

1 UNITED STATES BANKRUPTCY COURT  
 2 WESTERN DISTRICT OF WASHINGTON AT SEATTLE  
 3  
 4  
 5 \_\_\_\_\_  
 6 IN RE: )  
 7 NORTHWEST TERRITORIAL MINT, LLC, )  
 8 Debtor. ) 16-11767-CMA  
 9 \_\_\_\_\_  
 10 EXCERPT OF THE DIGITALLY RECORDED PROCEEDINGS  
 11 BEFORE THE HONORABLE CHRISTOPHER M. ALSTON  
 12 MAY 27, 2016  
 13 (TESTIMONY OF ROSS B. HANSEN)  
 14 \_\_\_\_\_  
 15  
 16  
 17  
 18  
 19  
 20  
 21  
 22  
 23  
 24  
 25 PREPARED BY: SHARI L. WHEELER, CCR NO. 2396

1 your full name for the record and give us your current  
 2 address, please?  
 3 THE COURTROOM DEPUTY CLERK: No home address.  
 4 THE COURT: Not home address.  
 5 MR. STEHLIK: Oh, I'm sorry. Excuse me.  
 6 Q. (BY MR. STEHLIK) Your business address, if you're in  
 7 business anymore.  
 8 A. Well, I'm not in business anymore, but --  
 9 Q. We'll just skip that.  
 10 A. Well, actually, that's not true. I own Medallie Art  
 11 Company. And that would be, Medallie Art Company, 80 East  
 12 Airpark Vista Boulevard, in Dayton, Nevada.  
 13 Q. Thank you. And the spelling of your name -- your  
 14 last name -- is S-E-N, correct?  
 15 A. Yes.  
 16 Q. And your middle initial B?  
 17 A. Correct.  
 18 Q. What association have you had with the debtor,  
 19 Northwest Territorial Mint, historically?  
 20 A. I founded Northwest Territorial Mint in 1984.  
 21 Q. And what has been your role in connection with that  
 22 company ever since?  
 23 A. I've been the CEO of the company since its inception,  
 24 other than a brief period of time when the company was in a  
 25 bankruptcy back in, I believe, 1990.

1 SEATTLE, WASHINGTON; MAY 27, 2016  
 2 --oOo--  
 3  
 4 (Other proceedings took place which are not  
 5 transcribed and attached hereto.)  
 6 \* \* \* \* \*  
 7 (Beginning of excerpt.)  
 8  
 9 THE COURT: Mr. Stehlik, do you have any  
 10 witnesses you'd like to offer?  
 11 MR. STEHLIK: Your Honor, we're going to call  
 12 Mr. Hansen.  
 13 THE COURT: All right. Mr. Hansen, please come  
 14 on up and have a seat.  
 15 (The witness was sworn.)  
 16 THE COURT: Please have a seat and make sure you  
 17 speak into the microphone.  
 18  
 19 ROSS B. HANSEN,  
 20 having been sworn as a witness by the Court,  
 21 testified as follows:  
 22  
 23 DIRECT EXAMINATION  
 24 BY MR. STEHLIK:  
 25 Q. Good afternoon, Mr. Hansen. Would you please state

1 Q. By the way, did you acquire assets out of that  
 2 bankruptcy?  
 3 A. I did.  
 4 Q. Was that approved by a Court?  
 5 A. It was.  
 6 Q. What association or connection do you have with  
 7 Medallie Art Company, LLC?  
 8 A. I am the managing member, and I am a 50 percent  
 9 owner.  
 10 Q. Who is the other owner of the company?  
 11 A. Richard Bressler.  
 12 Q. And how much does he own?  
 13 A. 50 percent.  
 14 Q. Has that been the case since the inception of the  
 15 LLC?  
 16 A. Yes, sir.  
 17 Q. When was it formed?  
 18 A. 2009.  
 19 Q. You've submitted a declaration in this case  
 20 indicating that Medallie Art Company, LLC, has loaned a number  
 21 of assets to the Graco operation, correct?  
 22 A. Yes.  
 23 Q. And after you have had a chance to hear all of this  
 24 today, listening to the testimony of various witnesses, has  
 25 anything in that declaration been brought into doubt in your

1 mind?

2 A. No.

3 MR. STEHLIK: Your Honor, I don't believe that  
4 he can recite this from memory. So I'm going to ask  
5 permission to provide a copy of the declaration to him so he  
6 can expand upon statements made therein. I believe everybody  
7 should have a copy of that.

8 MR. GEARIN: Which declaration?

9 MR. STEHLIK: The one submitted on May 23rd in  
10 connection with the objection.

11 MR. GEARIN: Which declaration?

12 MR. STEHLIK: Mr. Hansen's.

13 MR. GEARIN: Oh, Mr. Hansen's.

14 THE COURT: I believe I have it here. It is  
15 Docket Number 289.

16 MR. STEHLIK: Thank you.

17 THE COURT: Does everybody have a --

18 THE COURTROOM DEPUTY CLERK: Do you want that  
19 marked as an exhibit?

20 THE COURT: Do you want it marked as an exhibit,  
21 or do you just want to use it as a --

22 MR. STEHLIK: It's already in the file, so I  
23 don't think we need it as an exhibit.

24 THE COURT: We don't need that, I don't think.

25 THE COURTROOM DEPUTY CLERK: Okay.

5

1 decided to get out of the --

2 Q. This was before your involvement, correct?

3 A. Way before my involvement. And they had quit making  
4 most of the military medals, but they still had the tooling  
5 and a lot of parts and pieces.

6 When Mr. Bressler and I acquired Medallic Art in  
7 2009, we looked at the assets available. And we realized that  
8 the medal business, at one time, had been the majority of the  
9 business of Medallic Art. So we decided to get back into that  
10 business. And we started revamping tooling, revamping  
11 inventory, revamping the Medallic, you know, military medals  
12 business.

13 And as we were doing that, what happened is, is I got  
14 a call from Mr. Tucker, who said, You guys are back in  
15 business. You're going to be competing with me. I would  
16 rather that not happen. Why don't you just buy me?

17 So what we did is, we -- Northwest Territorial Mint  
18 bought Graco Industries and then decided to combine our medal  
19 business that we had started again afresh and take the old  
20 tooling, a lot of the new tooling, and consolidate it down at  
21 the Dayton -- I'm sorry -- from the Dayton, Nevada facility  
22 down to the Tomball, Texas facility.

23 Q. So could you be a little more specific about the  
24 business strategy behind that?

25 A. It's getting all the -- Graco had an expertise in

7

1 THE COURT: But I'm asking counsel. Mr. Gearin,  
2 Mr. Rizzardi, do you have --

3 MR. GEARIN: I have a copy.

4 THE COURT: You have a copy. Okay.

5 MR. GEARIN: I do.

6 THE COURT: Okay. I do, as well.

7 Q. (BY MR. STEHLIK) Is that the declaration you filed  
8 in connection with the objection filed by Medallic Art, sir?

9 A. It is.

10 Q. And please turn to the second page, where you have  
11 discussed there the items that you have said were loaned to  
12 Graco.

13 A. Yes, sir.

14 Q. First of all, would you explain to the Court, over  
15 what period of time were these items -- or some of them --  
16 provided to Graco?

17 A. Most of them were provided to Graco shortly after the  
18 acquisition. But over the whole length of time we've owned  
19 Graco, we have moved some -- up until about a year ago, we  
20 were moving assets to the Graco facility.

21 Q. And what was the purpose of making these assets  
22 available to the Graco operation?

23 A. Well, briefly, Medallic Art was formed in 1903, and  
24 it was making medals. And in 1990, Medallic Art had its own  
25 financial trouble, and it was sold to Mr. Hoff. And it

6

1 making medals that actually exceeded ours. And part of our  
2 purchase price was to actually buy the expertise of the  
3 business. So we thought, well, let's not have two duplicate  
4 facilities. Let's let them focus on making the medals, and  
5 we'll focus on making the medallions and coins.

6 Q. So how did that translate into business for Medallic  
7 Art?

8 A. Well, it worked out quite well because Medallic Art  
9 had a significant amount of assets that were underutilized.  
10 And by sending the equipment and getting that business back  
11 again, it -- there's lots of ancillary business that comes  
12 from those government contracts, and so it's worked very well.  
13 It's helped us attract a number of government agencies. It's  
14 given us contracts that we wouldn't normally have. And  
15 there's just a lot of residual business and other business  
16 that we get that wouldn't come if it weren't for the military  
17 medals contract.

18 Q. Now, you say, in your declaration, that there was no  
19 transfer of ownership. But these assets were actually  
20 delivered to the Graco premises, correct?

21 A. That's correct.

22 Q. Now, let me ask you to briefly touch upon each of  
23 these. We're very limited in time here today, so I don't want  
24 you to go into great detail. But I want the Court to  
25 understand just the nature of what these items are and how

8

1 they fit into the operation.

2 A. Sure.

3 THE WITNESS: And they're not listed on the  
4 asset sheet, so I'll briefly explain, Your Honor.

5 A. (Continuing) Steel dies, that is big chunks of steel  
6 that usually have springs and guides on them that fit in the  
7 coining press. And these guides will guide trim tools, and  
8 they'll guide coining tools. And these are very expensive.  
9 They're usually anywhere from 500 to \$3,000 apiece.

10 The trim tools are -- if you strike the metal many  
11 times, you're striking it, and it's just like Play-Doh. It  
12 comes out, and it's got real rough edges. And a trim tool  
13 will come in and clean that edge up. And that's an expensive  
14 part, too. That can be a thousand to \$2,000.

15 A coining die -- and when -- we had much better  
16 coining dies than Graco did. A coining die is the coin that  
17 actually has the image that's going to be embossed on the  
18 metal itself. And most of the Graco dies were in such poor  
19 condition that, literally, thousands of them had to be  
20 replaced. And what we did is, we went -- we didn't want to  
21 have to go make anew, which we did some, but a lot of them we  
22 had in inventory. We have 400,000 dies in inventory at  
23 Medalllic Art. We took probably 1,500 of those dies and sent  
24 them down to Tomball, Texas.

25 There was some marking and punching machinery. We

9

1 things that's not mentioned in this is, ribbon is very  
2 expensive. Ribbon -- there's only two companies that make  
3 ribbon. One is Graco, and the other is another ribbon  
4 company. And the ribbon is typically about \$3 a yard, and it  
5 has to be made to government specifications. And it's very  
6 complicated, expensive ribbon. And we had about a half  
7 million dollars' worth of ribbon in inventory. And we shipped  
8 that ribbon and also the findings. The findings are the piece  
9 of metal that will attach the ribbon to the coin. And we sent  
10 those down.

11 Q. (BY MR. STEHLIK) When you say, "we," are you talking  
12 about Medalllic Art?

13 A. I'm sorry. Medalllic Art. We said, you know,  
14 Medalllic Art doesn't need these right now. Send them down.

15 We also had hand tools and other fixtures for  
16 assembling these products that we sent down. Then we also  
17 went through -- and one of the great assets of Medalllic Art  
18 is, for over a hundred years, some of the finest artists and  
19 craftsmen in the world -- I mean, Augustus Saint-Gaudens and  
20 people like that -- have worked for the company. And we took  
21 a number of those intellectual properties that we owned, the  
22 sculptures and the other designs, and we transferred them onto  
23 product, and we created new product for Graco.

24 We also took a number of those images, which Medalllic  
25 Art would own, and we transferred those images over to the new

11

1 had some better marking and punching machinery, which is just  
2 putting marks on the edge of coins and punching holes, that we  
3 sent down.

4 They weren't tumbling their brass, and we -- we took  
5 one of the tumblers that we had acquired at Graco and sent  
6 it -- we revamped it. Then we sent it down to the Graco  
7 facility.

8 There's tumbling media -- it's expensive -- that goes  
9 along with that. A lot of the problems that Graco was having  
10 is, is they weren't really good at making medals. And so  
11 we -- by lending our expertise and a lot of the racking that  
12 we did and a lot of the cleaning up of the company that we did  
13 when we took it over -- so we took racking -- expensive  
14 racking and tooling and parts that just facilitate the  
15 movement of parts through the factory.

16 We had a coining press that was a very expensive  
17 coining press. It's probably about a \$300,000 press. And we  
18 took that press, and we actually shipped that press up to  
19 Auburn. And we reconditioned the press, and then we shipped  
20 the press down to Texas.

21 We took brass, steel, and other metal items that we  
22 had acquired as part of our inventory in our medal-making  
23 process. And we said, Let's get those down -- we, literally,  
24 sent a truckload down to the Texas facility.

25 Again, we also had a lot of ribbon. And one of the

10

1 site. We created a very large and expensive site for Graco.

2 Q. A website?

3 A. A website. Literally, spent probably a million  
4 dollars on the website. But that was done by --

5 Q. When you say, "transferred" --

6 A. Most of that was done by Northwest Territorial Mint,  
7 but some assets of Medalllic Art were used at the same time.

8 Q. When you say, "transferred" these things to Graco, do  
9 you mean transfer ownership or transfer usage or --

10 A. Just transfer usage.

11 There was also boxes and packaging and tooling that,  
12 literally, went back, you know, 50 years. And we shipped  
13 another couple truckloads of that down to Graco to -- you  
14 know, that had values of hundreds of thousands of dollars.  
15 But some of it could be used; some of it couldn't. But it was  
16 sent down there.

17 And so that's -- those are just some of the items  
18 that were sent down there, plus, you know, our expertise.

19 Q. And have you had an opportunity to approximate the  
20 value of the assets that Medalllic Art has provided to Graco  
21 over the years?

22 A. A rough estimate, that we just did a minute ago, is  
23 about -- probably about somewhere between 1.2 and  
24 \$1.5 million.

25 Q. And that, of course, was at the time they were

12

1 transferred -- or allowed to be used?

2 A. Yes.

3 Q. And, again, this has taken the course -- was over the  
4 course of time. But were there any moments in time where a  
5 significant amount of material or items were delivered to  
6 Graco?

7 A. Yes. Almost immediately after the purchase of Graco,  
8 we shipped a tremendous amount of our medal-making  
9 capabilities down to Graco.

10 Q. And that would've been in 2000 -- just after the --

11 A. Probably 2009, 2010. Yeah.

12 Q. Well, Graco was acquired in 2011.

13 A. I'm sorry. I was thinking of Medallic. Medallic was  
14 acquired in 2009. Graco was acquired in 2011. So it would've  
15 been shortly after 2011, within probably 18 months.

16 Q. Okay. Now, there have been some discussions here  
17 about who's got records of what. Where would the records be  
18 that would demonstrate that these items that you just  
19 described are owned by Medallic Art or were shipped up to  
20 Graco by Medallic Art, originally sourced in Medallic Art?

21 A. Well, there's a number of ways of proving that. A  
22 number of toolings are actually stamped with Medallic Art's  
23 hallmark on the side of the tooling, whether that be a die or  
24 die set or a trim tool.

25 Second of all, there's four or five people, managers,  
13

1 in the office -- in fact, I attempted to call some of them  
2 last night to see what they could provide -- that could  
3 testify about what they shipped and what they sent down there  
4 and what they received.

5 Also, there's shipping records of what we sent down  
6 there and pallets of material and what was exchanged.

7 Q. Where would those records be, to the best of your  
8 knowledge?

9 A. They'd be located at the Federal Way office. They'd  
10 also be located at the Dayton, Nevada facility and also in  
11 Tomball, Texas.

12 Q. Have you been allowed access to those record sites?

13 A. I have not.

14 Q. And who has prevented you from doing that?

15 A. Mr. Calvert.

16 Q. And I assume you've made efforts to get access to  
17 these records?

18 A. Yes, sir.

19 Q. And you have not been permitted to do so?

20 A. That's correct. When I -- I was under the mistaken  
21 belief, a week ago, that I was allowed to come pick up some  
22 records. I entered the facility. And I was told that the  
23 police had been called and I would be arrested for  
24 trespassing. So I immediately left the facility.

25 Q. Let me hand you what's been discussed at least as  
14

1 Schedule 1.1A, Fixed Assets.

2 MR. STEHLIK: And I suppose, for good  
3 housekeeping, we should just mark this as Exhibit 4.

4 (Exhibit 4 was marked for identification.)

5 MR. STEHLIK: May I approach the witness, Your  
6 Honor? He's taken notes on this one, and I would like to  
7 speed this up by --

8 THE COURT: Sure.

9 MR. STEHLIK: -- having him refer to that.

10 THE COURT: Yes. Go ahead.

11 MR. STEHLIK: Let the record reflect I'm handing  
12 Mr. Hansen another copy of Exhibit 4 with his notes on it  
13 {inaudible} during the break.

14 Q. (BY MR. STEHLIK) Mr. Hansen, are you able to  
15 identify, on Exhibit 4, any asset that you believe belongs to  
16 Medallic Art that was provided to Graco for Graco's use?

17 A. Yes. Probably the most expensive one was one of the  
18 hydraulic presses.

19 Q. Could you tell me what page that's on and  
20 approximately where we would find it in the description so  
21 that we can understand --

22 A. It's on page 1, and it's -- and I apologize. There's  
23 nine presses down there, and I don't have the serial number.

24 So it would be one of the nine hydraulic presses. But I  
25 believe it's either -- on here, it's identified as Hydraulic  
15

1 Press 8, 3, 5, and 9. And I'm not certain which one of those  
2 it is.

3 Q. Anything else?

4 A. Yes. There's a slitter that was sent down, and --

5 Q. What page is that on?

6 A. That's on page 1.

7 Q. What else is -- how else would you describe it, so we  
8 can --

9 A. A slitter takes --

10 Q. No. In the document.

11 A. Oh, I'm sorry. It's just called a slitter --

12 Fletcher Slitter, FM-84 Model.

13 Q. Okay.

14 A. And then there's a --

15 Q. We're on page 1 still, right?

16 A. Yes, sir.

17 Q. Okay.

18 A. And just briefly looking at this, the -- it's hard,  
19 from this description, to actually know, for certain, you  
20 know, which is which, because they're identified differently.  
21 But I think a number of the CAD drawings that are located in  
22 here --

23 Q. CAD, C-A-D, drawings?

24 A. Yes. -- would be ours.

25 THE COURT: What page are you on?  
16

1 THE WITNESS: Page 1, sir.  
2 THE COURT: Still on page 1. I'm not seeing the  
3 CAD drawings on this list.

4 THE WITNESS: Sir, it's about -- almost halfway  
5 down. It says, Computer interface -- it starts with that.

6 THE COURT: Thank you. Okay.

7 Q. (BY MR. STEHLIK) Anything else on this list, Exhibit  
8 4, that you can identify?

9 A. Not on the first page.

10 Q. Okay. I urge you to refer back to your notes, just  
11 in the interest of moving through this. I don't expect you to  
12 be exhaustive here because we don't really have the luxury of  
13 time, Mr. Hansen. So just do your best, based on what your  
14 earlier review was. Anything else there?

15 A. Oh, yes, sir. There's -- one of the blanking presses  
16 was acquired in Medallic Art and was sent down to Dayton.

17 Q. What page are you on, sir?

18 A. On page 3.

19 Q. And how is it described there?

20 A. It's described as Blanking Press OBI. And, again,  
21 I'm not certain if it's the OBI Number 4, Number 5, or the  
22 Bliss Number 36.

23 On page 2, two-thirds of the way down, there's a  
24 tumbler. It says, 1986 Model. We did send a tumbler down.  
25 I'm not certain if that's the one. But there is a very large

17

1 contracts for the Defense Logistics Agency. We make, not only  
2 those products, but we take that{sic} same products, and we  
3 put them up on our website. And our web sales, right now, are  
4 about 3 1/2 million dollars. And about 60 percent of those  
5 sales are made through government contracts and licenses and  
6 using those images.

7 Q. The 3-million figure is what again?

8 A. Just the -- just the sales off the website.

9 Q. Per month? Per year?

10 A. I'm sorry. Per year.

11 Q. Per year, okay.

12 A. So what I -- the question you're asking me is, How  
13 bad would this affect us?

14 Cancellation of contracts is viewed very dimly by the  
15 government. And we operate under a GSA contract, DLA  
16 contract, and a number of other contracts. And if the -- if  
17 Northwest Territorial Mint reneged on these contracts, most  
18 likely it would be prohibited from bidding for an extensive  
19 period of time on future orders. It would also not have the  
20 products that it sells on the website that has very nice high  
21 margins.

22 Q. You've heard a lot of discussion. Mr. Calvert gave  
23 his opinion about what these assets are worth. And he's  
24 couching his opinion and his decision in terms of how badly  
25 the debtor needs cash. But separating that out, do you have

19

1 tumbler that belongs to Medallic Art Company.

2 Q. Now, this, of course, wasn't -- are you done?

3 A. Yes.

4 Q. I didn't mean to cut you off.

5 This document was not prepared by you, correct?

6 A. No, sir.

7 Q. So this doesn't purport to be a total list of assets  
8 that you believe Medallic Art provided to Graco, correct?

9 A. That's correct.

10 Q. And the best you can do is what you described in your  
11 declaration?

12 A. Correct.

13 Q. Now let me ask you about the Graco sale itself.  
14 First of all, as a preliminary question, how much of the  
15 debtor's business consists of government business --  
16 government contracts?

17 A. About 60 percent right now, sir.

18 Q. And how much does the Graco operation contribute to  
19 that 60 percent?

20 A. Well, about 15 percent.

21 Q. What kind of relationship does the Graco  
22 manufacturing facility have with the debtor?

23 A. It provides a lot of the finished goods that go up on  
24 the website. So, for example, if we make -- what  
25 Mr. McAllister was talking about -- he's talking about

18

1 an opinion as to what the value of Graco's assets is, at the  
2 present time, as a going concern?

3 A. Yes. And Mr. Calvert -- prior to him taking control,  
4 we had a lot of discussion about Tomball. And of course we  
5 wanted to reduce as much cost as we could. And a decision had  
6 been made to move the Tomball location to Dayton, Nevada. And  
7 that would add about another \$300,000 worth of profitability.

8 We are currently making about \$350,000 a year off  
9 that plant. And that would -- you know, another 300,000  
10 would, you know, double our profit. So that decision was an  
11 easy one. We were literally in the process of closing down  
12 and moving the plant when Mr. Calvert took over. But within  
13 an hour of Mr. Calvert taking over, he was on the phone trying  
14 to sell this asset.

15 And when Mr. Calvert expressed to me his need to  
16 raise cash, cash, cash, he asked me what I thought the value  
17 was. And we both agreed that the value was about \$4 million.  
18 And he said, Well, you know, we're going to have to discount  
19 this to make this a fast sale. What do you think we could  
20 sell this fast for?

21 And I said, You know, in a fire sale, I think  
22 somebody would pay 2 1/2 million dollars, easy, for it.

23 He said, Okay. That's the number we'll use.

24 Q. Do you have Exhibit 3 in front of you? It's the  
25 Schedule 5.3. Is that up there?

20

1 MR. STEHLIK: May I have the exhibits --  
 2 THE COURTROOM DEPUTY CLERK: It should all be --  
 3 (Multiple speakers; unintelligible.)

4 Q. (BY MR. STEHLIK) Do you recognize this as the  
 5 assets -- an allocation of the purchase price for the purchase  
 6 by the debtor of Graco's assets back in 2011?

7 A. Yes, I do, sir.

8 Q. And this is an allocation that was negotiated between  
 9 the parties?

10 A. Yes. Between myself and Mr. Tucker.

11 Q. And at that point in time, you had allocated a  
 12 million seven to inventory, correct?

13 A. 1.7 million. That was a discounted number.

14 Q. What do you think the value of the inventory -- based  
 15 upon the same valuation that you used and you negotiated when  
 16 Northwest Territorial Mint bought these assets -- the value of  
 17 the inventory today?

18 A. We substantially have increased the inventory. And  
 19 there's actually books in Epicor that would show the  
 20 inventory. But when I left the company, there was 670,000  
 21 yards of ribbon that were worth \$3 a yard. So right there,  
 22 there's almost \$2 million worth of ribbon. And the inventory  
 23 valuation, you know, in my best estimate, was -- is probably  
 24 closer to \$3 million.

25 Q. All in?

21

1 many items are in stock. We have a very good min/max system.  
 2 And contrary to what Mr. Calvert says, we have an excellent  
 3 replenishment system that can project what we need and how  
 4 much is going to be required. Because right now, we have  
 5 about 18,000 products that we maintain on the website.

6 Q. So what you're talking about is an inventory  
 7 management software system?

8 A. Correct. And one of the reasons that the company was  
 9 cash poor is -- you know, like every ERP system, we had  
 10 figured about a million dollars to put it in. And I think we  
 11 had exceeded over 3 million, and we were still working on it.

12 Q. Is that operational now?

13 A. It is.

14 Q. And it has been for a while?

15 A. It has been.

16 Q. And that would enable you to determine whatever  
 17 inventory is on hand at any given time?

18 A. Yes.

19 Q. The last thing I want to do is just ask you about  
 20 your attempts to contact people yesterday. Did you make some  
 21 calls to some people?

22 A. I did.

23 Q. Why?

24 A. Well, I thought the Court wanted testimony today of  
 25 what the assets of Northwest Territorial Mint -- I'm sorry --

21

1 A. All in.

2 Q. Ribbons and everything?

3 A. Yes, sir.

4 Q. Okay. Now, you mentioned that -- while we're talking  
 5 about inventory, you heard the discussion earlier, where  
 6 Mr. Calvert indicated that -- I think he said your name  
 7 specifically -- had instructed employees at Graco not to take  
 8 inventory; is that true?

9 A. No. That's not true at all.

10 Q. What methods were in place for keeping track of  
 11 inventory at Graco?

12 A. Well, when we first showed up there, there was --  
 13 Mr. Calvert was correct about no inventory. When we first  
 14 showed up there and bought the company off Tom Tucker, he was  
 15 using a very antiquated system. And we were told there was  
 16 about 1,300 SKUs, products. When we did a detailed  
 17 analysis -- it took us months to go through the company -- we  
 18 found that there was over 8,500 SKUs. And so, you know, our  
 19 valuation -- at the time I bought this from Mr. Tucker, there  
 20 was -- the inventory value was assessed at about 2.3. But  
 21 some of the inventory was stale, and that's why we reduced it  
 22 to 1.7.

23 And since that time, we've gotten rid of a lot of the  
 24 stale inventory and replaced it with fresh inventory. And we  
 25 keep very detailed records of how much ribbon is in stock, how

22

1 Medallic Art had sent down to Graco. So I attempted to call,  
 2 I think, four people that could provide some testimony here.  
 3 And I left messages with each one of them, explaining why I  
 4 was contacting them, and asked them to call me back.

5 Q. And did you indicate that the Court gave you any  
 6 permission to do this?

7 A. Yeah. I was -- I was under the understanding that  
 8 the Court was going to allow testimony in regards to this --  
 9 you know, this transaction.

10 Q. And what were you told by these people?

11 A. Nothing. Nobody returned my phone call.

12 MR. STEHLIK: That's all. Thank you.

13 THE COURT: All right. Thank you, Mr. Stehlik.  
 14 Mr. Gearin?

15 MR. GEARIN: I'm going to have about three  
 16 minutes of cross-examination. I'll be brief.

17 THE COURT: All right.

18 CROSS-EXAMINATION

19 BY MR. GEARIN:

20 Q. Let's start with the issue that you just finished up  
 21 with, Mr. Hansen. Did you -- when you called people  
 22 yesterday, did you tell them that the Court had authorized you  
 23 to call?

24 A. Yes. I was -- I believed that the Court had allowed  
 25 me to contact them to get the evidence -- the Court had

24

1 expressed that they wanted to see evidence from us on which --  
2 what assets were sent down there. So I said, I'm trying to  
3 collect the evidence that the Court is asking for, and we need  
4 this evidence by tomorrow.

5 Q. Don't you think that's misleading --

6 A. I --

7 Q. -- when you call somebody and tell them that the  
8 Court has authorized you to call them?

9 A. Well, the Court had asked for evidence and said that  
10 they would take testimony from the people who could provide  
11 the evidence.

12 Q. So you previously testified about your visit to the  
13 Federal Way premises --

14 A. Correct.

15 Q. -- and the fact that Mr. Huffman, I think, told you  
16 that you could not visit there and you had to leave.

17 Did you tell Mr. Huffman that you were authorized to  
18 come and pick up Medallion records at that point?

19 A. Yes.

20 Q. Who authorized you to do that? Why did you think  
21 that you could tell him -- represent to him that you were  
22 authorized to pick the records up?

23 A. Well, a couple of things. First of all, Mr. Calvert  
24 had always told me that my records would be available when I  
25 wanted them. So I went through my counsel, Mr. Stehlik. And

25

1 Mr. Stehlik had been in contact, I thought, with you. I  
2 received an email from Mr. Stehlik saying that I could go down  
3 and pick up records.

4 So I -- wanting to be careful, I called the security  
5 guard down there, who I know, Patrick Ward. And I asked  
6 Patrick -- I said, I'm planning on coming in tomorrow about  
7 1:00, and I'd like to pick up the records for the company.

8 And he said, Well, I can't authorize that --

9 Q. Excuse me. Let me interrupt you. I'm sorry.

10 A. Okay.

11 Q. It was a pretty simple question, right? And I think  
12 the question here is: You told Mr. Huffman that you had  
13 authority to come in and pick those records up. But you  
14 didn't tell him that Mr. Stehlik was the one that gave you the  
15 authority, did you?

16 A. Well, I told --

17 Q. Yes or no?

18 A. I showed him the letter that Mr. Stehlik had given  
19 me.

20 THE COURT: Let Mr. Hansen answer. Let me also  
21 say, I'm not sure how this is relevant to the 363 --

22 MR. GEARIN: All right. This issue -- they  
23 brought the issue up, so --

24 THE COURT: I --

25 MR. GEARIN: I'll move on.

26

1 THE COURT: All right. Thank you.

2 MR. GEARIN: Let me ask just a couple of other  
3 questions.

4 Q. (BY MR. GEARIN) I'm going to your declaration, which  
5 you have talked about before -- the declaration you submitted  
6 in this matter, Mr. Hansen. And I'm really looking at  
7 paragraph 2 in that declaration. And in that, you say: I  
8 contributed \$2 million, and Mr. Bressler contributed \$3  
9 million for the purchase price of the Medallion Art Company.

10 Do you remember that?

11 A. Yes.

12 Q. All right. Did you take the \$2 million that you say  
13 you contributed for this purchase -- did you take that from  
14 the Mint?

15 A. I took it as an owner's draw from the Mint. Yeah.

16 Q. But you took it from the debtor's accounts, did you  
17 not?

18 A. You know, I -- I don't recall how the transaction  
19 occurred. But it was all monitored by our CPA and our lawyer.  
20 So how it was legally done, I would defer to them.

21 Q. Well, I think the question is very direct, right?  
22 It's very simple. Did the money that you used to purchase the  
23 Medallion Art Company come from the debtor's accounts?

24 A. No. Not all of it.

25 Q. Did the \$2 million, that you say you contributed to

27

1 that purchase price, come from the debtor's accounts?

2 A. I don't believe so. No, sir. It came from an  
3 account that we had set up and we had specifically funded to  
4 buy the -- buy the company.

5 Q. All right. Medallion Art Company, as we sit here  
6 today, has no employees; is that correct?

7 A. That's not correct.

8 Q. Who are the employees of Medallion Art Company?

9 A. Currently, the employees are Ross Hansen, Diane  
10 Erdmann, and others that are soon to join.

11 Q. All right. So are there any employees that are  
12 actually involved in manufacturing anything presently?

13 A. No.

14 Q. Does Medallion Art Company have any cash in a bank  
15 account?

16 A. Yes.

17 Q. All right. How much?

18 A. I don't know.

19 MR. GEARIN: Your Honor, I think we have -- I  
20 have no further questions for Mr. Hansen. We may want to  
21 re-call Mr. McAllister for very brief testimony.

22 THE COURT: Okay. Does anyone else have  
23 questions for Mr. Hansen?

24 Mr. Rizzardi or Mr. Northrup?

25 (No audible response.)

28

1 THE COURT: Mr. Stehlik, any redirect?  
2 MR. STEHLIK: No, Your Honor.  
3 THE COURT: All right. Thank you, Mr. Hansen.  
4 You may step down.

5  
6 (End of excerpt.)  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

29

1 CERTIFICATE

2  
3 I, Shari L. Wheeler, court reporter and court-approved  
4 transcriber, certify that the foregoing is a correct  
5 transcript from the official electronic sound recording of the  
6 proceedings in the above-entitled matter.

7  
8 These pages constitute the and excerpt of the original or  
9 a copy of the original transcript of the proceedings, to the  
10 best of my ability.

11  
12 Signed and dated this 31st day of May, 2016.  
13

14  
15 by /s/ Shari L. Wheeler  
16 SHARI L. WHEELER, CCR NO. 2396  
17  
18  
19  
20  
21  
22  
23  
24  
25

30