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JUDGE: Christopher M. Alston
DATE: May 26, 2016
TIME: 1:30 p.m.
CHAPTER: 11
LOCATION: Seattle
RESPONSE DATE: May 23, 2016

6 UNITED STATES BANKRUPTCY COURT
7 WESTERN DISTRICT OF WASHINGTON, AT SEATTLE

8 In re:) No. 16-11767-CMA
9 NORTHWEST TERRITORIAL MINT, LLC,) **OBJECTION BY MEDALLIC ART**
10 Debtor.) **COMPANY, LLC TO THE**
11) **PROPOSED SALE OF DEBTOR'S**
12) **TOMBALL, TEXAS ASSETS**

13 **I. INTRODUCTION**

14 Medallic Art Company, LLC, objects to the proposed sale of property on Graco Award
15 Manufacturing's premises that belongs to Medalllic Art Company, LLC. Medalllic Art Company,
16 LLC is a Nevada limited liability company whose members include Ross B. Hansen, 50% owner,
17 and Richard Bressler, 50% owner. Medalllic Art Company, LLC owns numerous pieces of
18 equipment and related personal property used in the minting industry. Over the years Medalllic Art
19 Company, LLC has loaned a number of pieces of equipment, supplies and intellectual property to
20 Graco Award Manufacturing ("Graco") but Medalllic Art Company, LLC has retained title and all
21 ownership rights. Medalllic Art Company, LLC's property may not be sold by the estate. Further-
22 more, the proposed purchase price is well below the probable value of the subject assets and the
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27 Objection by Medalllic Art Company, LLC
28 to the Proposed Sale of Debtor's Tomball, Texas Assets - 1

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1 Trustee has not demonstrated the adequacy of the price.¹

2 II. DISCUSSION AND ARGUMENT

3 A. The proposed sale may include equipment that does not belong to the debtor
4 but instead belongs to Medallic Art Company, LLC.

5 The purchase and sale agreement does not itemize equipment or specific property rights the
6 trustee seeks to sell. Rather it describes in part the assets to be sold as "Operating Assets" including
7 such categories as "equipment," "machines," "presses," "tools," "stands," "tables," "inventory," "raw
8 materials," and so forth. Because the proposed sale includes all "operating assets" on Graco's
9 business premises, the property the trustee proposes to sell includes Medallic Art Company, LLC.
10

11 Again, Medallic Art Company, LLC, is a Nevada LLC owned 50% by Mr. Hansen and 50%
12 by Mr. Bressler. Mr. Bressler is a retired executive who resides in King County, Washington.
13 Medallic Art Company, LLC was formed in 2009 for the purpose of acquiring the assets of Medallic
14 Art Company, Inc., which was owned by Connie and Robert Hoff. Some of the equipment
15 purchased by Medallic Art Company, LLC from Connie and Robert Hoff is located in the Northwest
16 Territorial Mint manufacturing location in Dayton, Nevada. Over the years, some of Medallic Art
17 Company, LLC's equipment along with supplies and intellectual property, has been loaned to Graco
18 Awards Manufacturing. The specific pieces of Medallic Art Company, LLC equipment and other
19 property loaned to Graco Awards Manufacturing presently on Graco Awards Manufacturing
20 business premises in Tomball, Texas include the following items:
21
22

23 (a) Numerous steel die sets;

24 (b) Numerous trim tools;

25 _____
26 ¹ The factual basis for this objection is set forth in the declaration of Ross B. Hansen, submitted herewith.

- 1 (c) Coining dies;
- 2 (d) Marking and punching machinery;
- 3 (e) A large tumbler (a machine that polishes coins);
- 4 (f) Tumbling media that goes with the tumbler;
- 5 (g) Racking and fixtures to hold and store medallions;
- 6 (h) A Coining press;
- 7 (i) Brass, steel and other metal finished and raw goods;
- 8 (j) Ribbons and findings (which are parts of medals);
- 9 (k) Numerous hand tools;
- 10 (l) Intellectual property rights (many of the designs used for some of Graco's products
- 11 were designed by MAC's artisans and are copyrighted by MAC);
- 12
- 13
- 14 (m) Boxes and packaging goods that were in the inventory when MAC acquired the assets
- 15 of Medallic Art Company, Inc., have been moved to Graco; and
- 16 (n) The Website (many of the images and designs on Graco's site originated with MAC,
- 17 were produced with MAC labor and are copyrighted by MAC).
- 18

19 B. The debtor may not sell property it does not own.

20 Medallic Art Company, LLC is aware of the court's authority to sell property free and clear
 21 of liens and encumbrances. However, this authority does not extend to property that is not owned by
 22 the debtor. Section 363(b)(1) provides that:

23 The trustee, after notice and a hearing, may use, sell, or lease, other than in the
 24 ordinary course of business *property of the estate*,

25 (Emphasis added).

26

1 In turn, § 363(f) provides:

2 "The trustee may sell property under subsection (b) or (c) of this section free and
3 clear of any interest in such property of an entity other than the estate, only if –

4 (1) Applicable bankruptcy law permits the sale of such property free and clear of
5 such interests;

6 (2) Such entity consents;

7 (3) Such interest is a lien and the price at which such property is to be sold is greater
8 than the aggregate value of all liens on the property;

9 (4) Such interest is in bona fide dispute; or

10 (5) Such entity could be compelled, in a legal or equitable proceeding, to accept a
11 money satisfaction of such interest.

12 Section 363(f) refers back to sales under subsection 363(b) which authorizes only the sale of
13 property of the estate.

14 The Trustee is likely to rely on § 363(f)(4) which permits sale free and clear of interests if
15 "such interest is in bona fide dispute." In that event, the burden is on the Trustee to show that a bona
16 fide dispute exists. *In re MMH Automotive Group, LLC*, 385 B.R. 347 (Bankr. S.D. Fla. 2008). The
17 trustee cannot demonstrate that the debtor owns the property in question because it did not purchase
18 it or acquire it in any other fashion. The property in question was either acquired or created by
19 Medallic Art Company, LLC which retained full title and ownership rights. The fact that the debtor
20 (Graco) has had the benefit of using Medallic Art Company, LLC equipment and other property
21 does not make it the debtor's property.
22
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24 Should the court permit the Trustee to proceed with the sale of Medallic Art Company,
25 LLC's property over its objection, there must be an allocation of sales proceeds of Medallic Art
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27 Objection by Medallic Art Company, LLC
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1 Company, LLC's property and paid over to Medallic Art Company, LLC, or alternatively, held in the
2 court registry pending a resolution of the ownership issue.

3 C. The Trustee has not demonstrated that the assets are being sold for a reasonable value.

4 The Trustee has not provided any objective evidence of the value of the subject assets.
5 Mr. Hansen's declaration indicates that the subject assets were acquired over time for approximately
6 \$3 million. It is incumbent on the Trustee to demonstrate to the court and creditors that he is
7 proposing to sell the assets at a fair price. He has failed to make that showing, choosing instead to
8 justify the sale based on the need for cash. He has not even identified the individuals from whom he
9 supposedly obtained alternative bids. That, in and of itself, does not justify a fire sale.
10

11 **III. CONCLUSION**

12 For the reasons set forth herein, the sale motion should be denied.

13 DATED this 23rd day of May, 2016.

14 BUCKNELL STEHLIK SATO & STUBNER, LLP

15 /s/ Jerry N. Stehlik
16 Jerry N. Stehlik, WSBA #13050
17 of Attorneys for Medallic Art Company, LLC
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