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Honorable Christopher M. Alston
Chapter 11
Hearing Location: Seattle, Rm. 7206
Hearing Date: January 20, 2017
Hearing Time: 9:30 a.m.
Response Date: January 13, 2017

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7 UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON
8 AT SEATTLE

9 In re:
10 NORTHWEST TERRITORIAL MINT, LLC,
11 Debtor.

Case No. 16-11767-CMA

**DECLARATION OF MARK CALVERT IN
SUPPORT OF MOTION TO APPROVE
EMPLOYMENT OF CHIEF EXECUTIVE
OFFICER**

12
13 I, Mark Calvert, declare as follows:

14 1. I am the chapter 11 Trustee of Northwest Territorial Mint, LLC (“NWTM” or
15 “Debtor”) pursuant to the Court’s order of appointment dated April 11, 2016. I am over eighteen
16 (18) years of age and I am competent in all ways to testify. Unless otherwise stated, I make the
17 following statements based on my personal knowledge.

18 2. As the Court is aware, I have been fully engaged in this case in stabilizing the
19 business of the Debtor and returning the business to profitability. Since my appointment, I
20 terminated the bullion sales aspects of the Debtor’s business and downsized the company through
21 the sale of the Debtor’s Graco Awards business that was formerly located in Tomball, Texas and
22 other consolidations. I believe that our efforts to downsize and consolidate the Debtor’s operations
23 saved the company from liquidation and stabilized the company’s operations on a cash flow basis.

24 3. The Company is gradually returning to profitability and has the ability to grow its
25 revenues significantly with careful and competent management. The Debtor’s custom minting
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DECLARATION OF MARK CALVERT IN SUPPORT OF
MOTION TO APPROVE EMPLOYMENT OF
CHIEF EXECUTIVE OFFICER - 1

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1 operations, which are based out of NWTM's Dayton, Nevada, facility, are the core operations of the
2 Company. The business of the Company will eventually all be consolidated in Dayton. The business
3 is essential to the successful reorganization of the debtor and maximization of recovery for creditors.
4 I have formulated and presented to the Committee a draft plan of reorganization which is premised
5 on the continued operations and growth of the business.

6 4. Initially, I anticipated using existing management to emerge from bankruptcy. I
7 intended to complete a formal search for a Chief Executive Officer ("CEO") after the confirmation
8 of a plan of reorganization, because I did not believe that the Debtor could attract the caliber of CEO
9 needed for NWTM while it was in bankruptcy. I believe that a capable and experienced CEO is
10 critically necessary to successfully implement a plan of reorganization and maximize the recovery
11 for creditors.

12 5. I did not conduct a formal search for a CEO, but I did inform various business
13 contacts that I would be in need of a proven and experienced CEO to lead the company. One of my
14 business contacts introduced me to Bill Atalla as a candidate for CEO of NWTM. Mr. Atalla is
15 exceptionally qualified for the job. Mr. Atalla has significant experience running sales and business
16 operations. Mr. Atalla, who holds a Bachelor of Science degree in Business Administration from
17 Menlo College School of Business, has considerable senior management executive experience. His
18 experience includes the following: present CEO of Hinge Hanger, a company that sells an innovative
19 storage product; founder of Auto Informant a social network for car enthusiasts; past chairman, for
20 19 years, of TriStrata Inc., a company that provides sophisticated internet security solutions for
21 major Fortune 500 companies and governments; and past President & CEO of Oddly Enough
22 Ventures, a business that publishes parenting and childrens' books. His skills, experience, and sales
23 network make him a valuable addition to the team that will allow the Debtor to emerge from
24 bankruptcy and generate the sales growth that is necessary to maximize the recovery for creditors.

25 6. I have presented an offer of employment to Mr. Atalla, contingent on court approval.
26 A copy of the proposal (the "Employment Offer") is attached as Exhibit A. I believe that Mr. Atalla

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MOTION TO APPROVE EMPLOYMENT OF
CHIEF EXECUTIVE OFFICER - 2

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1 is well qualified for the position as Chief Executive Officer of the Company and is prepared to move
2 to the Dayton area to manage the operations of the company. After a number of meetings with
3 Mr. Atalla, and his review of financial information related to NWTM, Mr. Atalla indicated a desire
4 to begin a role as CEO more quickly than I had previously anticipated. Mr. Atalla is willing to
5 commence employment immediately with compensation as an ordinary course line employee
6 pending approval of his employment agreement as Chief Executive Officer. I believe my retention of
7 Mr. Atalla will materially enhance NWTM's ability to successfully emerge from bankruptcy. A full-
8 time CEO in Dayton will help provide stability to the organization, improve certain aspects of the
9 Debtor's operations in Dayton, and start the growth of sales that is needed to maximize the recovery
10 for creditors. The proposed CEO has considerable executive experience and is in a position to devote
11 all of his energy towards management of the business operations of NWTM.

12 7. The terms of the Employment Offer provide that Mr. Atalla will receive a base salary
13 of \$300,000 per year, incentive compensation of up to \$150,000, and four (4) weeks of paid vacation
14 time. The incentive compensation is based upon achievement of specific growth milestones. Half of
15 his maximum incentive compensation (\$75,000 per year) will be paid in the event the company
16 reaches the following milestones: sales growth of \$2 million in fiscal year 2017, sales growth of an
17 additional \$2.25 million in fiscal year 2018, and sales growth of an additional \$2.5 million for fiscal
18 year 2019. In addition, 1/3 of the maximum yearly bonus (\$50,000) will be paid in the event that the
19 company improves gross profit margins to the following amounts: 42% in fiscal year 2017; 44% in
20 fiscal year 2018; and 46% for fiscal year 2019. The remainder of Mr. Atalla's maximum yearly
21 incentive compensation (\$25,000 per year) is based upon the company's reduction of non-direct
22 costs of sales expenses (excluding depreciation, incentive bonuses, annual audit expenses, and
23 bankruptcy expenses). For 2017, this portion of the incentive compensation will be earned if the total
24 non-direct costs of sales of the company are less than \$5 million. Triggering events for this
25 component of incentive compensation for future years will be mutually agreed upon as part of the
26 annual budget process and will be approved prior to January 1 of each year.

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1 8. In addition, the terms of my offer of employment to Mr. Atalla provide him with a
2 profit sharing incentive payment equal to 5% of the net income of NWTM before bonus and
3 excluding depreciation (“Net Distributable Income”).¹ The profit sharing incentive payment will be
4 payable from the sale proceeds of the company in connection with any sale of NWTM on or before
5 2022. Mr. Atalla will be entitled to a profit sharing payment based upon NWTM’s generation of Net
6 Distributable Income of at least a total of \$7.5 million for the period calendar year 2017 through
7 2019. But if Net Distributable Income is less than \$7.5 million in that three year period, the profit
8 sharing percentage can be, but is not required to be reduced by the board of directors to 2.5% of Net
9 Distributable Income. In addition to the profit sharing incentive payment, Mr. Atalla will be entitled
10 to a share of the sales proceeds of the company in connection with any sale of NWTM on or before
11 2022 in the amount of 5% of the net sales proceeds received by NWTM at closing of such sale.

12 9. The terms of my offer provide that Mr. Atalla will be an at-will employee, meaning
13 that the Company may terminate Mr. Atalla’s employment at any time with or without notice. In the
14 event that I or the board of directors (post-confirmation) terminate his employment prior to
15 December 31, 2019, the company will pay Mr. Atalla severance in the total amount of \$100,000.

16 10. Mr. Atalla will work from the Debtor’s Dayton, Nevada location. As part of the
17 Employment Offer, I have agreed to pay Mr. Atalla reasonable relocation expenses not to exceed
18 \$50,000 in connection with Mr. Atalla’s move to Dayton, Nevada.

19 11. Mr. Atalla has agreed to commence employment with the Debtor starting January 2,
20 2017 with payment as an ordinary course line employee until such time as his employment
21 agreement as CEO is approved by the Court. I believe, as explained herein, that this early start date
22 will be beneficial for the Debtor and help it emerge from bankruptcy. I therefore seek approval of the
23 terms of Mr. Atalla’s compensation *nunc pro tunc* effective as of January 2, 2017, such that his

24 _____
25 ¹ Net Distributable Income is intended to be an approximation of revenues available for distribution to
26 creditors and shall be calculated based upon NWTM’s total income less total expenses without depreciation. Bonuses to Mr. Atalla and to other employees which may be approved by the Board or otherwise granted by NWTM shall not be included in total expenses for purposes of calculating Net Distributable Income.

1 compensation would be retroactively adjusted for the period January 2, 2017 to the date of approval
2 of his employment as CEO.

3 12. I believe that the terms of the Employment Offer are reasonable under the
4 circumstances and are a necessary inducement for someone of Mr. Atalla's caliber to accept the
5 position as CEO. Furthermore, I believe that it is unlikely that any qualified candidate will accept
6 such a position without similar provisions for compensation and severance. I believe that Mr.
7 Atalla's employment will be of real and substantial benefit to the business of the estate and the
8 reorganized company and respectfully request the Court's approval of his employment on the terms
9 expressed in the Employment Offer.

10 I declare under the penalty of perjury under the laws of the United States that the foregoing is
11 true and correct to the best of my knowledge.

12 EXECUTED this 30th day of December, 2016, at Seattle, Washington.

13
14 /s/ Mark Calvert

15 Mark Calvert
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CERTIFICATE OF SERVICE

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The undersigned declares as follows:

That she is a Paralegal in the law firm of K&L Gates LLP, and on December 30, 2016, she caused the foregoing document to be filed electronically through the CM/ECF system which caused Registered Participants to be served by electronic means, as fully reflected on the Notice of Electronic Filing.

Also on December 30, 2016, she caused the foregoing document to be mailed to the Debtor at the addresses listed below:

Northwest Territorial Mint LLC
c/o Ross Hansen, Member
P.O. Box 2148
Auburn, WA 98071-2148

I declare under penalty of perjury under the laws of the State of Washington and the United States that the foregoing is true and correct.

Executed on the 30th day of December, 2016 at Seattle, Washington.

/s/ Denise A. Evans
Denise A. Evans