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Honorable Christopher M. Alston
Chapter 11
Hearing Location: Seattle, Rm. 7206
Hearing Date: Friday, December 7, 2018
Hearing Time: 9:30 a.m.
Response Date: November 30, 2018

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8 UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

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

Case No. 16-11767-CMA
TRUSTEE'S FIRST APPLICATION FOR
COMPENSATION

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13 **INTRODUCTION**

14 Mark Calvert, ("Calvert") the duly appointed Chapter 11 Trustee for Northwest Territorial
15 Mint, LLC (the "Trustee"), hereby submits this Trustee's First Application for Compensation and
16 Reimbursement of Expenses (the "Trustee Application" or "Application").¹ This Application is
17 supported by the Declaration of Mark Calvert, filed contemporaneously herewith.

18 This chapter 11 case has been extraordinarily complex and difficult. The Debtor's business
19 involved the sale of precious metals, principally gold, silver and palladium and the custom minting
20 of medallions, coins and awards. The Debtor claimed to be the largest private mint in the United
21 States. The Trustee took control over the estate under extreme circumstances. At the time of the
22 Trustee's appointment, the Debtor had more than \$25 million in unfulfilled bullion orders, had little

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24 ¹ The Trustee previously submitted an application for fees and expenses in compliance with the Court's direction that the
25 Trustee, Trustee's Counsel, and Cascade Capital Group LLC ("Cascade") file fee applications and set them for hearing
26 on October 6, 2017 (the "2017 Applications"). In the 2017 Applications the Trustee and other professionals requested
that the Court defer ruling on allowance or payment of fees. This Application supersedes and replaces the 2017 Trustee
application and expands the timeframe for services to the period April 2016 through September 2018.

1 cash resources and had inadequate financial reporting and cash management systems. The Debtor
2 had not prepared financial statements or filed tax returns for more than five years. The Debtor had
3 more than 240 employees and was operating from seven locations in six states. There were more
4 than 3000 creditors, and hundreds of inquiries from those creditors regarding the status of the
5 company and their claims.

6 The Debtor sold, leased and stored precious metal inventory for its customers. The Debtor's
7 procedures and safeguarding and accounting for stored and leased inventory were inadequate and it
8 soon became apparent that a significant amount of leased and stored inventory was not in the
9 possession of the Debtor at the time the Trustee took control. The Trustee immediately took steps to
10 secure and inventory all precious metal inventory on hand and initiated a process for returning
11 customer owned inventory.

12 On his appointment, the Trustee focused his efforts on preserving and realizing on the
13 enterprise value of the business of the bankruptcy estate for the benefit of creditors. Since the very
14 inception of the bankruptcy case the Trustee and the creditors' committee were aware that there
15 would be no return to unsecured creditors in this case, absent preservation of the enterprise value of
16 the business. The Trustee exerted every possible effort to preserve the value of the custom minting
17 business, but ultimately was unable to do so due to lack of sales revenue growth.

18 The Trustee exerted every possible effort to sell the custom minting business as a going
19 concern, but was unable to obtain an offer that would achieve that result. After exhausting all
20 possibilities to preserve and reorganize the business or liquidate it as a going concern, the Trustee
21 closed the business and turned his efforts to a wholesale liquidation of the remaining assets of the
22 estate through ordinary course sales and court approved sales of various blocks of assets. The large
23 majority of the assets of the estate have been liquidated.

24 The case is administratively insolvent by a large margin. There are relatively few remaining
25 assets to administer. The large majority of the administrative claims, other than those of
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1 professionals, have been paid in the ordinary course of the Debtor's business or have been resolved
2 and paid through court approved settlements. The Court established an administrative claims bar
3 date. There are only eight filed administrative claims that remain unpaid. The Trustee has proposed
4 resolutions for each of the remaining administrative claims which would allow them to receive a
5 final distribution in the case. The Trustee will continue to administer the remaining assets of the
6 estate with the goal of concluding the case before year end 2019.

7 CASE OVERVIEW

8 **A. Appointment of the Trustee**

9 Northwest Territorial Mint, LLC (the "Debtor" or "NWTM"), is a Washington limited
10 liability company that was formed in 2002 by Ross Hansen, who is the Debtor's sole 100% member.
11 Hansen at all times prior to the appointment of the Trustee exercised complete and total operational
12 control over the Debtor. The Debtor sold medals and gold coins, manufactured commemorative
13 medals and ribbons, purchased and sold precious metals, including gold and silver bullion, and
14 stored precious metals in vaults maintained in Federal Way, Washington, and Dayton, Nevada. Prior
15 to the commencement of this Bankruptcy Case, the Debtor had 241 employees and a monthly payroll
16 of approximately \$630,000.

17 On April 1, 2016, the Debtor filed a voluntary petition for relief under chapter 11 of the
18 Bankruptcy Code. The Trustee was appointed over the bankruptcy estate of NWTM on April 11,
19 2016. The Trustee quickly discovered that the Debtor's business was in a state of duress and was
20 losing money daily. The Debtor had a severe cash shortfall and was at risk of not being able to pay
21 operating expenses. As of the petition date there was approximately \$1,000 of cash in the Debtor's
22 bank accounts.

23 The Trustee learned that the bullion operations had accumulated approximately \$25 million
24 in unfulfilled customer orders and that the company was without the inventory or cash resources to
25 fulfill those orders. The bullion operations had Ponzi attributes for the past 7 years in which new
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1 customer deposits were used to fill older customer orders. The Trustee's initial investigation of the
2 Debtor's financial affairs revealed that the many of the Debtor's financial records were missing or
3 never kept and there was a severe lack of internal controls for a gold and silver bullion operation.

4 Upon his appointment, the Trustee immediately secured all the precious metal assets in all
5 locations of the estate. The Trustee changed building locks, changed vault combination codes, and
6 limited access rights to the storage vaults for the precious metals. In addition, the Trustee took
7 detailed inventories and preserved photographic evidence of the metal inventory that was on hand at
8 the time of his appointment. The Trustee also captured a video record of all people that entered the
9 Dayton vault through the completion of the Trustee's physical inventory. That video was
10 subsequently provided to the FBI.

11 After considerable investigation and efforts to determine whether there was additional
12 inventory in the hands of third parties, the Trustee determined that there was approximately \$12.9
13 million in missing precious metal inventory as of the date of the Trustee's appointment. The missing
14 inventory included approximately \$5 million of missing precious metal storage inventory,
15 approximately \$5.4 million of missing leased metal inventory, approximately \$1.1 million of
16 missing inventory which was the property of a custom minting customer, approximately \$540,000 of
17 precious metal inventory provided by customers to complete custom orders, and approximately
18 \$860,000 in missing gold sent to the Debtor's Federal Way facility to be sold on a consignment
19 basis.

20 The Trustee took extensive and careful efforts to identify all precious metal that belonged to
21 individual creditors. The Trustee located only approximately \$.9 million in gold, silver, and precious
22 metals that he was able to obtain sufficient support to confirm the ownership of and return, after
23 verifying whether certain creditors had been paid and/or owed sums to the estate. This was not a
24 simple task, as in certain instances, the Trustee found inventory with a customer name on the
25 precious metals when, in fact, the customer had been paid in full for the precious metals. The Trustee
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1 filed motions to return the precious metals segregated and identified as belonging to customers. The
2 Trustee submitted multiple supplemental declarations in support of the motions establishing that the
3 inventory sought to be returned was, in fact, owned by the individuals to whom the Trustee sought to
4 return such inventory. As a result, all of the inventory that the Court authorized the Trustee to return
5 has now been returned to creditors. The Trustee is not aware of any additional inventory which was
6 owned by customer which has not been returned to that customer. Substantially all remaining
7 precious metal inventory held by the Debtor has been liquidated.

8 **B. The Trustee Stabilized the Value of the Debtor**

9 The Trustee was faced with significant operational pressures. He was compelled to close the
10 bullion trading operations and the Graco operations and layoff other staff in order to manage the
11 cash resources of NWTM and to stabilize the Debtor's business operations. Given the dire condition
12 of the Debtor's business, the Trustee was immediately faced with the decision of whether to (a)
13 cease the Debtor's operations and force an immediate liquidation of the company, or (b) attempt to
14 stabilize the business over the coming months in order to either reorganize or sell the Debtor's
15 business in an orderly fashion. The Trustee concluded that if the Debtor's assets were to be
16 immediately liquidated, creditors would receive little or no recovery. In fact, the only creditors who
17 would have received any distribution might have been priority claimants—principally employees,
18 landlords and other administrative creditors. The Trustee, in consultation with the creditors'
19 committee, decided to stabilize the business in order to give the creditors of the estate an opportunity
20 to obtain a meaningful recovery. The Trustee evaluated the enterprise value of the company and
21 estimated that, if the going concern value of the company could be preserved there could be in the
22 range of \$15 million to \$17 million to return to creditors in this case which would achieve a material
23 return to the estate's three thousand creditors.

24 The Trustee took efforts to reduce expenses by consolidating the Debtor's business
25 operations and worked to increase sales. The Trustee sold the Debtor's Graco business in order to
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1 generate cash to preserve other aspects of the Debtor's business. The Trustee communicated with
2 multiple interested purchasers regarding the sale of the Graco business. On May 6, 2016, the Trustee
3 filed a motion for approval of the sale of its assets related to the Graco business (the "Sale Motion")
4 (Dkt. No. 200). The Sale Motion requested that the Court approve the sale of the Graco-related
5 assets to Tom Tucker and Larry Cook, representing a to-be-formed entity ("Tucker/Cook"). Before
6 the hearing on the Sale Motion, Ira Green, Inc. ("Ira Green") came forward with what the Trustee
7 concluded was a higher and better offer for the assets. On May 27, 2016, the Trustee conducted an
8 auction of the Graco assets and selected Ira Green as the prevailing bidder. On June 2, 2016, the
9 Court approved the sale of the assets to Ira Green for \$1,000,000.00, over the objection of Mr.
10 Hansen, who claimed that some of the assets sold were assets owned by Medallion Art Company,
11 LLC.

12 The Trustee significantly reduced the leased property expenses of the Debtor, by closing a
13 number of locations and consolidating operations into two locations. The Trustee rejected the
14 Debtor's lease for real property in Tomball, Texas, as well as its lease for real property in Federal
15 Way, Washington. The Trustee entered into a new lease in Kent, Washington, to house the corporate
16 offices of the company. The lease in Federal Way was expensive (approximately \$26k per month)
17 and was for more space than the Debtor needed. Much of the space in Federal Way was unused by
18 the Debtor on account of the Trustee's elimination of the Debtor's bullion trading operations. The
19 rejection of the Federal Way lease and execution of the new lease in Kent resulted in significant cost
20 savings (approximately \$20k per month) to the estate but not until September of 2016. Thus, the
21 estate was burdened with bullion trading operational expenses when the estate had no bullion trading
22 revenues. The Trustee also negotiated a new lease for a reduced amount of space at the Debtor's
23 Green Bay premises, saving approximately \$2k per month. The Trustee closed the operations in
24 Auburn, Washington and moved those operations to Dayton, Nevada and rejected the Auburn lease,
25 saving approximately \$16k per month. On December 30, 2016, the Trustee filed a motion for
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1 authority to retain Mr. Bill M. Atalla as Chief Executive Officer for the Debtor. The Trustee hired
2 Mr. Atalla to grow the sales of the Debtor’s custom mint business and maximize the enterprise value
3 of the company. Unfortunately the sales growth never materialized and the Trustee was forced to
4 close the business as a result.

5 **C. Trustee’s Resolution of Prepetition Litigation**

6 At the time of the Trustee’s appointment, the Debtor was engaged in multiple lawsuits and
7 disputes, including disputes with governmental entities which were not stayed by the bankruptcy
8 automatic stay. The Trustee sought to avoid litigation expense by achieving settlements which were
9 approved by the Court with the Nevada Department of Environmental Protection (“NDEP”) and the
10 Equal Employment Opportunity Commission (“EEOC”). The EEOC had sued the Debtor prepetition
11 in the United States District Court for the Western District of Washington, alleging that the Debtor,
12 through its principal Ross Hansen, had violated Title VII of the Civil Rights Act of 1964, by
13 subjecting female employees to an abusive and hostile work environment. The Trustee and the
14 EEOC agreed to a form of consent decree resolving the suit and granting the EEOC an allowed
15 unsecured claim.

16 The Nevada Department of Environmental Protection (“NDEP”) filed suit against in Nevada
17 on January 29, 2016 alleging the violation of certain environmental laws for a combined 1,071 days
18 and asserting that it was owed civil penalties in an amount not to exceed \$25,000 per day. NDEP
19 asserted that the Debtor continued to incur fines on a daily basis. The Trustee entered into
20 negotiations with NDEP and eventually achieved a settlement with NDEP whereby NDEP would be
21 allowed an unsecured prepetition claim.

22 **D. Litigation against Medallic LLC**

23 NWTM operated a manufacturing facility in Dayton, Nevada that included a satellite
24 corporate office, a 118,000-square foot minting facility, and storage vaults. It was occupied by the
25 Debtor since 2009 until the Trustee vacated the premises in September, 2018. The real property
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1 where the Debtor's Dayton facility was located was originally owned by Medallic Art Company Ltd.
2 ("Medallic Ltd"), an entity owned by Robert and Connie Hoff. In early 2009, the Debtor negotiated
3 the acquisition of substantially all of Medallic Ltd's personal property assets, including its
4 equipment, archived materials, and goodwill and negotiated a purchase option and lease for the
5 Dayton facility. However, according to the purchase documents, the eventual buyer was a newly
6 formed entity, owned by Ross Hansen and Dick Bressler. Mr. Hansen and Mr. Bressler, in these
7 proceedings, took the position that such assets had been transferred to an entity known as Medallic
8 Art Company, LLC ("Medallic LLC"), which was formed by Mr. Hansen in 2010.

9 After the acquisition of the Medallic assets, Ross Hansen moved NWTM employees and
10 equipment of the Debtor located in Auburn, Washington, to the Dayton facility at a substantial cost
11 to the Debtor. The Debtor announced in press releases and internal memoranda that the Debtor had
12 acquired Medallic Art Company and that the Debtor was combining the operations of the two
13 entities. After 2009, only NWTM manufactured product, had employees, and conducted business
14 operations in Dayton. All payroll for employees working in Dayton and other facilities of the Debtor
15 was paid by NWTM. Since July 2009, NWTM, and only NWTM, actively used the "Medallic" name
16 in commerce.

17 Hansen took the position in the bankruptcy case that the Dayton facility lease and the
18 operating assets acquired from the Hoffs in 2009 were the property of Medallic LLC and that the
19 bankruptcy estate owed significant rents and royalty payments to Medallic LLC. On August 12,
20 2016, Medallic Art Company commenced an adversary proceeding (the "Medallic Litigation")
21 against the Trustee by filing its Complaint for Declaratory, Injunctive, and Other Relief. Medallic
22 LLC asserted that the Debtor has no ownership right to any assets or property purchased from the
23 Hoffs in 2009 and that the license, royalty, and lease agreements between Medallic LLC and NWTM
24 are valid and enforceable. Medallic LLC also sought judgment for conversion and damages on
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1 account of the Trustee exercising control over property interests that Medallic LLC asserted were its
2 own.

3 The Trustee answered the Complaint and asserted counterclaims for substantive
4 consolidation, alter ego, fraudulent transfer and other bases of recovery against Medallic LLC.
5 Medallic LLC and its attorneys (whom the Trustee eventually learned incurred in excess of \$400,000
6 in fees in connection with their representation of Medallic LLC), forced the Trustee to incur
7 substantial fees in the Medallic Litigation by, among other things, commencing the action, moving
8 to withdraw the reference of all aspects of the adversary proceeding to the United States District
9 Court, vigorously opposing the Trustee's request to bifurcate the litigation, and by issuing numerous
10 discovery requests that required the Trustee and his counsel to preserve, collect, review and produce
11 thousands of documents. The Trustee engaged in motion practice, including by moving for
12 determination, on summary judgment, of the estate's rights in the Dayton lease, conducting
13 depositions of Ross Hansen and various third party witnesses, and propounding discovery. On the
14 eve of trial, Medallic LLC capitulated, and entered into a stipulated form of judgment, which granted
15 all relief requested by the Trustee and denied the relief requested by Medallic LLC. In particular, the
16 judgment substantively consolidated the assets and liabilities of Medallic LLC with the assets and
17 liabilities of the Debtor.

18 While the fees and costs associated with the Medallic Litigation were substantial, the Trustee
19 was compelled to defend the claims asserted by Medallic LLC in the Medallic Litigation and
20 prosecute his counterclaims. The Medallic Litigation was critical to the Trustee's ability to preserve
21 the enterprise value of the company. The assets of the Debtor that were located in Dayton, Nevada
22 were essential for the Debtor's operations. If the Hansen and Medallic LLC had prevailed on its
23 claims against the Debtor, Medallic LLC would have been awarded title to assets in Dayton, and
24 granted a considerable money judgment against the Debtor for the Debtor's use of such assets.
25 Under those circumstances, the Trustee would have had no chance of reorganizing the Debtor's
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1 business the Trustee would have been forced to immediately liquidate the Debtor's assets, and
2 Medallic would have held substantial administrative claims against the estate. As Medallic LLC
3 asserted ownership over many of the most valuable of the estate's assets, the residual estate of
4 NWTM would have been of considerably less value than the substantively consolidated estate.

5 **E. Trustee's Plan of Reorganization and Sale Efforts**

6 Until April of 2017, the Trustee was confident that he would be able to file a chapter 11 plan
7 of reorganization that contemplated operating the company for a period of five years before selling it
8 at the end of the term. The Trustee believed that the business could generate payments to creditors in
9 the amount of \$5 million during these five years, plus even greater amounts upon a sale at the end of
10 the five-year term. The Trustee believed that the business' cash flow was sufficient to support the
11 proposal of such a plan. For instance, at the end of March 2017, the Trustee projected a cash balance
12 of nearly \$1.5 million at the end of 2017—even after payment of \$400,000 in professional fees.

13 Leading up to April 2017, the Trustee spent hours researching, and formulating a chapter 11 plan,
14 including consulting with his counsel on the tax implications of such a plan. However, in April
15 2017, the sales for the business imploded and the Trustee was forced to defer the chapter 11 plan as
16 contemplated. Since April 2017, the Trustee has made efforts to market the business for a potential §
17 363 sale to an interested buyer.

18 **F. Trustee's Efforts to Market and Sell the Company**

19 In the Spring of 2017, the business of the estate suffered unexpected losses which precluded any
20 ability to reorganize the business on terms which would allow emergence from bankruptcy as a
21 going concern. As a consequence, the Trustee explored the option of selling the entire business as a
22 going concern. He commenced marketing efforts as early as May of 2017 that included setting up a
23 data room for potential buyers. He contacted in excess of 60 potential buyers, 10 of which toured the
24 plant and two of which made offers that were not acceptable and approximated liquidation value of
25 the assets. In October, 2017, Bill Atalla, the CEO of the Debtor brought a prospective buyer, Eureka
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1 House of Metals (“Eureka House”), to the attention of the Trustee. Eureka House signed a non-
2 disclosure agreement, conducted due diligence, and in November, 2017 the Trustee and Eureka
3 House entered into a purchase and sale agreement under which Eureka House agreed to pay
4 \$10,000,000 for the Debtor’s assets on a going concern basis. Despite ongoing assurances that it
5 would do so, Eureka House did not fund the earnest money deposit of \$500,000. During December,
6 2017, the Trustee met with other parties that expressed interest in purchasing the company, and
7 provided them with due diligence materials, however no other offer materialized.

8 **G. Trustee’s Close of Business Operations and Liquidation of Assets**

9 Due to inadequate cash resources, the Trustee was forced to close the business on December 29,
10 2017, after working for many months to sell the business as a going concern. Although the Trustee
11 continued to meet with potential purchasers who might have an interest in reopening the business, no
12 going concern offer was made after the company suspended operations and laid off most of its
13 employees.

14 Concerned with ongoing expenses, the Trustee sought to liquidate the assets in an
15 expeditious manner and eliminate overhead expenses including salaries and occupancy costs
16 necessary to accomplish the liquidation. On January 19, 2018, the Trustee filed a motion seeking
17 authority to sell the Debtor’s assets at an auction to be conducted by the James G. Murphy
18 Company. While seeking authority to liquidate assets via auction, the Trustee continued to meet with
19 potential purchasers in an effort to sell assets through bulk sales. On January 26, 2018, the Trustee
20 entered into an agreement with Medalcraft Mint, Inc. (“Medalcraft”) pursuant to which Medalcraft
21 agreed to purchase certain assets related to the Medallic Art Company line of business, including
22 dies associated with customers who had done business with the company in the past 20 years. The
23 Court denied the motion to sell to Medalcraft based on an asserted overbid by a party named Rodger
24 May. Over the next two weeks, the Trustee attempted to negotiate a purchase of all of the estate’s
25 remaining assets by Rodger May, who subsequently declined to purchase any of the assets of the
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1 estate. Accordingly, the Trustee renewed his motion for approval to sell the Medallic assets to
2 Medalcraft for the price of \$1,000,000. The Court approved the sale, which closed in April, 2018.
3 At the same time he was negotiating with Medalcraft, the Trustee engaged in negotiations with
4 Industrial Assets Corp. (“Industrial Assets”) to sell the majority of the estate’s equipment and
5 machinery, vehicles, and tooling for the price of \$1,950,000. The Court approved the sale to
6 Industrial Assets, and the sale closed in April, 2018.

7 In May, 2018, the Trustee entered into a purchase agreement with the American Numismatic
8 Society (“ANS”) pursuant to which ANS agreed to purchase the older dies related to the Medallic
9 line of business, not sold the Medalcraft, as well as certain historical files and assets of the estate for
10 the price of \$420,000. On June 15, 2018, the Court approved the asset sale to ANS, and the sale
11 closed on June 19, 2018.

12 One of the most complex issues the Trustee had to deal with was determination of ownership
13 of NWTM coining dies. Several former customers of NWTM claimed ownership of dies used to
14 manufacture product on their behalf. Over the course of several weeks, the Trustee worked to
15 establish procedures and address concerns expressed by the Court and former customers to resolve
16 title to coining dies, so that the estate would have marketable title and be able to sell the dies which
17 it owned. Ultimately the Court approved procedures under which parties could claim ownership of
18 dies by a fixed deadline. The Trustee and Medalcraft entered into a purchase and sale agreement,
19 approved by the Court, for Medalcraft to purchase unclaimed NWTM dies for \$75,000. The sale of
20 the unclaimed dies to Medalcraft closed in August, 2018.

21 In addition to the liquidation of assets, the Trustee spent significant time dealing with
22 issues related to the preservation of company records. The Trustee sought authority to destroy
23 company records, but because of ongoing criminal proceedings in the United States District Court,
24 the Trustee was required to negotiate a plan for preserving records which may be necessary for the
25 prosecution or defense of the criminal matter. Over the course of several weeks, the Trustee
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1 negotiated a document preservation plan with the Office of the United State Attorney and Ross
2 Hansen's and Diane Erdmann's defense counsel which was approved by the United States District
3 Court.

4 CASE STATUS

5 **A. Date of Appointment of Trustee and Administrative Duties**

6 The Trustee was appointed as Chapter 11 Trustee on April 11, 2017. The Trustee has
7 faithfully performed all the administrative duties of the Trustee, including but not limited to
8 preparing bankruptcy schedules and statements of financial affairs for the case; preparing monthly
9 financial reports; responding to the informational requests of the Department of Justice and Federal
10 Bureau of Investigation; reviewing filed claims; and interfacing with the more than 3,100 creditors
11 of the Debtor who filed claims totally more than \$84 million.

12 The Debtor's monthly operating reports contain up-to-date information regarding the amount
13 of cash on hand or on deposit in the Debtor's estate, and the Debtor's operating profits or losses, and
14 the amount of unencumbered funds in the Debtor's estate. To the best of the Trustee's knowledge,
15 the Trustee has filed all monthly operating reports through the date of this Application, and has paid
16 all quarterly United States Trustee's fees.

17 **B. Statements of Prior Compensation and Itemized Time Records**

18 True and correct copies of the Trustee's billing statements are attached to the Declaration of
19 Mark Calvert in Support of this Application, filed contemporaneously herewith. The billing
20 statements contain itemized time records which include the date the service was rendered, the
21 identity of the person providing the services, a detailed description of the services performed and the
22 total hours and amount of compensation requested. The Trustee has not sought approval of fees or
23 expenses by the Court in this case or been paid any fees in connection with the case. The Trustee's
24 ordinary course travel expenses for traveling to the various locations of the Debtor's businesses have
25 been paid in the ordinary course. To date, the Trustee has been reimbursed for \$31,710.30 in
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1 ordinary course business expenses including \$20,324.70 in ordinary course travel expenses, his
2 \$10,000 bond premium, and some expenses incurred for photography, locksmith and disposition of
3 refuse in connection with the move from the Kent facility. The Trustee's financial consultants
4 Cascade Capital Group LLC received an interim payment of \$110,338.70 in fees in December 2016,
5 pursuant to authority in the Order Establishing Procedures for Interim Payment of Fees and Costs of
6 Professionals [Dkt. No. 394]. However, in 2017, Cascade paid back \$100,000 of that amount to
7 assist in addressing cash flow pressures for the estate's business to help protect the potential
8 enterprise value of the Debtor's business.

9 **C. Source of Payment and Amount of Unencumbered Funds**

10 The Debtor's monthly operating reports contain up-to-date information regarding the amount
11 of cash on hand or on deposit in the Debtor's estate, and the Debtor's operating profits or losses, and
12 the amount of unencumbered funds in the Debtor's estate. Per the October, 2018 monthly operating
13 report, the estate held as of October 31, 2017, cash of \$2,389,183, accounts receivable with a book
14 value of \$79,185 and store inventory with a book value of \$354,624. The Trustee has resolved and
15 paid through settlements all secured claims against cash, inventory or receivables. The Court
16 established a bar date for administrative claims. Other than the professional claims, there are only
17 eight remaining filed and unpaid administrative claims totaling less than \$250,000. The Trustee has
18 filed a motion proposing a final resolution of these filed administrative claims.

19 **D. Other Employed Professionals**

20 The Trustee has engaged Cascade Capital Group ("Cascade Capital") as accountants to the
21 Trustee. K&L Gates LLP has been employed as counsel for the Trustee. Miller Nash Graham &
22 Dunn has been employed as counsel for the Official Unsecured Creditors' Committee (the
23 "Committee"). Loraine Barrick and Lorraine Barrick LLC have been employed by the Committee
24 as a financial advisor, but have not yet provided any services to the estate. Based on
25 communications with counsel for the Committee, the Trustee does not anticipate that Ms. Barrick
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1 will file a fee application in the case. James G. Murphy has been employed by the Trustee as
2 Auctioneer, but has not incurred any fees other than his initial appraisal fee of \$2,500 which has
3 been paid as provided in his employment order.

4 **E. Trustee’s Calculation of Compensation Under § 326(a)**

5 The Trustee has calculated the compensation allowable to him under § 326(a) of the
6 Bankruptcy Code. As is reflected in the monthly operating reports filed with the Court, through
7 October 31, 2018, the Trustee has distributed \$29,435,335 to creditors and parties in interest in the
8 case. Pursuant to § 326(a), the Trustee’s allowable fee on these distributions would be \$906,310.
9 The Trustee’s detailed cap calculation is contained on Exhibit E to his Declaration in support of this
10 Application. The Trustee proposes to distribute \$2 million to all professionals pro rata in partial
11 satisfaction of compensation as may be approved by the Court.

12 **SUMMARY OF PROFESSIONAL SERVICES BY PROJECT CATEGORY**

13 In support of this Application, the Trustee submits the following supporting documentation,
14 which is attached to the Declaration of Mark Calvert filed in support of this Application and all of
15 which is incorporated herein by reference:

16 <u>EXHIBIT</u>	<u>DESCRIPTION</u>
17 Exhibit A	Itemized Billing Statements
18 Exhibit B	Summary Sheet of Monthly Fees by Project Category
19 Exhibit C	Summary Sheet of Monthly Hours by Project Category
20 Exhibit D	Summary Sheet of Monthly Expenses by Category
21 Exhibit E	Trustee’s Calculation of Compensation Under § 326(a)

22 The exhibits submitted in connection with this Application demonstrate the amount of fees
23 the Trustee incurred in his capacity as Trustee from April 2016 through September 2018 (the
24 “Application Period”). The Trustee’s hourly rate was \$400 during the Application Period, except
25 that travel was billed at a rate of \$200 per hour. The exhibits break down, by each month, the amount
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1 of hours worked by the Trustee and the amount of fees the Trustee incurred. The exhibits further
2 describe the number of fees and hours worked by the Trustee within particular project categories.

3 As the exhibits demonstrate, the Trustee incurred a total of \$1,020,365.00 in fees during the
4 Application Period. The Trustee's fees were for the following categories of tasks, each of which are
5 described in more detail below: Accounting, Bank Database, Bankruptcy Admin, Bankruptcy
6 Schedules, Cash Flow Management, Claims, Close of Company, Committee, Court Hearing, DIP,
7 Inventory, Investigation, Investigation – American Express, Investigation – Diane/Ross,
8 Investigation – Discovery, Investigation - FBI/US Trustee Office, Investigation - Storage
9 Inventory/Vault, Job Costing, Liquidation Analysis, Litigation Support, Medallic, Monthly
10 Operating Reports, Operations, Plan of Reorganization, Sale of Assets, Sale of Company, and Travel

11 Exhibit D is a chart showing the amount of costs the Trustee incurred in his capacity as
12 Trustee during the Application Period. The chart breaks down the fees he has incurred on a monthly
13 basis and further describes the expenses. The Trustee incurred a total of \$35,389.66 in expenses
14 during the Application Period, of which \$31,710.30 have been reimbursed by the Debtor as ordinary
15 course expenses. The Trustee seeks approval of all expenses and authority to reimburse the net
16 balance of \$3,679.36 in unreimbursed expenses.

17 **NARRATIVE SUMMARY OF SERVICES**
18 **RENDERED ON A PROJECT SUMMARY BASIS**

19 All of the professional services rendered by the Trustee during the Application Period are set
20 forth in detail on Exhibit A to the Trustee's Declaration and summarized in the exhibits to this
21 Application. Brief descriptions of certain services deserving specific mention are highlighted below,
22 by project category:

23 Accounting (Total Hours: 21.80). This category represents fees incurred in connection with
24 financial statements, Accounts Receivable review, Deposits to be returned and analysis of data. The
25 Trustee incurred a total of \$8,720.00 in fees in this category during the Application Period.
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1 Bank Database (Total Hours: 4.80). This category represents fees incurred in connection with
2 data collection of all bank/cash data, categorizing all transactions, and analysis of data. The Trustee
3 incurred a total of \$1,920.00 in fees in this category during the Application Period. While the
4 Trustee's hours in this category were limited, Cascade's time was much more significant. The
5 database is a tool that allows the Trustee to explore, analyze, and identify financial trends, the flow
6 of funds, and the availability of funds. The database has been used in all aspects of the case,
7 including fraudulent transfer analysis, analysis of distributions to owners and investigation of
8 missing inventory. It is the tool that allowed the estate to confirm storage and lease customer
9 payments for inventory returned to them, and it allowed the Trustee to track the source of funds used
10 by Ross Hansen in the acquisition of the assets owned by Medallic Art Company, Ltd. The database
11 was also instrumental in the Trustee's determination of the Debtor's insolvency dating back to 2008,
12 and his determination that the Debtor used subsequent customer deposits to buy inventory to fulfill
13 older customer orders. Using the database, the Trustee has been able to distinguish the amount of
14 missing cash and inventory from amounts lost in the operations of the Debtor's business. The
15 database will also be used by the Trustee to complete tax returns for the Debtor for the past 6 years.

16 Bankruptcy Admin (Total Hours: 113.70). Among other services provided in this category
17 during the Application Period, the Trustee (i) performed duties related to initial takeover of company
18 as trustee; (ii) conducted meetings with Ross Hansen; (iii) bonded the company; (iv) made sure that
19 adequate insurance was in place; (v) met with lawyers; (vi) indexed files; (vii) compiled and
20 reviewed documentation related to my understanding the bankruptcy case; (viii) restricted duties and
21 access of employees to precious metals. The Trustee incurred a total of \$45,210.00 in fees in this
22 category during the Application Period.

23 Bankruptcy Schedules (Total Hours:3.20). This category includes work associated with the
24 gathering of financial and operating data for the schedules filed with the Bankruptcy Court. The
25 Trustee incurred a total of \$1,280.00 in fees in this category during the Application Period. The
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1 Trustee's time in this category was limited as the schedules were completed by Cascade and K&L
2 Gates, with the Trustee reviewing the completed schedules.

3 Cash Flow Management (Total Hours: 109.80). Among other services provided in this
4 category, the Trustee created a rolling daily cash flow with daily cleared incoming and outgoing cash
5 transactions. The Trustee's daily cash flow schedule includes projections through the end of 2017 to
6 help manage cash. Cash flow shortfalls have been an ongoing and extensive issue NWTM has faced
7 since the petition date. The Trustee also analyzed the need and timing of DIP financing on a strategic
8 basis several times in order to help the Debtor remain a going concern. The Trustee incurred a total
9 of \$43,920.00 in fees in this category during the Application Period.

10 Claims (Total Hours: 237.40). Among other services provided in this category, the Trustee
11 negotiated resolution of the claims asserted by the EEOC and NDEP, analyzed missing asset claims,
12 conducted analysis of storage customer claims, verified ownership of stored inventory, conducted
13 proof of claim reconciliations, and reviewed and responded to customer inquiries from many of the
14 approximately 3,100 of the Debtor's creditors—many of whom the Trustee has been obligated to
15 speak with on a number of occasions. The Trustee incurred a total of \$94,960.00 in fees in this
16 category.

17 Close of Company (Total Hours: 199.70). This category includes work associated with
18 logistical and closing of services for the move of the Auburn plant to Dayton and, close down and
19 move out of the Kent office. The Trustee established procedures and weekly updates on the closing
20 and clean up items to be done to close the Dayton Plant, conducted a vacation liability analysis and a
21 WARN act analysis. The Trustee incurred a total of \$79,880.00 in fees in this category during the
22 application period.

23 Committee (Total Hours: 185.00). Among other services provided in this category during
24 the Application Period, the Trustee drafted reports for the Unsecured Creditors Committee (the
25 "Committee"), communicated with the Committee, and participated with meetings with the
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1 Committee. The Trustee has worked closely with the Committee to ensure that they have adequate
2 information and help them understand the realities of this case and the Trustee's efforts. The Trustee
3 incurred a total of \$73,500.00 in fees in this category during the Application Period.

4 Court Hearings (Total Hours: 236.50). This category consists of time related to court
5 hearings, including meetings with the Trustee's counsel in preparation for the hearings. This
6 category includes time reviewing declarations and attending court when appropriate. Throughout the
7 case, the Court has had a number of questions concerning many of the motions filed by the Trustee.
8 The Trustee sought to provide the Court with adequate information to address all of its concerns,
9 which in certain instances called for the Trustee's attendance with counsel in Court. The Trustee
10 incurred a total of \$94,600.00 in fees in this category during the Application Period.

11 DIP (Total Hours: 18.4). This category consists of work the Trustee performed related to
12 analyzing DIP financing on a strategic basis several times in order to help the Debtor remain a going
13 concern. The Trustee incurred a total of \$7,360.00 in fees in this category during the Application
14 Period.

15 Inventory (Total Hours: 16.30). This category consists of work with stored inventory
16 customer analysis. The Trustee incurred a total of \$6,520.00 in fees in this category during the
17 Application Period.

18 Investigation (Total Hours: 111.70). Among other services provided in this category during
19 the Application Period, the Trustee searched for missing inventory, collected and analyzed data
20 related to the Debtor's payment of the American Express card in Diane Erdmann's name, reviewed
21 correspondence related to Ross Hansen and Diane Erdmann, responded to information requests from
22 the FBI and Department of Justice, and participated in depositions of Ross Hansen and Diane
23 Erdmann. The Trustee incurred time in this category based on what the Trustee determined was
24 normal and appropriate in a bankruptcy case. The Debtor's lack of adequate records, internal
25 controls, segregation of duties by staff, and customer storage records all resulted in a significant
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1 amount of work and effort than what is typically required. The Trustee incurred a total of \$43,285.00
2 in this category during the Application Period.

3 Job Costing (Total Hours: 3.20). This category consists of work the Trustee performed
4 related to the gathering of production data, die cost analysis, and various categories of custom orders
5 cost to determine business profitability. The Trustee incurred a total of \$1,280.00 in this category
6 during the Application Period, as some of the job costing time was allocated by the Trustee to the
7 Operations category described below.

8 Liquidation Analysis (Total Hours: 20.40). This category consists of work the Trustee
9 performed related to the liquidation analysis and recovery. The Trustee incurred a total of \$8,160.00
10 in this category during the Application Period.

11 Litigation Support (Total Hours: 18.80). This category represents fees incurred in connection
12 with services related to mediation support, settlement offer review, ARM collection and prepping for
13 trial. The Trustee incurred a total of \$7,520.00 in this category during the Application Period.

14 Medallic (Total Hours: 39.40). Among other services provided in this category, the Trustee
15 performed services related to the verification and identification of assets allegedly owned by
16 Medallic, analysis of transfer of assets to Graco, review and analysis of Medallic LLC financial
17 statements, and preparation of analysis to be presented at trial. The Medallic Litigation required a
18 significant amount of time to confirm the flow of funds, the Debtor's insolvency, and fraudulent
19 transfers. The bulk of the work in this category appears in Cascade's application. The Medallic
20 Litigation was critical to this bankruptcy estate. As explained above, the Trustee's ownership of the
21 Medallic-related assets is absolutely essential to running the Debtor's business and preserving its
22 enterprise value. The Trustee incurred a total of \$14,990.00 in this category during the Application
23 Period.

24 Monthly Operating Reports (Total Hours: 30.40). This category consists of efforts the
25 Trustee took to collect data from accounting staff for the required operating reports. The Trustee
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1 analyzed financial statement data for accuracy and drafted write-ups of significant monthly events.
2 The Trustee incurred a total of \$12,160.00 in fees in this category during the Application Period.

3 Operations (Total Hours: 518.30). This category consists of work performed by the Trustee
4 in dealing with daily operational issues that arise in connection with the Debtor's business. The
5 Trustee evaluated issues, formulating solutions, providing directions to managers with respect to
6 such issues. This is the largest category of time for the Trustee. The operations of the Debtor were in
7 disarray upon the Trustee's appointment and lacked any structure. The Trustee focused on cutting
8 costs to achieve profitability. This category included the Trustee's time related to operating issues
9 for staffing, compensation, healthcare, safety compliance, environmental compliance, product
10 pricing, and production scheduling. The Trustee incurred a total of \$207,245.00 in fees in this
11 category during the Application Period.

12 Plan of Reorganization (Total Hours: 156.80). Among other services provided in this
13 category, the Trustee conducted personnel review, performed company-wide lease reviews and
14 negotiations, evaluated the Debtor's operations, formulated a financial model for a reorganization
15 plan, conducted budget plan, worked on sales order process optimization, and evaluated the possible
16 sale of the company. The Trustee incurred a total of \$62,720.00 in fees in this category during the
17 Application Period.

18 Sale of Assets (Total Hours: 282.20). This category consists of the Trustee's creation of an
19 unsolicited buyers list and price model for the Trustee's sale of the Graco business in Tomball,
20 Texas, and the sale of excess equipment and fixtures in Nevada. This category also included the
21 Trustee's time to retain an auction firm to value the Debtor's equipment, determine ownership of
22 equipment, determine whether equipment could be sold, sell some equipment, and list other
23 equipment. The Trustee incurred a total of \$112,880.00 in fees in this category during the
24 Application Period.

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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 November 16, 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.

Also on November 16, 2018, she caused the foregoing document to be mailed to the Parties at the addresses listed below:

Northwest Territorial Mint LLC
325 E Washington St #226
Sequim, WA 98382

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 16th day of November, 2018 at Seattle, Washington.

/s/ Denise A. Lentz
Denise A. Lentz