

The Honorable Christopher M. Alston
Chapter 11
Hearing Location: Seattle, WA
Hearing Date:
Hearing Time:
Response Due:

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON

In re
NORTHWEST TERRITORIAL MINT, LLC
Debtor.

No. 16-11767-CMA
DECLARATION OF J. TODD TRACY IN
SUPPORT OF MOTION FOR
AUTHORITY TO WITHDRAW AS
ATTORNEY FOR DEBTOR

J. TODD TRACY declares as follows:

I am the member of The Tracy Law Group PLLC ("TTLG"). I am over the age of 18 and I am competent to testify to the contents of this declaration. I make this declaration in support of TTLG's motion for authority to withdraw as attorney for the Debtor in this case.

TTLG was initially contacted regarding this case on or about March 25, 2016. On March 31, 2016, Northwest Territorial Mint LLC executed an engagement letter with The Tracy Law Group PLLC. Attached hereto, as Exhibit A, is a copy the fully executed engagement letter. The terms of the engagement letter required payment of a \$150,000.00 advance fee deposit to be held in the TTLG IOLTA Trust Account at First Sound Bank.

DECLARATION OF J. TODD TRACY IN SUPPORT
OF MOTION FOR AUTHORITY TO WITHDRAW
AS ATTORNEY FOR DEBTOR - 1

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1 Because of entry of a restraining order by the King County Superior Court that prevented
2 any funds of the Debtor being transferred to any third party, the advance fee deposit was
3 paid by a third-party, Ms. Diane Erdmann. On March 31, 2016, TTLG received a wire
4 transfer in the sum of \$50,000 from Ms. Erdmann. In addition, on March 31, 2016, TTLG
5 received a third party cashier's check, drawn by John Drummey and payable to Diane
6 Erdmann which was, in turn, endorsed to TTLG. The cashier's check was in the amount of
7 \$99,460.00. This check was deposited into the TTLG IOLTA Trust account on March 31,
8 2016 and was credited on April 1, 2016. I provided copies of these documents to the
9 Chapter 11 Trustee's per his request.
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21 Prior to the filing of the Chapter 11 Petition, TTLG drew down \$21,885.50 for pre-
22 petition fees incurred related to advising the Debtor as to its options under the Washington
23 States Receivership Act, the federal receivership statute and the United States Bankruptcy
24 Code. TTLG also prepared the initial petition, entered approximately 3400 priority
25 unsecured creditors and 160 general unsecured creditors into the bankruptcy software filing
26 software used by the firm. It total, TTLG spent 63.5 hours in pre-petition time prior to the
27 filing. The United States Courts debited \$1,717.00 for the Chapter 11 filing fee, via ACH
28 from the funds in the trust account.. Accordingly, as of the time of filing and continuing
29 forward, the trust account has a balance of \$125,857.50.
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41 Paragraph 10 of the executed engagement letter expressly states that TTLG's
42 continued representation was contingent upon the Court's approval of the retention of a
43 Chief Restructuring Officer and that if the Court denied such a motion, TTLG would have a
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1 basis for terminating the engagement. On April 7, 2016, the Court denied the Debtor's
2 motion to appoint a Chief Restructuring Officer and entered an order directing the Office of
3 the United States Trustee to appoint a Chapter 11 Trustee. Mark Calvert was appointed as
4 the Chapter 11 Trustee by order entered on April 11, 2016. Because the Court ordered the
5 appointment of the Chapter 11 Trustee so quickly after the case was filed, and because of
6 the restrictions contained in Fed. R. Bankr. P. 6003(a), The Court did not enter an order
7 approving the employment of TTLG as counsel for the Debtor prior to appointment of the
8 Chapter 11 Trustee.
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19 As an additional basis to permit TTLG to withdraw, the attorney-client working
20 relationship between TTLG and Mr. Hansen, as the member of Northwest Territorial Mint
21 LLC has deteriorated to the point where any continued representation of the Debtor is not
22 possible.
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28 Finally, upon appointment of the Chapter 11 Trustee, TTLG may no longer be paid
29 for its representation of the Debtor.
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32 On April 15, 2016, based upon the three bases outlined above, TTLG sent its written
33 letter terminating its engagement to the Debtor to its last known mailing addresses and to
34 Mr. Ross Hansen at his last known e-mail address.
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39 As noted above, TTLG currently holds the sum of \$125,857.50 in its IOLTA Trust
40 Account at First Sound Bank. Ms. Diane Erdmann is demanding that the funds be returned
41 to her as she provided the advanced fee deposit. TTLG is intending to seek Bankruptcy
42 Court approval for fees incurred between the filing and the appointment of the Trustee in
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1 the approximate amount of \$36,000. Finally, the Chapter 11 Trustee has asserted, in writing,
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3 that he may have an interest in the funds and is investigating whether the funds are property
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5 of the bankruptcy estate.
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8 TTLG is concerned about complying with the requirements of Washington Rule of
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10 Professional Conduct 1.15A(g) and requests the Court's direction regarding these funds and
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12 will take such steps to safeguard the funds, including interpleading the funds to the
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14 Bankruptcy Court.
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17 I declare under penalty of perjury that the foregoing is true and correct to the best of
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19 my knowledge and information.
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21 DATED this 18th day of April, 2016.
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25 /s/ J. Todd Tracy
26 J. Todd Tracy, WSBA #17342
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