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Honorable Christopher M. Alston
Chapter 11
Hearing Location: Telephonic
Hearing Date: Friday, June 18, 2021
Hearing Time: 9:30 a.m.
Response Date: June 11, 2021

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

11 In re:

12 NORTHWEST TERRITORIAL MINT,
13 LLC

Debtor.

Case No. 16-11767-CMA

K&L GATES LLP FINAL APPLICATION
FOR COMPENSATION

14 K&L Gates LLP (“K&L Gates”) counsel for Chapter 11 Trustee Mark Calvert, hereby
15 submits this final application (the “Application”) for compensation for professional services
16 rendered from October 1, 2018 through the conclusion of the case (the “Application Period”),
17 pursuant to 11 U.S.C. § 330 and Local Rule 2016. The Application is for fees in the amount of
18 \$562,056.50 and costs in the amount of \$28,331.46 for a total application of \$590,387.96. The
19 Application also requests the approval of fees and costs in an additional amount of \$30,000 for
20 estimated fees and costs necessary to conclude the case. The Application is supported by the
21 Declaration of Michael J. Gearin in Support of K&L Gates LLP Final Application for
22 Compensation, filed concurrently herewith (the “Gearin Dec.”) In support of this application, K&L
23 Gates represents and states as follows:

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K&L GATES LLP FINAL APPLICATION
FOR COMPENSATION - 1

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1 **CASE OVERVIEW AND STATUS**

2 K&L Gates is the counsel to Mark Calvert, the appointed Chapter 11 Trustee for the
3 Northwest Territorial Mint, LLC (“NWTM”, “Mint” or “Debtor”).

4 This case is extraordinary in its complexity, and in the difficulty of the range of issues faced
5 by the Trustee. The estate held assets that were inherently difficult to administer: precious metals
6 which require extraordinary security and recordkeeping measures, and customer records, artwork
7 and thousands of dies used for the creation of customer product. The business operations of the
8 debtor were complex. There have been competing claims to ownership of various of the estate’s
9 assets over the course of the case which required resolution. There is a large and active creditor
10 body.¹

11 The case has required extensive legal work in connection with proceedings before the Court.
12 K&L Gates has provided a total of more than 8850 hours of services to the estate since the case was
13 filed and over 1250 hours since October 1, 2018. There have been more than 2200 docket entries in
14 the case, K&L Gates alone has filed approximately 692 pleadings thus far, including per the most
15 recent count, 87 motions. Since the filing of K&L Gates first application for compensation in
16 November, 2018, there have been more than 360 docket entries in the case and K&L Gates has filed
17 approximately 112 pleadings, including eight motions.

18 After the Trustee closed the business operations of the estate, he commenced an orderly
19 liquidation of the assets of the estate. The Trustee concluded the liquidation of the bulk of the assets
20 of the estate through three separate court approved sales during 2018. During this application
21 period, the Trustee liquidated the remaining assets of the estate, including the company store
22 inventory, through a court approved asset sale, which involved negotiations with multiple potential
23 purchasers. The Trustee investigated issues regarding precious metals that were liquidated by Diane
24 Erdmann to pay attorneys and reached a settlement with the bankruptcy trustee for Erdmann relating
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¹ More than 3100 creditors filed claims in this case in dollar amounts in excess of \$84 million.

1 to claims for recovery of transfers of those proceeds. The Trustee also resolved through stipulation
2 and court approved settlements all of the secured and administrative claims against the estate
3 including complex and time consuming settlements with WARN Act creditors and the landlord for
4 the Dayton, Nevada facilities that housed the estate's business. The Trustee resolved issues
5 regarding inventory that had been seized by the King County Sheriff and brought a settlement of
6 those issues to the Court for approval. The Trustee responded to requests for production of records
7 by both the government and the defense in the pending criminal proceedings against Hansen and
8 Erdmann. The Trustee expended considerable expense in responding to inquiries from creditors, the
9 offices of the United States Trustee and the Court regarding various issues in the case.

10 The majority of the administration of the case has been concluded. The lone remaining
11 assets are the cash remaining in the estate and the rights to the settlement with the Erdmann Trustee.
12 The Trustee has paid all secured claims and all administrative claims, other than the remaining
13 professional claims of the Trustee, his counsel and Cascade Capital, either in the ordinary course of
14 business or through court approved settlements. The Trustee has recently responded at considerable
15 expense to subpoenas issued by criminal counsel for Erdmann and Hansen and has been subpoenaed
16 to testify at the criminal trial now scheduled to commence on July 6, 2021. K&L Gates expects that
17 the Trustee will conclude the administration of the case by filing a motion to dismiss the case in the
18 Summer of 2021.

19 FACTS

20 1. Dates of Appointment of Trustee and Administrative Duties.

21 On April 1, 2016, the Debtor filed a voluntary petition for relief under chapter 11 of the
22 Bankruptcy Code in the Bankruptcy Court. The Trustee was appointed over the bankruptcy estate of
23 Northwest Territorial Mint, LLC on April 11, 2016.
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1 **2. Employment of K&L Gates LLP.**

2 This court entered its Interim Order Authorizing Employment of K&L Gates as Attorneys for
3 Trustee (the “Interim Order”) (Dkt. 60) on April 13, 2016. The court entered its Final Order
4 Authorizing Employment of K&L Gates as Attorneys for Trustee (the “Final Order”) (Dkt. 262) on
5 May 17, 2017.

6 **3. Prior Compensation and Reimbursement of Expenses.**

7 K&L Gates previously submitted an application for fees and expenses in compliance with the
8 Court’s direction that the Trustee, Trustee’s Counsel, and Cascade Capital Group LLC (“Cascade”)
9 file fee applications and set them for hearing on October 6, 2017 (the “2017 Applications”). In the
10 2017 Applications the K&L Gates and other professionals requested that the Court defer ruling on
11 allowance or payment of fees and the Court agreed to do so. In November, 2018, K&L Gates
12 submitted its Application for Compensation for the period April 2016 through September 2018. The
13 Court awarded fees and costs requested in that application under its Order on Fee Applications of
14 Trustee, Cascade Capital Group, K&L Gates, and Miller Nash Graham & Dunn dated October 11,
15 2019 (Dkt. 2118) (the “October 2019 Fee Order”). This Final Application seeks approval of fees
16 and costs incurred for the period October 1, 2018 through the conclusion of the case.

17 On June 9, 2016, the Court entered an Order Establishing Procedures for Interim Payment of
18 Fees and Costs to Professionals (“Procedures Order”) (Dkt. 394). On December 13, 2016 K&L
19 Gates received \$232,671.12 as an interim distribution on its accrued fees under the terms of the
20 Procedures Order.

21 Under the October 2019 Fee Order, the Court approved K&L Gates fees and costs in the
22 amount of \$1,090,427.90 in fees and \$53,586.23 in costs. K&L Gates received payment of
23 \$911,342.03 (in addition to the interim distribution of \$232,671.12 of December, 2016) in payment
24 of these approved fees and costs. Under its Order on Motion to Alter or Amend Findings of Fact and
25 Conclusion of Law in Order on Fee Applications dated December 18, 2019 (Dkt. 2182), the Court

1 approved the payment of an additional \$140,027.29 in fees and costs relating to the application for
2 the period through September 2018. K&L Gates has been paid a total of \$1,284,041.42 since the
3 outset of the case.

4 **4. Source of Payment and Amount of Unencumbered Funds.**

5 The Debtor's monthly operating reports contain information regarding the amount of cash on
6 hand or on deposit in the Debtor's estate, and the Debtor's operating profits or losses, and the
7 amount of unencumbered funds in the Debtor's estate. Per the April, 2021 monthly operating report,
8 the estate held as of April 30, 2021, cash of \$354,605. The Trustee anticipates receipt of additional
9 funds from the proceeds from claims under a settlement with the Erdmann Trustee and from certain
10 cost recoveries for production of records under subpoena. K&L Gates requests payment of its
11 approved compensation from unencumbered funds presently held in the estate and those additional
12 funds received from cost recoveries and Erdmann estate settlement proceeds.

13 **5. Other Employed Professionals.**

14 The Trustee has engaged Cascade Capital Group ("Cascade Capital") as accountants to the
15 Trustee. Miller Nash Graham & Dunn has been employed as counsel for the Official Unsecured
16 Creditors' Committee (the "Committee"). The Miller Nash firm filed its final application for
17 compensation in November, 2019 and has been paid in full on the amounts awarded by the Court.
18 Loraine Barrick and Lorraine Barrick LLC were employed by the Committee as a financial advisor,
19 but did not provide services to the estate. James G. Murphy was employed by the Trustee as
20 Auctioneer, has been paid in full for fees as provided in his employment order.

21 **6. Financial Condition of the Estate**

22 During the course of the Trustee's administration of the case, the estate has remained current
23 on its payment of taxes and United States Trustee's fees. All secured and administrative claims,
24 other than those of professionals, have been finally determined and paid. The case is
25

1 administratively insolvent based on the amounts of unpaid accrued professional expenses which
2 remain subject to the Court's approval.

3 **7. Status of Case and Progress Towards Closing**

4 The vast majority of the administration of the case has been concluded. The Trustee has
5 liquidated all of the estate's assets except for a claim which is subject to a settlement with the
6 Erdmann Trustee. The Erdmann Trustee has filed an adversary proceeding to recover amounts
7 which are subject to allocation under the court approved settlement between the two estates. The
8 Trustee continues to comply with discovery obligations relating to the criminal trial of Hansen and
9 Erdmann which is set to commence on July 6, 2021. The Trustee has been subpoenaed to testify at
10 that trial. The Trustee does not anticipate filing a plan in the case, but intends to seek a dismissal of
11 the case upon conclusion of the administration of remaining affairs of the estate in accordance with
12 the guidance provided by the Court at the most recent status conference.

13 **8. Summary Record of Services Rendered and Statement of Expenses.**

14 Attached as Exhibit B to the Gearin Dec. are copies of K&L Gates' itemized billing
15 statements for fees and expenses incurred during the Application Period. K&L Gates has expended
16 1257 hours representing the Trustee and has incurred fees in the amount of \$562,056.50 and costs in
17 the amount of \$28,331.46 for a total amount of \$590,387.96 during the Application Period.

18 The billing statements are segregated by project categories as recommended by the Office of
19 the United States Trustee in its Fee and Expense Guidelines. A brief summary of the primary
20 services performed under each project category follows:

21 70010	Asset Analysis & Recovery	Hours: 58.4	Amount: \$28,099.50
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22 Fees in this category include work in the investigation of the disposition of hundreds of
23 thousands of dollars' worth of precious metals by Diane Erdmann, and claims of the estate regarding
24 recoveries related to the disposition of those assets. After Erdmann filed her own individual
25 bankruptcy case, the Trustee reached a settlement with the Erdmann bankruptcy trustee regarding

1 these claims and other matters under which the Mint estate will receive proceeds from claims which
2 are now being pursued by the Erdmann Trustee.

70020	Asset Disposition	Hours: 217.1	Amount: \$98,509.50
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5 Fees in this category were related to sales of assets by the trustee, principally the company
6 store inventory and the filing of motions seeking authority from the Court for such sale. Multiple
7 parties expressed interest in the company store inventory. The Trustee engaged in extensive
8 negotiations and documentation regarding the sale. K&L Gates drafted multiple sale agreements and
9 pleadings for the ultimate approval of the sale with a purchase price of \$115,000.

10 The Trustee resolved issues regarding the disposition of certain precious metal inventory, and
11 cash that had been seized by the King County Sheriff. The Court authorized the Trustee to liquidate
12 the seized precious metal for no less than \$127,886 and approved a settlement with the Erdmann
13 Trustee regarding the allocation of the proceeds between the Mint estate and the Erdmann estate.

70040	Case Administration	Hours: 79.2	Amount: \$36,737.00
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16 Fees in this category include on-going communications with the Trustee regarding
17 administration of the bankruptcy case, and the analysis and drafting of pleadings regarding the
18 conversion or dismissal of the case. K&L Gates assisted the Trustee in preservation of records of the
19 estate and entered into stipulations with representatives of the government and criminal defense
20 counsel regarding the preservation of those records in advance of the termination of cloud storage
21 and storage of records by K&L Gates.

70050	Claims, Administration, Objections	Hours: 140.8	Amount: \$57,145.00
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24 Fees in this category include analysis of all secured and administrative claims. K&L Gates
25 analyzed secured claims of taxing authorities and communicated with taxing authorities regarding

1 resolution of those claims. K&L Gates analyzed and addressed administrative claims of the class
2 action WARN Act claim which was settled under the Court's approval. K&L Gates provided
3 services in satisfying and ultimately settling the significant administrative claims of the Dayton
4 Landlord which settlement was approved by the Court. Among the terms of the settlement with the
5 Dayton landlord were obligations of the Trustee to conduct environmental assessments on the
6 Dayton property. The Trustee contracted with environmental inspection firms and conducted Phase
7 I and Phase II assessments in fulfillment of this obligation and otherwise assisted the Trustee in his
8 performance under the settlement and satisfaction of the Dayton landlord claims. K&L Gates
9 assisted the Trustee in achieving settlements with Michael White and Bill Attala on their
10 administrative claims. K&L Gates filed a motion to allow and disallow administrative claims that
11 resolved and authorized payment of all allowed administrative claims other than the claims of
12 professionals.

13	70070	Fee/Employment Applications	Hours: 282.6	Amount: \$123,897.50
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15 In the prior fee application, K&L Gates applied for compensation for services for the
16 preparation of fee applications which were presented to the Court in October, 2017 at the Court's
17 direction and the Court awarded compensation of those fees. In this application, K&L Gates seeks
18 compensation for the fee applications filed in November, 2018 and this current application. K&L
19 Gates assisted the Trustee in the drafting and presentation of his fee applications and that of his
20 accountants, Cascade Capital and incurred fees in the preparation of its own fee applications. K&L
21 Gates prepared for and attended multiple hearings on the November 2018 fee applications.

70080	Fee/Employment Objections	Hours: 127.9	Amount: \$59,260.00
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Fees in this category involve the review and preparation of responses to objections to fees raised by parties in interest to the bankruptcy case.

70100	Litigation	Hours: 85.30	Amount: \$ 38,003.00
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Fees in this category principally relate to addressing the subpoena to the Trustee from criminal defense counsel relating to the criminal prosecution of Hansen and Erdmann. K&L Gates assisted the Trustee in the collection of more than 100 GB of data and the search and production of more than 130,000 documents. K&L Gates assisted the Trustee in the negotiation of a privilege clawback and confidentiality stipulation that was entered in the criminal case and negotiated with defense counsel for a budget and commitment to compensate the estate for some of the costs of production. Defense counsel has committed to reimburse the estate for approximately \$29,000 of production costs.

70102	Trustee v Diane Erdmann	Hours: 38.4	Amount: \$17,447.00
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Fees in this category relate to the efforts to enforce the judgment in favor of the estate in the amount of \$430,000 against Dianne Erdmann and after Erdmann filed for bankruptcy, efforts to seek the conversion of her bankruptcy case and appointment of a Trustee.

70107	American Express Fraudulent Transfer Action	Hours: 31.0	Amount: \$13,762.00
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This category is principally fees and costs relating to the briefing and arguing of an appeal filed by Diane Erdmann in the American Express litigation.

70110	Meeting and Communications with Creditors	Hours: 14.5	Amount: \$5,298.50
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Fees in this category include communications with multiple creditors requesting information about activity in the bankruptcy case and communications with the offices of the United States Trustee regarding case status.

70210	Reporting	Hours: 181.7	Amount: \$83,897.50
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Services in this category are principally related to the investigation, analysis and filing of multiple reports in response to informational requests from creditors, the United States Trustee or the Court. Some of these reports were filed in connection with instructions from the Court in prior fee application hearings. Others were filed to address rumors circulated to the creditor body by various parties. K&L Gates conducted extensive document collection, analysis and review of email productions required to respond to certain informational requests and these expenses are included in this category as well.

99999	Costs	Hours: N/A	Amount: \$28,331.46
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Categories of costs include service costs, postage, copying expenses, online research costs, and the costs of conducting depositions and obtaining transcripts court hearings. Among the principal costs incurred were costs of noticing of the November 2018 Fee Applications to the creditors, customers and parties in interest as directed by the court at a cost of \$3,227.62. The costs incurred in 2021 described as ESI Conversion fees are the costs of production in response to the criminal defense counsel subpoena. These costs will be recovered from the criminal defense.

CONCLUSION

Based on the foregoing, K&L Gates submits its application fees in the amount of \$562,056.50 and costs in the amount of \$28,331.46 for a total application of \$590,387.96 for the period October 1, 2018 through the conclusion of the case. K&L Gates estimates that it will incur an

1 additional \$25,000² in fees and \$5000 in costs³ through and including the dismissal of the case and
2 requests an award of these estimated fees in addition to the amounts for the period through and
3 including May 19, 2021.

4 K&L Gates requests approval of the fees and costs described herein pursuant to 11 U.S.C. §
5 330 and LBR 2016-1 and requests authority for the Trustee to disburse funds that he presently holds
6 and that he subsequently receives in partial satisfaction of the allowed fees and costs.

7 DATED this 21st day of May, 2021.

8 K&L GATES LLP

9
10 By /s/ Michael J. Gearin
11 Michael J. Gearin, WSBA #20982
12 David C. Neu, WSBA #33143
13 Brian T. Peterson, WSBA #42088
14 Attorneys for Mark Calvert, Chapter 11 Trustee
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24 ² This estimate is premised on assumptions that the only remaining tasks of K&L Gates will be to attend hearings on
25 final fee applications, assist the Trustee in the administration of the Erdmann Trustee settlement and proceeds, conclude
support regarding the Trustee's discovery responses and required participation of Trustee in the criminal cases, assist in
the filing of monthly reporting and file and notice a motion to dismiss.

³ The principle remaining costs are cost of noticing to include an anticipate notice of dismissal of the case at an estimated
mailing cost of \$3,250.

1 CERTIFICATE OF SERVICE

2 The undersigned declares as follows:

3 That she is a paralegal in the law firm of K&L Gates LLP, and on May 28, 2021, she caused
4 the foregoing document to be filed electronically through the CM/ECF system which caused
5 Registered Participants to be served by electronic means, as fully reflected on the Notice of
6 Electronic Filing.

7 Also on May 28, 2021, she caused the foregoing document to be mailed to the Parties at the
8 addresses listed below:

9 Northwest Territorial Mint LLC
10 PO Box 2148
11 Auburn, WA 98071

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

14 Executed on the 28th day of May, 2021 at Seattle, Washington.

15 /s/ Denise A. Lentz
16 Denise A. Lentz

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UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

In re:

NORTHWEST TERRITORIAL MINT, LLC,

Debtor.

Case No. 16-11767-CMA

ORDER ON K&L GATES LLP FINAL
APPLICATION FOR COMPENSATION

THIS MATTER came on before the Court upon the K&L Gates LLP Final Application for Compensation (the "Application"). The Court having considered the Application, the Declaration of Michael J. Gearin in support thereof, and the pleadings filed herein, and having found that notice of this hearing was sufficient, and that good cause exists to grant the relief requested in the Application, it is hereby ORDERED:

1. The Application is granted as follows:

<u>Applicant</u>	<u>Fees</u>	<u>Expenses</u>	<u>Total Requested</u>	<u>Billing Period</u>
K&L Gates LLP <i>Attorneys for the Chapter 11 Trustee</i>	\$562,056.50	\$28,331.46	\$590,387.96	October 1, 2018 - May 19, 2021

ORDER ON K&L GATES LLP FINAL APPLICATION
FOR COMPENSATION - 1
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