Applies to:

- 21 ☒ All Debtors  
22 ☐ Specified Debtors

Hearing Date: September 10, 2009  
Hearing Time: 9:00 a.m.  
Hearing Location: 230 N. First Avenue  
Courtroom 703, 7<sup>th</sup> Flr.  
Phoenix, AZ

24 SOF Investments, L.P., White Tip Investments, LLC, and Donatello Investments, LLC  
25 (collectively, "**SOF**"), by and through their undersigned counsel, hereby files this limited  
26 objection and reservation of rights (the "**Limited Objection**") relating to (i) this Court's

1 Amended Order Approving Bid Procedures For Auction/Sale Of Phoenix Coyotes National  
2 Hockey League Team And Related Assets And The Assumption And Assignment Of Certain  
3 Executory Contracts and Unexpired Leases [Docket No. 638] (the “**Bid Procedures Order**”) and  
4 (ii) the Debtors’ Notice of Receipt of Bids Under Sale Procedures Order and Filing of Same  
5 [Docket No. 809] (the “**Bid Notice**”). In support of this Statement, SOF respectfully represents  
6 as follows:

7 **Introduction**

8 1. As the Court is aware, SOF is the largest secured creditor of the Debtors. As of  
9 May 5, 2009, the date the Debtors filed their voluntary petitions for relief in this Court under  
10 Chapter 11 of the Bankruptcy Code (the “**Petition Date**”), SOF has a secured claim against the  
11 Debtors in the amount of \$79,615,611.86, which claim is secured by substantially all of the assets  
12 of the Debtors (the “**SOF Secured Claim**”). Since the Petition Date, interest at the default rate  
13 and expenses and other obligations continue to accrue in respect of the SOF Secured Claim. On or  
14 before August 14, 2009, SOF filed proofs of claim in respect of the Secured Claims.

15 2. From the beginning of these cases, it has been clear a sale of the substantially all of  
16 the Debtors’ assets, consisting principally of the Phoenix Coyotes National Hockey League team  
17 and related assets (the “**Sale**”), should be consummated as quickly as feasible in a transaction that  
18 preserves the going concern value of the enterprise. SOF has generally supported the Sale  
19 process undertaken to date as the optimal means of satisfying its Secured Claim. With respect to  
20 any possible Sale, SOF has espoused, and continues to espouse, a consistent legal position: the  
21 Secured Claim must either be (i) paid in full in cash upon the closing of the transaction or (ii)  
22 modified pursuant to terms otherwise acceptable to SOF. *See, e.g.*, Response and Reservation of  
23 Rights of SOF Investments, L.P., White Tip Investments, LLC and Donatello Investments, LLC  
24 to Possible Sale of Phoenix Coyotes National Hockey League Team and Related Assets to  
25 Glendale Hockey, LLC and Glendale Arena, LLC or Ice Edge Holdings, LLC [Docket # 528], ¶2;

1 Statement of Position of SOF Investments, L.P., White Tip Investments, LLC and Donatello  
2 Investments, LLC Regarding Bid Procedures and Proposed Sale [Docket # 181], ¶5.

3 3. As of the date of this pleading, as disclosed in the Bid Notice, the Debtors have  
4 received three bids that are subject to compete at the auction and sale hearing scheduled for  
5 September 10, 2009 in this Court (the “**Sale Hearing**”). The three bids are from: (1) the National  
6 Hockey League (the “**NHL**” and the proposed transaction, the “**NHL Bid**”), *see* Bid Notice,  
7 Exhibit 1; (2) Ice Edge Holdings, LLC (“**Ice Edge**”, and the proposed transaction, the “**Ice Edge**  
8 **Bid**”), *see* Bid Notice, Exhibit 2; and (3) PSE Sports & Entertainment LP (“**PSE**”, and the  
9 proposed transaction, the “**PSE Bid**”), *see* Bid Notice, Exhibit 3. As described further below,  
10 based on good faith discussions with these three bidders, including, in the case of Ice Edge, the  
11 circulation of a term sheet, SOF is hopeful that one of the above listed conditions will ultimately  
12 be satisfied for each of these three bids. However, each of these bids is presently subject to  
13 numerous contingencies, including, in the case of the PSE, the resolution by the Court of  
14 relocation and ownership issues, in the case of the Ice Edge, agreement with the City of Glendale  
15 as to a modified lease and a financing contingency, and, in the case of Ice Edge and the NHL,  
16 definitive agreements with SOF as to the treatment of the Secured Claim and related issues. As  
17 of the date of this pleading, SOF has not expressed a preference for any of the three bids.  
18 Although some of the contingencies and uncertainties may be resolved in the near future, in light  
19 of the deadline set in the Bid Procedures Order for the filing of objections to any Sale, SOF  
20 hereby submits its Limited Objection for each of the three bids. Furthermore, in light of the fluid  
21 situation, SOF also reserves its rights to supplement this Limited Objection, including to assert  
22 other objections, or to otherwise modify its position or preferences at or prior to the Sale Hearing.

### 23 **Limited Objection**

24 4. To be clear, as of the date hereof, SOF has not consented to the sale of its  
25 collateral within the meaning of Section 363(f)(2) of the Bankruptcy Code. Thus, except in the  
26 case where the Secured Claim is paid in full in cash at closing, the Debtors are not permitted to

1 consummate any of the proposed transactions free and clear of SOF's liens unless the Secured  
2 Claim is modified in a manner acceptable to SOF, such that SOF consents to the Sale. *See Clear*  
3 *Channel Outdoor, Inc. v. Knupfer (In re PW, LLC)*, 391 B.R. 25, 41 (B.A.P. 9th Cir. 2008)  
4 (holding that a sale free and clear of interests cannot proceed under Section 363(f)(3) if the sale  
5 price does not satisfy all secured claims in full, reading "aggregate value of all liens" to mean the  
6 face value, rather than the market value of the collateral).

7 5. With particularity, as to each of the three bids, SOF states the following position in  
8 this Limited Objection:

9 a. Position as to PSE Bid. SOF does not presently object to the closing of the  
10 transaction contemplated by the PSE Bid provided that (i) there are sufficient cash  
11 proceeds, taking into account any relocation fees and other relevant claims that  
12 must be paid from proceeds, to pay off the Secured Claims in full at closing, and  
13 (ii) such transaction closes no later than September 30, 2009, or a later date as may  
14 be agreed to by SOF in writing. As proposed, the PSE Bid does not require the  
15 payment of the Secured Claims at closing. Because of the negative spread on the  
16 interest earnings on any cash proceeds received at closing<sup>1</sup> and the requirement  
17 that SOF's interest in the cash proceeds be adequately protected under sections  
18 363(e), 362(d)(1), 362(d)(2) of the Bankruptcy Code, the cash proceeds should be  
19 paid to SOF at closing rather than retained by the Debtors. If the Court approves  
20 the PSE Bid and the transaction is able to close, SOF will work in good faith with  
21 the parties to calculate the appropriate payoff amount for the Secured Claims.  
22 Accordingly, SOF consents to the PSE Bid only if the order entered by this Court  
23 approving such sale requires that the Secured Claims be paid in full in cash at  
24

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25 <sup>1</sup> The SOF loans bear interest at a regular rate of LIBOR plus 8.25% *per annum* for junior tranche loans (principal  
26 amount of \$55 million) and LIBOR plus 4.00% *per annum* for senior tranche loans (principal amount of \$20 million),  
payable monthly. An additional default rate of 3.00% for the junior tranche loans and 4.00% for the senior tranche  
loans applies.

1 closing. Otherwise, SOF objects to the entry of an order approving such sale to  
2 PSE.

3 b. Ice Edge Bid. SOF has reached a nonbinding agreement in principal with  
4 Ice Edge that contemplates, essentially, (i) a loan in the amount of \$40 million by  
5 means of a rollover or other transaction to Ice Edge as a new borrower for a term  
6 of four years at an agreed interest rate and (ii) the permanent payment in full in  
7 cash at closing of the remainder of the Secured Claims (the “**Ice Edge**  
8 **Restructuring**”). SOF does not object to the closing of the transaction  
9 contemplated by the Ice Edge Bid so long as the parties enter into definitive  
10 documentation for the Ice Edge Restructuring and the transaction closes no later  
11 than September 30, 2009, or a later date as may be agreed to by SOF in writing.

12 c. NHL Bid. The NHL Bid contemplates the “payment or other satisfaction  
13 of all indebtedness owed by [certain of the Debtors] to [SOF]<sup>2</sup> (approximately \$80  
14 million)”.<sup>3</sup> Bid Notice, Exhibit 1, Qualified Bid Letter, dated August 25, 2009. Of  
15 course, as stated above, SOF approves of an order approving the Sale to the NHL  
16 if it provides for the payment in full in cash at closing of the Secured Claims. To  
17 the extent a transaction with the NHL would involve “other satisfaction” of the  
18 Secured Claims, SOF is optimistic that it would be able to agree to acceptable  
19 terms for a substantial paydown on the Secured Claims at closing and a consensual  
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21 <sup>2</sup> Each of SOF Investments, L.P., Donatello Investments, LLC, and White Tip Investments, LLC have asserted claims  
22 against Debtors Coyotes Hockey, LLC, as borrower, and Coyotes Holdings, LLC, as guarantor.

23 <sup>3</sup> The NHL’s draft asset purchase agreement provides in pertinent part that:

24 The Buyers shall pay at the Closing all amounts owed by the Sellers to SOF pursuant to  
25 the SOF Indebtedness, subject to such alternative arrangement as may be agreed upon  
26 prior to the Closing by the Buyers and SOF which results in the satisfaction and/or release  
of all of SOF’s claims against the Sellers.

27 Bid Notice, Exhibit 1, Asset Purchase Agreement Among Coyotes Hockey, LLC, Arena Management Group, LLC,  
Coyotes Newco LLC and Arena Newco, LLC, Draft 8/25/2009, § 2.13.

1 restructuring of the remainder (the “**NHL Restructuring**”), as it has with Ice  
2 Edge, although no agreement has been reached with the NHL as of the date of this  
3 pleading. SOF does not object to the closing of the transaction contemplated by  
4 the NHL Bid provided that (i) either (a) the order entered by this Court approving  
5 such sale requires that the Secured Claims be paid in full in cash at closing or (b)  
6 the parties enter into definitive documentation for an NHL Restructuring and (ii)  
7 such transaction closes no later than September 30, 2009, or a later date as may be  
8 agreed to by SOF in writing.

9 6. SOF fully reserves any and all of its rights with respect to each bid. SOF also  
10 reserves its rights to amend or supplement this Limited Objection between now and the Sale  
11 Hearing and to be heard on any other issue arising in respect of these cases before this Court at  
12 the Sale Hearing or any other hearing in these cases.

13 RESPECTFULLY SUBMITTED, this 1st day of September, 2009.

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