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Honorable Christopher M. Alston
Chapter 11
Hearing Date: May 26, 2016
Hearing Time: 1:30PM
Response Date: May 24, 2016 at 5:00PM

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re
NORTHWEST TERRITORIAL MINT, LLC,
EIN: 30-0143641

Debtor.

Case No. 16-11767-CMA

DECLARATION OF MARK D.
NORTHRUP IN SUPPORT OF
STATEMENT OF THE OFFICIAL
UNSECURED CREDITORS'
COMMITTEE REGARDING
PROPOSED SALE OF TEXAS ASSETS

For his Declaration, Mark D. Northrup states as follows:

- 1.) I am counsel for the Official Unsecured Creditors' Committee in this case. I have personal knowledge of the facts set forth herein and, if called, would be competent to testify to them.
- 2.) On the evening of May 23, Medallic Art Company LLC's counsel, Jerry Stehlik, called Committee counsel and requested that counsel participate in a meeting with Hansen. In response to this request, Committee counsel met with Hansen and Mr. Stehlik on May 24. At the meeting, Hansen expressed his opinion that: 1) the Tomball operation is important to the profitability of the entire business enterprise consisting of the Debtor (NW Territorial Mint), the affiliated Medallic operation in Nevada, and Tomball itself; 2) selling Tomball as the Trustee has proposed is a mistake; 3) the Tomball sale should be stopped so that its assets can be moved to,

1 and consolidated with, the Medallic facility in Nevada; 4) Hansen, in his capacity as an owner of
2 Medallic, should be allowed to lease the Tomball assets and use them as part of an ongoing
3 operation in Nevada; and 5) by obtaining the ability to use the Tomball assets as part of
4 Medallic, Hansen would be able to enhance the creditors' recovery much more than if the
5 Tomball operation were simply sold now. As a follow-up to the May 24 meeting, Committee
6 counsel received, in the afternoon of May 25, a more detailed written description of Hansen's
7 proposal, which, in pertinent part, is attached hereto as Exhibit A.

8 Given at Seattle, Washington, this 25th day of May, 2016, under penalty of perjury under
9 the laws of the State of Washington.

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11 /s/ Mark D. Northrup
12 Mark D. Northrup
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EXHIBIT A

Proposal of Medallie Art Company, LLC to lease select assets of Northwest Territorial Mint, LLC

In an effort to retain the majority of NWTM's employees and to maximize NWTM's assets for the benefit of the creditors, MAC proposes the following:

1. NWTM's lease of MAC's assets, already in default, would be formally dissolved. *Benefit: This would unencumber the estate approx \$70,000 per month in royalty costs and contractually obligated equipment rental and maintenance costs on MAC's equipment.*
2. MAC would, in turn, lease select assets from NWTM. *Benefit: NWTM would receive payments, rather than having to make them.*
3. MAC would pay a royalty to NWTM, at the same rate NWTM paid MAC, of 10% of its custom sales made under the NWTM brand (excluding precious metals). *Benefit: Currently sales are approx \$7,000,000 annually, this could generate approx \$700,000 per year to the estate.*
4. MAC would keep in good standing the intellectual licensing that NWTM is contractually obligated with. *Benefit: Without these licenses NWTM will not be able to sell a significant portion of its finished goods stock products. There is approx \$2,000,000 worth of these finished goods and at least half of these products would have to be scrapped. And without these licenses moving forward, the ability of NWTM to make future sales would be substantially negatively impacted, ultimately affecting the liquidation value.*
5. Any current inventory of MAC (known as stock products) would be sold through the normal course of business and NWTM would receive 30% of the net sale (excluding precious metals). *Benefit: Again, in a forced sale, most of these items could not be sold, as the license will have expired. The stock products, without the licenses or a vehicle to retail or wholesale them, would become worthless scrap brass.*
6. Any of NWTM's stock supplies consumed by MAC would be bought by MAC at cost. *Benefit: NWTM has approx \$1.5 million worth of raw goods. Many items such as presentation boxes are branded as NWTM. In a forced liquidation most of these goods would have little or no value to anyone other than MAC.*
7. All employees of NWTM would become at-will employees of MAC. *Benefit: Under current law, a company NWTM's size must give employees 60 days notice before they can be laid off; this would save the estate approx \$800,000 in carrying costs on these employees.*
8. MAC would assume the property/facility leases of NWTM, with the possible exception of the Federal Way, Washington office. *Benefit: Currently, NWTM is obligated to pay over \$100,000*

per month in lease payments. It would take a minimum of 90 days to close these facilities, meaning a carrying cost to the estate of approx \$300,000.

9. MAC would assume NWTM's contractual licensing obligations from the date of this agreement. *Benefit: Post petition NWTM has contracted with various entities (this amount is unknown, but could be substantial). By assuming these contracts MAC would limit the damage to NWTM's reputation, future saleability and possibly save it from litigation.*
10. MAC would agree to maintain NWTM's equipment insured and in good working condition, minus normal wear. *Benefit: The cost to insure maintenance and equipment until a sale date would be approx \$50,000.*
11. MAC would guarantee not to encumber any of NWTM's equipment or assets. *Benefits are self explanatory.*
12. MAC would agree to provide property, casualty and product liability insurance sufficient to protect NWTM's assets. *Benefits are self explanatory.*
13. MAC would agree to help collect NWTM's outstanding accounts receivable. *Benefit: In early April there were approx \$1.6 million worth of accounts receivable. How much has been added or collected is unknown, but closing the company would certainly render much of the receivables uncollectible.*
14. MAC would agree to a proportional revenue split of any current work in progress. *Benefit: There was approx \$2,000,000 of work in progress. A portion of this work has already been done and if the company were to shut down the portion of work already completed would be rendered useless.*
15. MAC would assist in the marketing of NWTM's non-leased assets, such as bullion customer lists, bullion-related assets and unencumbered bullion and coins. *Benefit: NWTM has in excess of 200,000 bullion customers' names and information. Past sales have valued these customer contacts between \$15 and \$25 per name, meaning \$3,000,000 to \$5,000,000 could be recovered. The bullion website has an estimated value between \$2,000,000 to \$3,000,000. Rare coins and unencumbered bullion was approx \$500,000. It's my understanding that approx. \$300,000 of this has already been liquidated, but \$200,000 should be available to be sold.*
16. Ross Hansen, through his agents, would continue to fund the appeal of Mr. Cohen's judgment against NWTM, which if successful would reduce the company's liabilities in excess of \$12,000,000. *Benefits are self explanatory.*
17. MAC would agree to lease select NWTM assets until the appeal in the judgment against Mr. Cohen is adjudicated. During this time the post-petition valuation of these assets can be properly determined and sold to the highest bidder, with MAC receiving the right of first refusal. *Benefit: Asset value can only be determined in a post petition environment. This would allow the assets to be sold as an ongoing entity instead of just so much used equipment.*
18. As a guarantee and sign of good faith, MAC proposes a \$250,000 prepayment be made to the estate on approval of this proposal. MAC has secured adequate funding through third parties to complete this contract. Proof of this funding will be provided as required to meet the court's due diligence.
19. MAC would agree to proper inspection and oversight by the trustee/creditors' committee's designee.

Additionally, MAC would propose the term of this lease be for approximately 24 months, which is the estimated time for a final decision from the appellate court in the case against Mr. Cohen. MAC would also anticipate that Graco, the Tomball, Texas location, would be part of this proposal, requiring its sale be stopped or delayed until this proposal is finalized. MAC would further expect, as part of this proposal, that the estate would drop its opposition to the return of Diane Erdmann's monies from Todd Tracy, currently in dispute.