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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  
**TRUSTEE'S STATUS REPORT**

Mark Calvert (the "Trustee"), Chapter 11 Trustee for Northwest Territorial Mint, LLC ("NWTM" or the "Debtor"), submits this Status Report in advance of the case management conference set for Friday, June 3, 2016, at 1:30 p.m. pursuant to this Court's Order Scheduling Case Management Conference and Requiring Trustee to Send Notice as modified by the Court's oral ruling on May 26, 2016 (Dkt. No. 163) (the "Order"). This Status Report (a) describes the information the Trustee is required to disseminate according to the terms of the Order; and (b) describes issues of this case which the Court may wish the parties to address at the status conference on June 3, 2016.

**A. General Information Regarding the Case**

On April 1, 2016, the Debtor commenced this case by filing a voluntary petition under chapter 11 of the United States Bankruptcy Code. On April 11, 2016, the Court entered an order appointing Mark Calvert as chapter 11 Trustee. *See* Dkt. No. 51.

Immediately upon his appointment, the Trustee took control of the business operations of the Debtor and initiated his investigation of the financial affairs of the bankruptcy estate. The Debtor's

1 business is primarily comprised of (a) the sale of precious metals, such as gold silver and platinum;  
2 and (b) the minting of medallions, coins, and other awards. Upon his appointment, the Trustee  
3 learned that the amount of outstanding purchase orders for gold and silver vastly exceeded the  
4 Debtor's production capacity. In light of his inability to perform on the bullion orders, the Trustee  
5 shut down the bullion sales operations of the Debtor and returned significant amounts of uncashed  
6 checks to customers who made postpetition orders.

7 During the initial days of his investigation, the Trustee was faced with significant operational  
8 issues and forced to address employee layoffs, imminent plans to move certain business operations  
9 from Texas to Nevada, and an urgent need to manage cash resources in order to stabilize the  
10 Debtor's business operations. At the time of the Trustee's appointment, the Debtor had a total of 244  
11 employees. The Trustee laid off 42 employees of the Debtor in the first week of the case. The  
12 Trustee anticipates laying off up to 34 additional employees as a result of the sale of the Graco assets  
13 in Tomball, Texas which was approved by the Court this week.

14 The Graco operations are a division of the Debtor located in Tomball, Texas. Graco minted  
15 coins, awards, and medallions, primarily for governmental entities. At the outset of this case, the  
16 cash position of the Debtor as a whole was extremely poor, and the Graco division was generating an  
17 operating loss. The estate did not have sufficient cash flow to complete existing contracts at the  
18 Graco division. The Trustee determined that it was in the best interests of the estate to sell the Graco  
19 assets and requested Court approval for such a sale on May 6, 2016 (the "Graco Sale Motion"). On  
20 May 31, 2016, the Court approved the Trustee's motion to sell the Graco assets to Ira Green  
21 Holdings, Inc., for approximately \$1,000,000.

22 To the Trustee's knowledge, the Debtor has not prepared financial statements or filed tax  
23 returns since at least 2011. On February 17, 2016, creditor Brad Cohen and his affiliated entities  
24 obtained jury verdicts in Nevada State court against the Debtor and its principal, Ross Hansen in  
25 total amounts of approximately \$38 million. On the day that the jury verdicts were awarded, the  
26 Debtor ceased maintaining its records of cash held in its Federal Way vault. Per the records that had

1 been kept through that date, the cash in the vault exceeded \$225,000 as of February 17, 2016. As of  
2 April 11, 2016, the date that the Trustee took control over the Debtor, the cash remaining in the  
3 Federal Way vault was approximately \$3,000.

#### 4 **B. Information Required Pursuant to Court Order**

5 Attached hereto as Exhibit A is a detailed cash flow analysis prepared by the Trustee. The  
6 Trustee cannot provide historical financial information for the Debtor because, as indicated above,  
7 the Debtor has not prepared financial statements or filed tax returns since at least 2011. However, the  
8 Trustee has obtained revenue figures from the Debtor's weekly sales reports for the last three years.  
9 The summary of those revenue reports are attached as Exhibit B. Attached hereto as Exhibit C is a  
10 monthly operating report for the month of April 2016 including a statement of income and expenses  
11 since the date of the petition. Attached hereto as Exhibit D is a monthly budget showing expenses  
12 the Trustee expects to incur for professional fees and costs during the Chapter 11 case.

#### 13 **C. Emergency Matters**

14 The Debtor's principal, Mr. Hansen, has repeatedly contacted employees of the Debtor,  
15 appeared unannounced at the Debtor's business premises, and attempted to gain control of aspects of  
16 the business of the Debtor. Furthermore, the Mr. Hansen has misrepresented to the Debtor's  
17 employees that he has authority to contact them when he does not, including representing that the  
18 Bankruptcy Court has authorized Mr. Hansen to contact them. Mr. Hansen has contacted employees  
19 for the purpose of persuading them to depart from their employment with the Debtor and has overtly  
20 expressed his intentions to divert the business of the Debtor to an entity he controls, Medallic Arts  
21 Company, LLC. The Trustee is concerned that employees are intimidated by Mr. Hansen and that his  
22 presence is toxic to employee morale. The Trustee views Mr. Hansen's actions as violative of the  
23 automatic stay. Mr. Hansen has intentionally interfered with the Trustee's operation of the business  
24 and his control of assets of the estate. As a result, the Trustee intends to file a motion prohibiting Mr.  
25 Hansen from contacting employees of the Debtor and prohibiting him from visiting any of the  
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1 premises of the Debtor, and will request that the Court permit the Trustee to have the motion heard  
2 on shortened time.

### 3 **D. Fraudulent Transfers and Preferences**

4 The Trustee anticipates filing an adversary proceeding against Medallic Art Company, LLC  
5 (“Medallic”) and Mr. Hansen. Medallic has asserted that it owns certain assets located in Dayton,  
6 Nevada, and Texas, which the Trustee believes are assets of the Debtor. As Mr. Hansen confirmed in  
7 testimony before the court on May 27, 2016, Medallic has no employees, other than Mr. Hansen and  
8 his girlfriend Ms. Erdmann. Medallic conducts no manufacturing or operations of its own—and has  
9 not conducted any operations since 2009. The Debtor has paid millions of dollars to or for the  
10 benefit of Medallic and/or Mr. Hansen since the Medallic assets were acquired in 2009. Mr. Hansen  
11 has alleged that he acquired his 50% ownership interest in Medallic in exchange for a \$2 million  
12 dollar equity contribution that he funded. His testimony before the court on May 27, 2016 ranged  
13 from admitting that the funds he used to acquire his interest in Medallic came from the Debtor “as an  
14 owner’s draw” to denying that the funds came from the Debtor at all. The \$2 million component of  
15 the Medallic purchase price was funded directly from the Debtor’s bank accounts. The Trustee  
16 continues to investigate the affairs of the Debtor as they relate to Medallic and Mr. Hansen, but it is  
17 clear that the estate will be forced to litigate with Medallic and Mr. Hansen as to rights to assets in  
18 Dayton, Nevada and Tomball, Texas and other claims the estate holds against those parties.

19 The Trustee has compiled a list of cash payments that were made by the Debtor in the 90  
20 days prior to the Debtor’s bankruptcy petition which were filed with the Schedules and Statement of  
21 Financial Affairs. The Trustee has also compiled a list of precious metal, coin and product deliveries  
22 that took place within the 90-day period prior to the bankruptcy petition. Total cash transfers within  
23 the ninety day period prior to the petition were approximately \$11 million and total precious metal,  
24 coin and product deliveries during the ninety day period were approximately \$6.8 million. The  
25 Trustee has not analyzed the avoidability of these transfers or affirmative defenses of transferees.

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**E. Secured Claims**

There are limited known secured claims in this case. Harris County, Texas, the City of Tomball, Texas, and the Tomball Independent School District (collectively, the “Texas Taxing Authorities”) filed secured claims based on ad valorem personal property taxes. King County, Washington filed a secured tax claim of less than One Thousand Dollars. Pan American Silver Corp. has informally asserted a secured claim based on a consignment of 75,000 ounces of silver with the Debtor. The Trustee has informed counsel for Pan American that he cannot locate any consigned metals belonging to Pan American in the possession of the Debtor. About thirteen customer creditors have filed secured claims, but the Trustee does not presently have information supporting the validity of any pledge of security with respect to those claims.

**F. Priority Claims.**

The Trustee estimates that there are approximately 3,500 individuals who may hold claims on account of unfulfilled orders for gold and silver. Total unfulfilled bullion orders as of March 31, 2016 were approximately \$25.8 million on a cash basis per the limited records of the Debtor. The Trustee further estimates that the total unsecured claims pool in this case may exceed Fifty Million Dollars.

A number of creditors who submitted orders for gold and silver bullion that the Debtor did not fulfill, have filed proofs of claim in this Case alleging that they are priority creditors pursuant to 11 U.S.C. § 507(a)(7). That section of the Bankruptcy Code applies, to the extent of \$2,850, for individuals with claims arising from the deposit of money in connection with the purchase of property “for the personal, family, or household use of such individuals, that were not delivered or provided.” The Trustee further believes that some previously filed claims may be amended to assert a consumer deposit priority pursuant to this section. If the entire claims pool of customer creditors with unfulfilled orders were to hold § 507(a)(7) priority claims the total of § 507(a)(7) priority claims would be approximately \$10 million.

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**G. Pending Litigation**

As reflected in the Debtor’s schedules, the Debtor was a party to a number of ongoing litigation matters at the time the petition was filed. The Debtor was a defendant in an action brought by the Equal Employment Opportunity Commission (“EEOC”) in *EEOC vs. Northwest Territorial Mint, LLC*, Case No. 15-cv-01554, which is pending in the United States District Court for the Western District of Washington. The EEOC has notified counsel for the Trustee that it wishes to proceed with its litigation against the Debtor in Federal District Court. The Trustee believes that certain aspects of the EEOC litigation are barred by the automatic stay. The Trustee has invited counsel for the EEOC and pre-petition counsel for the Debtor to attend the status conference to address the status of this litigation.

**H. Motion to Return Stored Inventory**

Certain customers of the Debtor stored gold, silver or other precious metals at the Debtor’s facilities (the “Storage Customers”). The Trustee has conducted a detailed inventory of stored gold, silver and precious metals in the Debtor’s possession. The Trustee has located approximately \$1.1 million in gold and precious metals that can be specifically identified as property of particular Storage Customers. The Trustee anticipates filing a motion with the Court to request authority to return stored property to the individual owners.

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**I. Conclusion**

The Trustee respectfully submits the foregoing Status Report to the Court. Counsel for the Trustee is prepared to discuss these issues with the Court at the status conference scheduled for June 3, 2016.

DATED this 1st day of June, 2016.

K&L GATES LLP

By /s/ Michael J. Gearin  
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