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March 8, 2016

Ross Hansen
President
Northwest Territorial Mint
2505 S. 320th St., Ste. 110
Federal Way, WA 98003

RE: Audit Per Attorney General Consent Decree

Dear Mr. Hansen:

Thank you for allowing us the opportunity to conduct an audit of your company's practices and procedures pursuant to the State of Washington's Consent Decree issued as part of the judgment obtained by the State Attorney General's office.

In brief, we believe Northwest Territorial Mint's practices and procedures are substantially compliant with the Consent Decree.¹ Generally, the Consent Decree protects customers from NWTM's failure to deliver bullion products in a timely manner.

Factual Background

Northwest Territorial Mint ("NWTM"), whose headquarters are based in Federal Way, Washington, provides minting services that creates custom awards, coins and other items for military, corporate, government and individual memorabilia. They also sell and purchase bullion products consisting primarily of silver, gold, palladium and platinum to the general public. NWTM also operates an online and in-house store dealing in minted products such as coins and other products. NWTM has custom minted since approximately 1984.

Ross Hansen is the company's Chief Operating Officer and the pertinent managers include:

General Manager – Don Routh
CIO – Paul Wagner
Controller – Julie Howe
Bullion Manager – Erin Shear Robinson

¹ Our audit and investigation was limited to NWTM's headquarters located in Federal Way, Washington. We did not investigate any other operations or offices.

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Currently the Director of Sale's position is vacant.

Consent Decree

Generally, the Consent Decree enjoins and restrains the following acts or practices:

1. NWTM's failure to ship products beyond the number of days specified by NWTM, unless:
 - a. Timely notice is provided to the customer;
 - b. NTWM conspicuously offers the customer the following options:
 - i. Buying back their order and receiving the spot market price of the item on the date of the buy-back; or
 - ii. Continuing to await shipment of the goods.
2. Timely notice shall be within a reasonable time after NWTM learns of their inability to timely ship goods but no later than the expected shipping date.
3. Notice shall be made by phone or email.
4. For shipping purposes the "specified number of days" is defined as:
 - The average number of days it has taken NWTM to deliver similar goods in the past as calculated by the prior year's history of delivery information, provided that if market conditions have substantially changed from the prior year, NWTM shall base the projected delivery date on then prevailing market conditions for the items purchased, and further provided that the period shall be calculated from the date payment of good funds is received by NTWM.
5. "Spot market price" is defined as the publicly available pricing information derived from regularly fluctuating prices for gold, silver, platinum and palladium bullion. The information shall be obtained from bona fide independent sources such as the New York Mercantile Exchange (NYMEX) and must be available for independent verification by consumers through access to print and internet resources.
6. If NWTM does not make any explicit representation of shipping or delivery days, NWTM cannot ship the purchased product more than 30 days after receipt of the customer's good funds unless they follow the notice requirements above.
7. The Consent Decree includes a "script" for oral communications and language for written communications required to comply with the delivery and notice requirements of the Decree.
8. NWTM must respond to all communications from customers either via email or telephone within 48 hours of the communication.

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9. NWTM sales and customer service agents or anyone else communicating directly with customers must be sufficiently informed and authorized to assist customers.

Evaluation Process

The evaluation of NWTM's business practices took place over several days of observation at NWTM's headquarters in Federal Way. The initial observation included a tour of the headquarters, meeting key people such as the principal, his assistant, the vault manager, security personnel, the custom minting department, the bullion department and the front receptionists.

Two days were spent observing the bullion sales operation to evaluate their compliance with the notice, customer service requirements and general sales recording operations. Two days were spent observing the bullion sales customer service department to evaluate their compliance with the delay notice requirements, the customer service complaints and their recording operations. In addition, one day was spent observing the front desk receptionists to evaluate their customer service response both in-person and via telephone. We also observed the delay notice process and whether the process complied with the Consent Decree.

General Observations

Bullion Department

The department is managed by Erin Shear-Robinson and staffed by Alea Guerra and Derrin Tallman. Ms. Robinson also supervises Administrative Assistants who work as Customer Service Representatives as well as the front desk receptionists who greet in-person customers.

Ms. Robinson, Ms. Guerra and Mr. Tallman respond directly to purchase and sales inquiries from telephone customers while customer services deals with post-purchase issues including delivery delays.

The bullion department utilized the "script" approved by the Attorney General's office to advise every telephone customer who purchases products about their rights should delivery not take place as scheduled. This includes the obligation of the customer to review the notice contained in NWTM's website which specifically provides the information in writing. We observed the script being used for all telephone customers purchasing products. In addition, purchases could not be approved until all customers read the disclosures contained on the website. For telephone sales it appears NWTM's Federal Way bullion staff is in compliance with the Attorney General's Consent Decree.

Customer Service

The two individuals observed were Samantha Brubaker and Wendy Driggs. Their primary function is to respond to inquiries and complaints related to customer purchases. Primarily, they answered customer complaints about delivery delays for their products and questions about their

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options as a result of the delays. They also explained the refund and delivery process which includes liquidating their orders or upgraded information about shipping dates for their products.

In addition, at the end of each week, the customer service employees conduct a computer search of all delivery dates due and then reviewed manually to determine whether delivery delay notices are due. Once the due orders are collated and reviewed, these orders are entered into the computer and scheduled for automatic delay notices which are emailed to all customers whose orders are due and entitled to the delay notices.

Receptionist Desk

We also observed the receptionist desk inasmuch as these employees deal directly with walk-in customers, custom service, mailings and returns. Generally, from 9:00 a.m. to 2:30 there are two receptionists. From 6:00 a.m. to 9:00 a.m. and from 2:30 p.m. to 5:30 p.m. there is one receptionist.

The receptionist directs the walk-in customer either to an in-house sales person depending upon the type and quantity of the order or to the retail store. They also re-direct telephone customers to the customer service department.

Comments

- NWTM follows the script approved by the AG's office when dealing with telephone customers;
- NWTM provides customers with an estimated date range for product delivery;
- The NWTM salesperson determines the delivery lead time quote provided to the customer. The salesperson notates the lead time quote in the order. Once payment is made, the accounting department applies it to the customer's order then enters the delivery date range based upon the salesperson's notes.
- Customers are entitled to sell back their orders any time after payment clears;
- Customers are provided a 30 day delay notice if their order cannot be delivered during the estimated date range;
- After the 30 day delay expires, customers may receive a full refund of the full amount or any market gain, whichever is greater; continue waiting for delivery of their product; take delivery of a substitute equivalent product depending on availability.

Potential Issues

- Other than representations by the telephone customers, there is no method to verify customers' review and understanding of the website disclosures;
- Not all customers provide contact information, i.e., address, email, etc...;
- Customers who do not provide email or address information are not provided with the delay notification;

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- The reconciliation process for orders due for delivery and subject to delay notices is cumbersome and subject to potential error;
- Customer service calls are not automatically recorded in a computer database;
- Customer service is provided approximate shipping dates once a week by the vault department;
- Online and phone customers are not required to sign or acknowledge receipt and acceptance of policy and procedure for purchase (including delivery and delay notices);
- Transaction changes do not require a review of the online disclosures again.

Recommendations

- Upgrade of the online ordering system to require acknowledgment of receipt and review of the disclosures before allowing customers to proceed;
- Automatic recording of all customer purchase and service calls and retention policy;
- Increased communication between Vault Department, Bullion Department and Customer Service for at least bi-weekly status of potential delivery dates and delivery issues;
- Obtaining contact information from all customers, including walk-in customers who may be subject to the delay notice;
- Contact information should not be limited to email addresses and telephone numbers but should also include mailing addresses where notices can be sent;
- Consistency with the procedures for all departments involved in bullion sales, i.e., input of information into database, identical official communications, consistent customer identification and consistency of information and disclosures given to one-time or intermittent buyers as well as monthly purchasers;
- Computer system and database should be updated to allow automatic recovery of all due orders and automatically transmit delivery due date notices;
- Training for all departments, especially Customer Service, should be formalized and consistent.

The staff we observed is competent, well-trained and diligent. However, to maintain consistency it would be advisable to formalize the training program with standard training material, including a copy of the Consent Decree and measures taken by NWTM to comply. Also, to prevent against any confusion or discrepancies with notices and information pertaining to orders, especially if there is a gap in staffing, it would be beneficial to upgrade NTWM's technology and database so all information is included in one database, accessible to all necessary employees and can be manipulated to automatically create a weekly report at the beginning of the week consisting of all delivery notice dates and delay notices due at the end of the week.

Sincerely,

Sent Without Signature to Avoid Delay

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J. Dino Vasquez

JDV: