

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA**

Minute Entry

Hearing Information:

Debtor: SKYMALL, LLC FKA SKYMALL, INC.
Case Number: 2:15-BK-00679-BKM **Chapter:** 11
Date / Time / Room: THURSDAY, FEBRUARY 19, 2015 01:30 PM 7TH FLOOR #701
Bankruptcy Judge: BRENDA K. MARTIN
Courtroom Clerk: ELIZABETH IRISH
Reporter / ECR: JO-ANN STAWARSKI

Matters:

- 1) BACK UP HEARING RE: EMERGENCY APPLICATION FOR ENTRY OF ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION OF COHENREZNICK CAPITAL MARKETING SECURITIES, LLC AS INVESTMENT BANKER PURSUANT TO 11 U.S.C. SECTIONS 327 AND 328
R / M #: 21 / 0

- 2) HEARING RE: EMERGENCY MOTION FOR 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
R / M #: 10 / 0

- 3) FINAL HEARING RE: EMERGENCY MOTION FOR INTERIM AND FINAL ORDERS AUTHORIZING THE DEBTORS TO (A) CONTINUE PREPETITION INSURANCE COVERAGE, (B) MAINTAIN PREMIUM FINANCING AGREEMENTS, AND (C) OTHERWISE HONOR PREPETITION OBLIGATIONS RELATED THERETO
R / M #: 11 / 0

- 4) FINAL HEARING RE: EMERGENCY MOTION FOR INTERIM AND FINAL ORDERS UNDER 11 U.S.C. §§ 105(a), 345 AND 363: (A) AUTHORIZING MAINTENANCE AND USE OF DEBTORS EXISTING BANK ACCOUNTS, CASH MANAGEMENT SYSTEM, CREDIT CARD PROCESSING SYSTEM, AND BUSINESS FORMS; AND (B) WAIVING INVESTMENT AND DEPOSIT REQUIREMENTS
R / M #: 9 / 0

- 5) FINAL HEARING RE: EMERGENCY MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS UNDER 11 U.S.C §§ 105, 363, AND 507 AUTHORIZING THE DEBTORS TO CONTINUE TO PAY PRE-PETITION WAGES, COMPENSATION, AND HONOR EMPLOYEE BENEFIT PLANS AND PROGRAMS
R / M #: 12 / 0

Appearances:

JOHN A. HARRIS, ATTORNEY FOR SKYMALL, LLC FKA SKYMALL, INC.
LORI WINKELMAN, ATTORNEY FOR SKYMALL, LLC FKA SKYMALL, INC.
LARRY WATSON, ATTORNEY FOR U. S. TRUSTEE
STEVEN JEROME, ATTORNEY FOR OFFICIAL COMMITTEE OF UNSECURED CREDITORS
JEFFREY COHEN, ATTORNEY FOR OFFICIAL COMMITTEE OF UNSECURED CREDITORS
JIM MILLER, ATTORNEY FOR ARIZONA PUBLIC SERVICE

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Proceedings:

Mr. Harris provides an update. Today is the final hearing on the first day motions. None of the motions were objected to with the exception of the Cohenreznick retention application. He informs the Court that the utilities objection is resolved. There is one adjustment that was made to the wage motion. Ms. Winkelman will move through the motions until the parties get to the Cohenreznick application.

APPLICATION FOR ENTRY OF AN ORDER UNDER 11 U.S.C. §327(a) AUTHORIZING THE EMPLOYMENT AND RETENTION OF QUARLES & BRADY

Ms. Winkelman states no objections were filed. Any issues with the U. S. Trustee have been worked out. She asks for final approval and to be allowed to submit a final order.

Mr. Watson has no issue with regard to the employment.

COURT: THE COURT WILL SIGN A FINAL ORDER.

ITEM 3) FINAL HEARING RE: EMERGENCY MOTION FOR INTERIM AND FINAL ORDERS AUTHORIZING THE DEBTORS TO (A) CONTINUE PREPETITION INSURANCE COVERAGE, (B) MAINTAIN PREMIUM FINANCING AGREEMENTS, AND (C) OTHERWISE HONOR PREPETITION OBLIGATIONS RELATED THERETO

Ms. Winkelman states there are no objections. She asks for final approval.

COURT: THE COURT WILL SIGN THAT ORDER.

ITEM 4) FINAL HEARING RE: EMERGENCY MOTION FOR INTERIM AND FINAL ORDERS UNDER 11 U.S.C. §§ 105(a), 345 AND 363: (A) AUTHORIZING MAINTENANCE AND USE OF DEBTORS EXISTING BANK ACCOUNTS, CASH MANAGEMENT SYSTEM, CREDIT CARD PROCESSING SYSTEM, AND BUSINESS FORMS; AND (B) WAIVING INVESTMENT AND DEPOSIT REQUIREMENTS

Ms. Winkelman states that no objections were filed. The U. S. Trustee filed a position statement. She provides an update. She will include the JPMorgan Chase information in the order. She will route the order to Mr. Watson before uploading it. She will also send all the orders to the Committee counsel before uploading them.

Mr. Watson is in agreement with regard to the cash management. He is working with the debtor to make sure there is no disruption in the business. There will be a stipulated order.

COURT: OKAY.

ITEM 5) FINAL HEARING RE: EMERGENCY MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS UNDER 11 U.S.C §§ 105, 363, AND 507 AUTHORIZING THE DEBTORS TO CONTINUE TO PAY PRE-PETITION WAGES, COMPENSATION, AND HONOR EMPLOYEE BENEFIT PLANS AND PROGRAMS

Ms. Winkelman states that there are no objections. They have agreed to carve out the severance packages to a continued hearing. She asks for a final order with that carved out. She will circulate a final order and submit it.

COURT: THE COURT WILL SIGN IT.

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ITEM 2) HEARING RE: EMERGENCY MOTION FOR 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

Ms. Winkelman provides an update. An objection was filed by APS. There is also a request from Waste Management for a post petition security deposit. The debtor has agreed to provide a deposit to Waste Management. With regard to APS, the parties agreed to pay in monthly payments.

COURT: THE COURT EXPRESSES ITS CONCERNS. THE COURT SEES THAT ALL THE BURDEN IS PLACED ON THE DEBTOR TO PAY WHATEVER THE UTILITY REQUESTS. THE COURT IS HAPPY TO APPROVE THE AGREEMENT WITH APS AND WASTE MANAGEMENT. WITH RESPECT TO THE OTHER UTILITIES, THE COURT WILL ALLOW THE ORDER NOW TO THE EXTENT THAT THEY ARE STAYED FROM TURNING OFF THE ELECTRICITY OR WHATEVER OTHER SERVICE IS BEING PROVIDED. IF THEY COME BACK AND WANT A DEPOSIT, THE COURT WILL HEAR THEM. THIS IS WITHOUT PREJUDICE TO THEM COMING TO THIS COURT AND ASKING FOR SOME RELIEF. THE COURT IS COMFORTABLE WITH STATUS QUO UNLESS SOMEONE BRINGS IT BEFORE THE COURT AND WANTS SOMETHING DIFFERENTLY.

Ms. Winkelman will incorporate that into the order.

ITEM 1) BACK UP HEARING RE: EMERGENCY APPLICATION FOR ENTRY OF ORDER AUTHORIZING THE EMPLOYMENT AND RETENTION OF COHENREZNICK CAPITAL MARKETING SECURITIES, LLC AS INVESTMENT BANKER PURSUANT TO 11 U.S.C. SECTIONS 327 AND 328

Mr. Harris reviews the objection that was filed. He believes the debtor provided enough on the record to approve the application. He reviews what he thinks are the essential things. He explains why it is a benefit to the estate.

Mr. Jerome responds to the Court's questions. They were retained on 02-06-2015. They are in the process of running a conflict search on the mailing list.

Mr. Harris continues discussing the motion and the terms. He responds to the Court's questions. He discusses the Code. If the Court thinks there is additional evidence that is needed, they are ready to do it.

Mr. Watson reviews the indemnification clause in the engagement letter. He discusses the unsecured creditor's committee. He responds to the Court's questions. There is no evidence to the reasonableness of this.

Mr. Cohen addresses the motion and the points made by the U. S. Trustee.

Mr. Miller states this is not relevant to his client. He asks to be excused.

COURT: THE COURT EXCUSES MR. MILLER.

SCOTT WILEY is sworn in and direct examination by Mr. Harris. Cross examination by Mr. Watson. The Court questions the witness.

JEFFREY MANNING is sworn in and direct examination by Mr. Harris. Cross examination by Mr. Watson.

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Re-direct examination by Mr. Harris. Re-cross examination by Mr. Watson.

Mr. Watson has nothing to add. He stands on the objection.

COURT: THE COURT THANKS BOTH SIDES FOR THE RESEARCH AND FOR MAKING COMPELLING ARGUMENTS. THE COURT REVIEWS THE STANDARDS AND PLACES ITS FINDINGS ON THE RECORD. THE COURT DISCUSSES THE RISK AND THE TESTIMONY TODAY. IT IS ORDERED APPROVING, AS THE FINAL ORDER, THE APPLICATION FOR APPOINTMENT OF THE INVESTMENT BANKER.