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8 UNITED STATES BANKRUPTCY COURT
9 WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

10 In re:
11 NORTHWEST TERRITORIAL MINT, LLC,
12 Debtor.

Case No. 16-11767-CMA
DECLARATION OF DAVID C. NEU
IN SUPPORT OF TRUSTEE'S
MOTION FOR ORDER
AUTHORIZING THE AUCTION AND
SALE OF THE DEBTOR'S
EQUIPMENT, DIES, TOOLING,
ARCHIVES, AND INVENTORY FREE
AND CLEAR OF ALL LIENS,
CLAIMS, INTERESTS, AND
ENCUMBRANCES

17 I, David C. Neu, hereby declare as follows:

18 1. I am a partner in the law firm of K&L Gates LLP ("K&L Gates") and am duly
19 authorized to practice law in this Court. I submit this declaration in support of the Trustee's Motion
20 for Order Authorizing the Auction and Sale of the Debtor's Equipment, Dies, Tooling, Archives, and
21 Inventory Free and Clear of All Liens, Claims, Interests, and Encumbrances (the "Motion")
22 (Dkt. No. 1350). I am over the age of eighteen and I am competent in all ways to testify. Unless
23 otherwise stated herein, I make the following statements based upon my personal knowledge.
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DECLARATION OF DAVID C. NEU IN SUPPORT TRUSTEE'S
MOTION FOR ORDER AUTHORIZING AUCTION - 1
501016309 v7

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1 2. K&L Gates is legal counsel for Mark Calvert, as Chapter 11 Trustee (the “Trustee”) in
2 this bankruptcy case. In that capacity, K&L Gates represented the Trustee in the adversary proceeding
3 captioned *Medallic Art Company, LLC v. Mark Calvert*, Adversary Proceeding No. 16-01196-CMA
4 (the “Medallic Adversary Proceeding”).

5 3. Attached hereto as Exhibit A is a copy of the final judgment entered by this Court on
6 May 3, 2017, in the Medallic Adversary Proceeding.

7 4. Attached hereto as Exhibit B is a copy of the purchase and sale agreement between
8 Medallic LTD and Ross Hansen dated July 2, 2009 (the “Medallic APA), found in this case at
9 Dkt. No. 306-1.

10 5. On April 29, 2016, I issued a subpoena (the “Tax Subpoena”) to Kenneth G. Bussey,
11 CPA and Rhodes & Associates, P.L.L.C. (“Rhodes”). Rhodes was the accounting firm utilized by
12 Ross Hansen, Medallic Art Limited Partnership (“Medallic LP”), Medallic Art Company, LLC
13 (“MACLLC”), and Northwest Territorial Mint, LLC (“NWTM”) to prepare their tax returns. The
14 Tax Subpoena requested production of all tax returns prepared and filed by Rhodes. In response to
15 the Tax Subpoena, Rhodes produced, among other returns, tax returns for MACLLC for the years of
16 2009 through 2013 (the “MACLLC Tax Returns”), a tax return for Medallic LP for 2009, and
17 supporting financial statements used by Rhodes to prepare the returns. Copies of the MACLLC
18 Returns are attached as Exhibits C-G.

19 6. The Medallic LP tax return for calendar year 2009 reflects that Medallic LP had no
20 assets as of year end 2009. A copy of the Medallic LP 2009 return is attached as Exhibit H. The
21 Medallic LP tax return is marked as a “final return.”

22 7. The MACLLC Tax Return for calendar year 2009 contains a Depreciation and
23 Amortization Schedule (Form 4562) showing a depreciation deduction in the amount of \$129,767 for
24 business equipment with a basis of approximately \$2,000,000. Each subsequent tax return shows
25 depreciation deductions for business equipment.

1 8. In addition to the MACLLC Tax Returns, Rhodes produced financial statements for
2 MACLLC for the years of 2009, 2011, and 2012 together with worksheets used by Rhodes to
3 calculate depreciation (collectively, the “MACLLC Financial Statements”). Copies of the MACLLC
4 Financial Statements produced by Rhodes are attached hereto as Exhibit I-K.

5 9. The MACLLC Financial Statements for 2011 and 2012 contain item-specific lists of
6 the equipment owned by MACLLC for which depreciation deductions were being calculated. A
7 review of the list of equipment shows that it is the same equipment which was sold pursuant to the
8 Medallic APA. For example, the first several items listed in the schedule of sold assets in the
9 Medallic APA includes the following equipment:

- 10 • 6 K600 ton pressing and tooling;
- 11 • 3 K360 ton pressing and tooling;
- 12 • 1 CME3 HME Automatic 360 ton Press with tooling;
- 13 • 1 1000 ton automatic production S&K Press and tooling;
- 14 • 1 1250 ton hydraulic press with tooling;
- 15 • 2 18” Annealing Ovens with 100 gal ammonia tank;
- 16 • 1 Induction melting station with cooling system and dust collector;
- 17 • 1 900 ton Extrusion Press with induction billet heater.

18 The equipment inventory contained in the MACLLC Financial Statements list the exact same
19 equipment in the exact same order.¹ Moreover, the overlap of the schedule to the Medallic APA and
20 the equipment inventory in the MACLLC Financial Statements does not stop after the equipment
21 listed above, but continues on. It is clear that the equipment listed in the MACLLC Financial
22 Statements is the same equipment purchased pursuant to the Medallic APA.

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25 ¹ Albeit the presses listed as K600 on the Medallic APA schedule are listed as K300 in the financial
statements. Presumably one or the other was in error.

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10. On October 20, 2016, the Trustee filed the *Declaration of Annette Trunkett in Support of Trustee's Motion for Summary Judgment on Dayton Lease Ownership Rights* (Adv. Pro. Dkt. No. 20). As described therein, the profit and loss statements for MACLLC show that MACLLC recorded rental income, described as "MAC Equipment Rental" beginning in 2009. A copy of the declaration is attached as Exhibit L.

I declare under penalty of perjury that the foregoing is true and correct.

EXECUTED this 7th day of February, at Seattle, Washington.

/s/ David C. Neu
David C. Neu

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CERTIFICATE OF SERVICE

The undersigned declares as follows:

That she is a paralegal in the law firm of K&L Gates LLP, and on February 7, 2018, she caused the foregoing document to be filed electronically through the CM/ECF system which caused Registered Participants to be served by electronic means, as fully reflected on the Notice of Electronic Filing.

I declare under penalty of perjury under the laws of the State of Washington and the United States that the foregoing is true and correct.

Executed on the 7th day of February, 2018 at Seattle, Washington.

/s/ Denise A. Lentz
Denise A. Lentz