

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

In Re:)	Case No. 11-42464
HALO WIRELESS, INC.,)	
Debtor.)	Sherman, Texas
)	September 19, 2011
)	
)	SECTION 341 MEETING OF
)	CREDITORS
)	

TRANSCRIPT OF PROCEEDINGS CONDUCTED
BY THE UNITED STATES TRUSTEE

ATTENDEES:

For the U.S. Trustee:	John M. Vardeman OFFICE OF THE UNITED STATES TRUSTEE 110 N. College Street, Suite 300 Tyler, TX 75702 (903) 590-1450 x218
For the Debtor:	E. Paul Keiffer Kim E. Moses WRIGHT GINSBERG BRUSILOV Republic Center, Suite 4150 325 N. St. Paul Street Dallas, TX 75201 (214) 651-6517
For Texas and Missouri Telephone Companies:	Brook B. Brown MCGINNIS, LOCHRIDGE & KILGORE, LLP 600 Congress Avenue, Ste. 2100 Austin, TX 78701 (512) 495-6000
For TDS Telecom:	Cassandra A. Sepanik David M. Bennett THOMPSON & KNIGHT, LLP One Arts Plaza 1722 Routh Street, Suite 1500 Dallas, TX 75201 (214) 969-1700

1 For AT&T: Toby L. Gerber
2 FULBRIGHT & JAWORSKI, LLP
2200 Ross Avenue, Suite 2800
3 Dallas, TX 75201-2784
(214) 855-8000

4 Transcription Service: Kathy Rehling
209 Bay Circle
5 Coppell, TX 75019
6 (972) 304-1998
7
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1 SHERMAN, TEXAS - SEPTEMBER 19, 2011

2 MR. VARDEMAN: This is the meeting of creditors in
3 Bankruptcy Case No. 11-42464, Halo Wireless, Inc. That's the
4 name of the debtor. The Debtor's attorney is Mr. Paul
5 Keiffer, and also Ms. Kim Moses. Both of those are present
6 today. The Debtor's representatives are Russell Wiseman and
7 Jeff Miller. I have checked their driver's licenses, for the
8 record.

9 Mr. Wiseman and Mr. Miller, my name is John Vardeman.
10 I'm an attorney with the U.S. Trustee's Office. I need to
11 swear you in and ask you some questions. Please raise your
12 right hand as I swear you in, and please answer all of my
13 questions out loud. We are recording this.

14 (Mr. Wiseman and Mr. Miller are sworn.)

15 MR. VARDEMAN: And Mr. Wiseman, what is your
16 capacity with the Debtor?

17 MR. WISEMAN: President and Chief Operating Officer.

18 MR. VARDEMAN: And Mr. Miller?

19 MR. MILLER: Chief Financial Officer.

20 MR. VARDEMAN: Okay. Did you help Mr. Keiffer and
21 Ms. Moses in the preparation of the bankruptcy petition, the
22 schedules, and the Statement of Financial Affairs filed in
23 this case?

24 MR. WISEMAN: Yes.

25 MR. MILLER: Yes.

1 MR. VARDEMAN: Is all of the information contained
2 in the bankruptcy filing true and correct?

3 MR. WISEMAN: Yes, to our knowledge.

4 MR. MILLER: Yes.

5 MR. VARDEMAN: Did you list all of the Debtor's
6 assets?

7 MR. WISEMAN: Yes.

8 MR. MILLER: Yes.

9 MR. VARDEMAN: Did you list all of the Debtor's
10 liabilities?

11 MR. WISEMAN: Yes.

12 MR. MILLER: Yes.

13 MR. VARDEMAN: Is there anything in the bankruptcy
14 filing that needs to be changed or corrected at this point?

15 MR. WISEMAN: No.

16 MR. MILLER: No.

17 MR. VARDEMAN: Okay. Mr. Keiffer, as I understand,
18 the Debtor was provided approximately \$50,000 as a retainer
19 in this case. Is that correct?

20 MR. KEIFFER: Correct. Of which \$42,000 was filed
21 with the -- as the actual retainer. The \$8,000 was pre --
22 earned prepetition.

23 MR. VARDEMAN: All right. And there is an
24 application to employ on file. Is that correct?

25 MR. KEIFFER: Already granted.

1 MR. VARDEMAN: Are there going to be any other
2 professionals hired in this case?

3 MR. KEIFFER: There are already two professionals
4 employed by the Court. There are two that remain at issue.

5 MR. VARDEMAN: These are special counsel?

6 MR. KEIFFER: Correct.

7 MR. VARDEMAN: Any CPAs or Realtors or anything, --

8 MR. KEIFFER: No.

9 MR. VARDEMAN: -- valuation experts?

10 MR. KEIFFER: Not at this juncture.

11 MR. VARDEMAN: All right. Where is the debtor in
12 possession account located?

13 MR. MILLER: Wells Fargo.

14 MR. VARDEMAN: Are there any other accounts still
15 open that the Debtor has an interest in?

16 MR. MILLER: No, sir.

17 MR. VARDEMAN: How much money does the Debtor have?
18 Everything?

19 MR. KEIFFER: Today, or on the date of --

20 MR. VARDEMAN: Today. Approximately.

21 MR. MILLER: I don't know that. I mean, --

22 MR. VARDEMAN: Mr. Wiseman, do you know?

23 MR. WISEMAN: I do not know, no.

24 MR. VARDEMAN: Okay. How would you find out?

25 MR. MILLER: I'd just call. I mean, I know at the

1 end of August there was roughly \$300,000 in the account.

2 MR. GERBER: Could you speak up a bit?

3 MR. MILLER: Sure.

4 MR. GERBER: And say it again?

5 MR. MILLER: Sure. At the end of August, there was
6 roughly \$300,000 on the books.

7 MR. VARDEMAN: Is there a cash collateral issue in
8 this case?

9 MR. KEIFFER: No.

10 MR. VARDEMAN: The case was filed on August the 8th.
11 I believe, then, the monthly operating report would be first
12 due tomorrow, on September the 20th, and every 20th of the
13 month thereafter.

14 MR. KEIFFER: Correct. And working on it now.
15 People are working on it now. We should get our first draft
16 this afternoon.

17 MR. VARDEMAN: Are you operating a business?

18 MR. MILLER: Yes.

19 MR. VARDEMAN: Okay. How many employees --

20 MR. KEIFFER: Try to be a little more forceful in
21 your --

22 MR. VARDEMAN: Yeah. We are recording it.

23 MR. MILLER: I'm sorry. Okay.

24 MR. VARDEMAN: How many employees?

25 MR. MILLER: Two employees, and 15 -- 15 --

1 MR. WISEMAN: Contractor/consultants included, or
2 just employees?

3 MR. VARDEMAN: Just employees.

4 MR. MILLER: Two.

5 MR. VARDEMAN: Are you the two employees?

6 MR. WISEMAN: No. Well, he is.

7 MR. MILLER: I am a --

8 MR. VARDEMAN: Okay. And who's the other employee?

9 MR. MILLER: Carolyn Malone.

10 MR. VARDEMAN: All right. Are your wages current
11 since the date of the bankruptcy?

12 MR. MILLER: Yes.

13 MR. VARDEMAN: Tax withholding?

14 MR. MILLER: Yes.

15 MR. VARDEMAN: All the bills that have come due
16 since the date of the bankruptcy, are those current?

17 MR. MILLER: Yes. All right. Can you --

18 MR. KEIFFER: We usually say all the bills that have
19 accrued postpetition and are due currently, we have. There
20 may have been other bills that have come due, but the split,
21 we've -- we'll take the pre and post and take care of that.

22 MR. VARDEMAN: Is it the same answer?

23 MR. MILLER: Yes.

24 MR. VARDEMAN: Okay. Are there any officers that
25 are being compensated? Are you being compensated?

1 MR. MILLER: Yes.

2 MR. VARDEMAN: All right. And how much are you
3 compensated, Mr. Miller?

4 MR. MILLER: \$500 a month.

5 MR. VARDEMAN: Is that it?

6 MR. MILLER: Yes.

7 MR. VARDEMAN: Mr. Wiseman?

8 MR. WISEMAN: Yes, sir?

9 MR. VARDEMAN: Are you being compensated?

10 MR. WISEMAN: Yes.

11 MR. VARDEMAN: How much?

12 MR. WISEMAN: As -- I'm not an employee.

13 MR. VARDEMAN: As an officer?

14 MR. WISEMAN: My annual compensation through my
15 employer is \$200,000 a year.

16 MR. VARDEMAN: Who is your employer?

17 MR. WISEMAN: Source Communications of America.

18 MR. VARDEMAN: All right. Do you receive any
19 compensation from Halo Wireless?

20 MR. KEIFFER: Directly?

21 MR. WISEMAN: Directly? No.

22 MR. VARDEMAN: Okay. Any other officers that
23 receive compensation?

24 MR. MILLER: Carolyn Malone.

25 MR. KEIFFER: Is she an officer or an employee?

1 MR. MILLER: She's an officer and an employee.

2 MR. KEIFFER: All right.

3 MR. VARDEMAN: How much does she get?

4 MR. MILLER: \$500 a month.

5 MR. VARDEMAN: Where do you carry your casualty and
6 liability insurance?

7 MR. MILLER: I'd have to look it up.

8 MR. KEIFFER: I don't know that there's a statement
9 on it. Do you recall, Kim? Do we pay any -- we sent the
10 data to them.

11 MR. VARDEMAN: You've provided that to our office?

12 MR. KEIFFER: Yes. We provided that --

13 MR. VARDEMAN: Okay. Then I'll waive that question
14 for the time being until we have a chance to look at that.

15 Okay. Franchises and licenses: Are there franchises and
16 licenses that the Debtor has?

17 MR. WISEMAN: Would you consider the radio station
18 authorization from the FCC a license?

19 MR. VARDEMAN: I would.

20 MR. KEIFFER: Yes.

21 MR. WISEMAN: Off the top of my head, that's the
22 only one I can think of.

23 MR. VARDEMAN: FCC license? Is there just one?

24 MR. WISEMAN: Yes.

25 MR. VARDEMAN: Are you current with your obligations

1 on that?

2 MR. WISEMAN: There are no obligations on it.

3 MR. KEIFFER: We do have another license listed on
4 Schedule B-23 as Ameliowave software license.

5 MR. VARDEMAN: Okay.

6 MR. KEIFFER: But that's -- I don't know if -- you
7 know, that depends upon whether you consider your Microsoft
8 operating system license as a license.

9 MR. VARDEMAN: Okay. All right.

10 MR. MILLER: Right. It's just a software license.

11 MR. VARDEMAN: Right. Mr. Keiffer, very briefly,
12 tell me how we got here and where we're going. I think
13 everybody knows, though.

14 MR. KEIFFER: Everybody knows and everybody has
15 their opinions on whether they agree with how I put it or
16 not. But the Debtor was facing or involved in at least 20
17 actions in 10 different states, in either public utilities
18 commissions, public service commissions, state district or
19 U.S. district courts, some of which the Debtor brought
20 themselves but most of which they had not, the vast majority
21 they had not.

22 Regarding the nature of the Debtor's operations, that 20
23 -- and, again, continued to increase; it was moving up in
24 time -- litigation sequence was crippling to the Debtor's
25 prospects. The Debtor could not continue, did not have the

1 There may be interim decisions that may make one thing happen
2 and you have to operate under that, but there'll be appellate
3 rights. This matter will not, I suspect, when the first
4 judge makes the first statement about -- at the first battle,
5 that that will be the end of it. I suspect we'll be going up
6 as far as these -- as circumstances will allow us.

7 MR. VARDEMAN: Okay. All right. I understand.

8 Okay. How many creditor groups do we have represented
9 here? If you'll please raise your hand. Okay. I see four
10 hands. Okay. What I'll do is I'll divide your time up ten
11 minutes at a time and we'll go that way and see where we get
12 from at that point.

13 I think we all sat in on the hearing the other day. I
14 know what the issues are in this case. Please understand
15 that the scope of the 341 is basically to find out about the
16 Debtor's assets, liabilities, income and expenses, and their
17 schedules. So let's please limit the questions to those
18 items.

19 It's always ladies first. Ma'am, you're first. Your
20 name and who do you represent?

21 MS. BROWN: Brook Brown.

22 MR. VARDEMAN: Okay.

23 MS. BROWN: And I represent the Texas and Missouri
24 Telephone Companies.

25 MR. VARDEMAN: Do you have questions for the Debtor?

1 MS. BROWN: Yes, I do. Pull up a chair?

2 MR. VARDEMAN: You may. That would be the easiest
3 thing to do.

4 MS. BROWN: Thank you.

5 MR. VARDEMAN: Okay. Go ahead.

6 MS. BROWN: Thank you. Mr. Wiseman and Mr. Miller,
7 could you turn to Schedule B? And can you tell me: Are the
8 base stations with which Halo connects with Transcom, are
9 they shown on this Schedule B?

10 MR. WISEMAN: The base stations that Halo connects
11 to Transcom with? The Halo base stations are leased through
12 a company called SAT Net. So the leasing arrangements are
13 included in the schedules, but the assets themselves are
14 owned by a company called SAT Net.

15 MR. KEIFFER: The SAT Net reference is in Schedule
16 G. And there is a reference at that point in Schedule G that
17 there's an issue of whether it is or isn't a lease. We
18 reserve that point.

19 MS. BROWN: Okay. What is the annual amount of that
20 lease?

21 MR. MILLER: Well, the current payment terms are
22 \$165,000 a month for 12 months.

23 MR. KEIFFER: It would be about \$1,900,000 to \$2
24 million?

25 MR. MILLER: Right. The current --

1 MR. KEIFFER: For an annual.

2 MR. MILLER: The current obligation --

3 MS. BROWN: A month for nine months, did you say?

4 I'm sorry.

5 MR. MILLER: Twelve. Twelve months.

6 MS. BROWN: For 12 months? And when was that --

7 that contract was entered into June 1 of 2010?

8 MR. MILLER: If that's what it says here, that's
9 correct.

10 MS. BROWN: Okay. And SAT Net is also an affiliate
11 of the Debtor?

12 MR. KEIFFER: Under bankruptcy definitions, we
13 believe that to be the case.

14 MS. BROWN: Okay. Mr. Miller, are you president of
15 SAT Net?

16 MR. MILLER: I am.

17 MS. BROWN: Are you an employee of SAT Net?

18 MR. MILLER: I am.

19 MS. BROWN: And Ms. Malone is Secretary/Treasurer of
20 SAT Net?

21 MR. MILLER: She is.

22 MS. BROWN: Are there any other common directors or
23 owners or investors between SAT Net and Halo?

24 MR. MILLER: There are.

25 MS. BROWN: Who are they, please?

1 MR. MILLER: Gary Shapiro, Tim Terrell and Scott
2 Birdwell.

3 MS. BROWN: And where are these base stations
4 located? What is the physical address?

5 MR. MILLER: There's a schedule in the documents
6 that lists the exact address.

7 MS. BROWN: Could you identify that for me, please?

8 MR. MILLER: Okay. Exhibit G-1 is the -- is 27 of
9 the 28 tower site addresses. There is one additional site in
10 Enid, Oklahoma. I don't know that we have the address listed
11 here, but if you need the address I can provide it.

12 MS. BROWN: So is it your -- are you saying that
13 there is a Halo-owned or operated base station at each of the
14 addresses listed on Exhibit G-1?

15 MR. MILLER: Halo has tower leases in each of those
16 locations --

17 MS. BROWN: That's not my question.

18 MR. MILLER: -- from which it operates the base
19 stations which are leased from SAT Net.

20 MS. BROWN: Let me ask my question again. Are the
21 base stations that Halo uses to connect with Transcom, are
22 those base stations physically located at the addresses
23 listed on G-1?

24 MR. MILLER: Yes.

25 MS. BROWN: And I believe that those tower leases

1 are also leases, right, not Halo assets?

2 MR. MILLER: Those are leases. And --

3 MR. KEIFFER: I don't know if I'm going to

4 characterize the leases as being assets are not, but

5 nonetheless they are leases.

6 MS. BROWN: They're not physical property owned by

7 -- the towers are not owned by Halo?

8 MR. MILLER: That's correct.

9 MS. BROWN: They're leased?

10 MR. WISEMAN: Space on the towers are leased. The

11 towers themselves.

12 MS. BROWN: And who are they leased by? Are they

13 leased in Halo's name? Does Halo hold the lease?

14 MR. MILLER: Yes.

15 MS. BROWN: And who is the lessor?

16 MR. MILLER: American Tower in 27 of the locations,

17 and SBA Communications in one of them.

18 MS. BROWN: And who is the second? I'm sorry.

19 MR. MILLER: SBA Communications. That's the one in

20 Enid, Oklahoma.

21 MR. KEIFFER: That's the one we need to add.

22 MS. MOSES: No, it's listed.

23 MR. WISEMAN: It's listed?

24 MR. KEIFFER: In G.

25 MS. MOSES: It's just listed separately.

1 MR. KEIFFER: Yeah. Rural telephonic service. It's
2 been out there forever.

3 MR. WISEMAN: It's a fee that any common carrier has
4 to pay to subsidize rural services across the -- every
5 carrier pays it.

6 MR. KEIFFER: Every carrier. Any phone bill you'll
7 get, you'll see one.

8 MR. WISEMAN: It's not an optional thing.

9 MS. SEPANIK: So there's no contract?

10 MR. KEIFFER: Correct.

11 MR. WISEMAN: No.

12 MR. KEIFFER: I think it's statutory.

13 MR. WISEMAN: We report our --

14 MS. SEPANIK: It's statutory?

15 MR. WISEMAN: We report our revenues and they --
16 it's like any other tax obligation. There's schedules based
17 on your revenues. You pay the fees.

18 MR. KEIFFER: That's why it's on Schedule E, because
19 it's a statutory obligation.

20 MS. SEPANIK: Right. Yeah.

21 MR. KEIFFER: An excise tax --

22 MS. SEPANIK: Uh-huh.

23 MR. KEIFFER: -- is what it's been characterized to
24 be similar to.

25 MS. SEPANIK: Uh-huh.

1 MR. BENNETT: And is 100 percent of that thought to
2 be priority?

3 MR. KEIFFER: There's -- yeah. I don't think
4 there's any subdivision, David, for them that they've got to
5 do part of it's priority, and what's not. I think it's just
6 like, everything Uncle Sam has, it's all priority.

7 MR. WISEMAN: Yeah.

8 MR. KEIFFER: Okay.

9 MR. VARDEMAN: A couple of more questions.

10 MS. SEPANIK: That's it.

11 MR. VARDEMAN: Okay. Mr. Gerber, do you have any
12 other questions?

13 MR. GERBER: If you don't mind, sir.

14 Mr. Wiseman, who do you report to in your capacity as an
15 officer of the Debtor?

16 MR. WISEMAN: I report to a management committee of
17 the investor-owners.

18 MR. GERBER: Okay. And who is -- who sits on that
19 management committee?

20 MR. WISEMAN: It's Scott Birdwell, Jake Miller,
21 Carolyn Malone. Occasionally the major investors have
22 participated in that.

23 MR. GERBER: And who are those -- would you just
24 name those major investors?

25 MR. WISEMAN: Tim Terrell and Gary Shapiro.