

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION**

IN RE:	§	
	§	CHAPTER 11
BULLIONDIRECT, INC.	§	
a/k/a BD, BDI, and B Direct, Inc.	§	CASE NO. 15-10940-tmd
	§	
Debtor.	§	
EIN: 76-0622534	§	

DISCLOSURE STATEMENT

FILED BY THE DEBTOR

ON APRIL 19, 2016

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- A-2 BDI Tax Return for Fiscal Year 2010 (7/1/2010 – 6/30/2011)
- B Analysis of Current and Liquidation Value of Assets
- C Schedule G – Executory Contracts and Unexpired Leases (7/20/2015)

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SUMMARY OF PLAN: A sale of assets necessary to the operation of the Debtor's precious metals trading business to the highest bidder, with Cheryl Huseman and Jack Murph serving as stalking horse bidders with an initial bid of \$100,000, is pending. The Huseman-Murph bid provides for a profits interest, ranging from 80% of profits to 50%, retained for the benefit of creditors for a period of 7 years. All other assets, including the contents of the IDS vault, the proceeds of the Profit Interests, and all bankruptcy estate causes of action will be transferred to a Litigation Trust to be administered by a Litigation Trustee. Payments to holders of allowed claims shall be based on the treatment of claims set forth below in the Plan of Reorganization.

SUMMARY OF TREATMENT OF CLAIMS

<u>Class 1</u>	Administrative Claims - Payable from available funds after reservation of \$50,000 for BDI Litigation Trust, any balance to be paid from BDI Litigation Trust
<u>Class 2</u>	Secured Claims of Governmental Units - Payable over 5 years at 12% interest
<u>Class 3</u>	Priority Unsecured Claims of Governmental Units - Payable over 5 years at 3% interest
<u>Class 4</u>	Priority Unsecured Claims - § 507(a)(7) (up to \$2,775 per claimant) - Pro rata payments from BDI Litigation Trust until paid in full
<u>Class 5</u>	General Unsecured Claims - Payment on pro rata basis from BDI Litigation Trust after payment of Classes 1 through 4
<u>Class 6</u>	Equity Cancellation of stock – No payment

NOTE TO HOLDERS OF CLAIMS AGAINST BULLIONDIRECT, INC.: Unless you object to the plan, you will be deemed to consent to the treatment proposed in the plan for your claim. This includes the treatment proposed in the plan for potential holders of priority claims for deposits for the purchase of undelivered consumer goods under 11 U.S.C. § 507(a)(7).

I. INTRODUCTION

BULLIONDIRECT, INC. also known as BD, BDI and B Direct, Inc., hereinafter referred to as “Debtor,” filed a Voluntary Petition for Reorganization under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. § 101, et seq. (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Western District of Texas, Austin Division (the “Court”) on July 20, 2015 (the “Filing Date”). The Chapter 11 commenced thereby has been pending since that time before the Honorable Tony M. Davis, United States Bankruptcy Judge, under Case Number 15-10940. The Debtor has operated its business as Debtor-in-Possession pursuant to Section 1108 of the Bankruptcy Code.

The purpose of this Disclosure Statement is to provide such information as will enable a hypothetical, reasonable creditor typical of the holders of such claims to make an informed judgment in exercising his, her, or its right either to accept or reject the Plan. A proposed Plan was filed with this Disclosure Statement. Notice of the date of the hearing on the Disclosure Statement will be sent by the Clerk of the Court. Debtor will provide notice of the hearing on the Disclosure Statement to Website Claimants via Constant Contact.

After approval of this Disclosure Statement, a copy of the approved Disclosure Statement, the proposed Plan, and a ballot will be provided to each party on the mailing matrix and to the claimants whose claim is based on a transaction which occurred on the Debtor’s website, www.bulliondirect.com, hereinafter referred to as “Website Claimants” via e-mail through Constant Contact as authorized by the Court. Notice of the dates of the ballot deadline and the confirmation hearing on the Plan will also be provided. Whether or not you expect to be present at the hearing, you are urged to fill in, date, sign, and properly mail the ballot to:

Martinec, Winn & Vickers, P.C.
919 Congress Avenue, Suite 200
Austin, Texas 78701

Your acceptance of the Plan is important. In order for the Plan to be deemed “accepted” by creditors and interest holders, at least two-thirds (2/3) in amount and more than one-half (1/2)

in number of the allowed claims voting in each class must accept the Plan and at least two-thirds (2/3) in the amount of allowed interests voting in each class must accept the Plan.

In the event the requisite acceptances are not obtained, the Plan may nevertheless be confirmed by the Court pursuant to the provisions of 11 U.S.C. § 1129. Those provisions may permit confirmation in spite of a rejecting class (or classes) if the Court finds that the Plan provides fair and equitable treatment to the rejecting class or classes and meets other tests.

“Fair and equitable” with respect to secured claims is defined as a Plan which provides (1) that the holders of such claims retain the liens securing such claims to the extent of the allowed amount of such claims and that each holder of such claim receive deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the Effective Date of the Plan, of at least the value of such holder’s interest in the estate’s interest in such property; (2) for the sale of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, or (3) for the realization by such holders of the indubitable equivalent of such claim.

Unsecured claims are considered to receive fair and equitable treatment if (1) the Plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the Effective Date of the Plan, equal to the allowed amount of such claim; or (2) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the Plan on account of such junior claim or interest any property.

In the event one or more classes of impaired claims rejects the Plan, the Bankruptcy Court will determine at the hearing for confirmation of the Plan whether the Plan is fair and equitable and whether the Plan discriminates unfairly against any rejecting impaired class of claims. If the Bankruptcy Court determines that the Plan is fair and equitable and does not discriminate unfairly against any rejecting impaired class of claims, the Bankruptcy Court can confirm the Plan over the objection of any impaired class.

CONFIRMATION OF THE PLAN WILL DISCHARGE THE REORGANIZED DEBTOR FROM ALL ITS PRE-FILING DATE DEBTS AND INTERESTS OF INTEREST HOLDERS BY VIRTUE OF THE ORDER OF CONFIRMATION AND § 1141(d) OF THE

BANKRUPTCY CODE, EXCEPT AS PROVIDED FOR SPECIFICALLY IN THE PLAN. CONFIRMATION MAKES THE PLAN BINDING UPON THE REORGANIZED DEBTOR AND ALL CREDITORS AND OTHER PARTIES-IN-INTEREST, REGARDLESS OF WHETHER OR NOT THEY HAVE ACCEPTED THE PLAN. IN ADDITION, PURSUANT TO § 1141(d)(1)(B) OF THE BANKRUPTCY CODE, CONFIRMATION OF THE PLAN WILL RESULT IN THE TERMINATION OF ALL RIGHTS AND INTERESTS OF CREDITORS AND INTEREST HOLDERS OF DEBTOR AS PROVIDED IN THE PLAN, AND THE RESERVED INTEREST AND EXCLUDED ASSETS OF THE REORGANIZED DEBTOR WILL REMAIN THE PROPERTY OF THE REORGANIZED DEBTOR FREE AND CLEAR OF ALL CLAIMS AND INTERESTS OF CREDITORS AND OF EQUITY SECURITY HOLDERS.

II. REPRESENTATIONS

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN SUBMITTED BY THE DEBTOR, UNLESS SPECIFICALLY STATED TO BE FROM OTHER SOURCES. THE INFORMATION CONTAINED HEREIN IS UNAUDITED, UNLESS SPECIFICALLY STATED OTHERWISE.

NO REPRESENTATIONS CONCERNING THE DEBTOR ARE AUTHORIZED BY THE DEBTOR OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. THE DEBTOR RECOMMENDS THAT ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OF THE PLAN WHICH IS NOT CONTAINED IN THIS STATEMENT NOT BE RELIED UPON BY YOU IN REACHING YOUR DECISION ON HOW TO VOTE ON THE PLAN. ANY REPRESENTATION OR INDUCEMENT MADE TO YOU NOT CONTAINED HEREIN SHOULD BE REPORTED TO THE ATTORNEYS FOR THE DEBTOR WHO SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE APPROPRIATE.

DEBTOR HAS MADE EVERY EFFORT TO PROVIDE ACCURATE INFORMATION. THIS STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. THE PLAN WHICH WAS FILED WITH THIS DISCLOSURE STATEMENT IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT, AND EACH CREDITOR IS URGED TO REVIEW THE PLAN PRIOR TO VOTING ON IT.

DEBTOR MAKES NO REPRESENTATIONS WITH RESPECT TO THE EFFECTS OF TAXATION (STATE OR FEDERAL) ON THE INTEREST HOLDERS OR CREDITORS WITH RESPECT TO THE TREATMENT OF THEIR CLAIMS OR INTERESTS UNDER THE PLAN, AND NO SUCH REPRESENTATIONS ARE AUTHORIZED BY DEBTOR. CREDITORS AND INTEREST HOLDERS ARE ENCOURAGED TO SEEK THE ADVICE OF THEIR OWN PROFESSIONAL ADVISERS IF THEY HAVE ANY SUCH QUESTIONS.

THE PRESENT CONDITIONS OF DEBTOR ARE REFLECTED IN THIS DOCUMENT, OR IN FUTURE AMENDED FORMS, AND NECESSARILY REQUIRED CHANGES TO THE ORIGINALLY FILED SCHEDULES. DEBTOR WILL AMEND THE SCHEDULES AS REQUIRED BY THE BANKRUPTCY CODE.

THE COURT'S APPROVAL OF THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF ANY OF THE REPRESENTATIONS CONTAINED IN EITHER THE DISCLOSURE STATEMENT OR PLAN, NOR DOES IT CONSTITUTE AN ENDORSEMENT OF THE PLAN ITSELF.

Projections as to future operations are based on the best estimates in light of current market conditions, past experiences, financing which can reasonably be anticipated to be available, and other factors, all of which are subject to change and any of which may cause the actual results to differ from those projected. A successful Chapter 11 is dependent on a two-step process. The Court must approve the Debtor's Disclosure Statement in the first step. After such approval, Debtor will send all creditors a copy of the approved Disclosure Statement and a copy of the proposed Plan of Reorganization, along with a ballot, so that each creditor may accept or reject the Plan. The process of bankruptcy is not complete until the Court has confirmed the Plan.

III. FINANCIAL PICTURE OF THE DEBTOR

INFORMATION CONCERNING THE DEBTOR

DISCLAIMER: Some of the information below is based upon the limited and potentially unreliable information obtained second-hand by the current representatives of the BDI bankruptcy estate and the Official Committee of Unsecured Creditors (the "Creditors Committee"). This information was supplied or created by persons who may have motive and opportunity to falsify information to avoid civil liability and criminal prosecution. A full investigation of these facts has not been undertaken. These allegations should not be construed as binding, final, or complete.

A. Overview of the Debtor

BullionDirect, Inc. ("BDI") is a corporation based in Austin, Texas, which has been involved, since August 1999, in a business in which its customers engaged in the purchase and sale of gold, silver, platinum and other precious metals, primarily coins, using its website, www.bulliondirect.com. BDI currently owns subsidiary entities NBD Holdings, LLC, The BDI Trust and Nucleo Development Company, LLC. All the operations of all the entities, as well as BDI, curtailed most transactions in June 2015, and ceased operating on July 20, 2015, the date BullionDirect, Inc. filed for Chapter 11 bankruptcy. On that date Dan Bensimon ("Bensimon") was appointed as Chief Restructuring Officer ("CRO") of the company. Dan Bensimon had no previous history with the company as an officer, consultant or in any professional capacity. Dan

Bensimon met with personnel of BDI on four occasions in the month prior to the July 20th filing, to ascertain the possibilities of reorganizing BDI into a potential business enterprise.

BDI did not integrate the accounting system with the website database from the beginning of its operations. This has resulted in incomplete accounting records and incomplete and non-existent internal controls. General Ledgers which record all transactions from the website were never created, thus sales ledgers and other details of website transactions were not reflected in the accounting system of BDI.

B. Organizational Structure and Management of the Debtor

1. Petition Date. As of the Petition Date, Debtor had stopped most operations in the month previous to the filing. BDI had inadequate capital and fragmented and incomplete books and records. The company hired a Chief Restructuring Officer (“CRO”) to try to reorganize the company within Chapter 11 of the bankruptcy code. The CRO attempted to find potential buyers and explore the possibility of creating cash-flow through completion of “secure packaging” transactions which had been started by prior management in Nucleo Development Company, LLC (“NDC”), a wholly-owned subsidiary of BDI. The CRO, Dan Bensimon, was not hired as an employee, but rather as a contract consultant whose fees are to be approved by the court. As of today, the court has not approved the fees of any professional, thus no funds have been disbursed by BullionDirect, Inc. to any professionals.

2. The Beginning. BDI began operations in August 1999. It began executing precious metal trades on its website on that date. BDI allowed individuals to buy and sell precious metal products on the internet. BDI charged the buyer and seller each a 1% commission on each transaction. No minimum fees were established. Thus sales that were executed in amounts of less than \$100.00, of which there were many, resulted in total commissions of less than \$2.00 per transaction, an amount well below BDI’s costs of doing business. In addition to providing a precious metals trading platform, BDI sold precious metals to customers to be used to fund Individual Retirement Accounts and BDI provided storage services, first at a vault located in Austin, Texas, but later, in 2015, transferred its vault inventory to the IDS vault in Delaware. The storage program was essentially a “loss leader”, implemented to encourage sales. BDI apparently funded its ongoing operating losses with customer deposits.

BullionDirect, Inc.’s activities were largely managed by its largest shareholder, sole director and officer, Mr. Charles McAllister. Mr. McAllister and others managed BullionDirect

from its inception through the date of filing. NBD Holdings, LLC, a subsidiary of BDI, which appears to have been formed to deal with a residence purchase for McAllister, was nominally managed by Bart Behr, a San Marcos, Texas, attorney and friend of McAllister. Nucleo Development Company, LLC, another BDI subsidiary, which was set up to create software for the BDI website, was initially headed up by Randy Russell.

Although McAllister did not initially acknowledge it, the existing BullionDirect records reflected that the BullionDirect business model was flawed from the beginning, charging too low a commission for trades without a minimum charge for small, primarily silver, transactions. However, it is also possible that BullionDirect suffered additional losses due to outright theft by McAllister and other insiders. While current management has not uncovered evidence of theft, McAllister and other insiders had ample opportunity to embezzle assets and conceal this embezzlement in subsequent years.

Since BDI never developed an integrated financial information system, which would have recorded every transaction executed in the database system, former management claims that it was not possible at any point in time to accurately determine the level of its problem, perhaps until the filing of a large group of tax returns in 2010. The company did not have sufficient financial information to file tax returns for its first ten years of operation, or to make well-informed management decisions. The inadequacy of the accounting structure further limited BDI's options. Raising additional funds, or merging with or selling to a stronger entity, were both options that could not be fully pursued because more comprehensive and complete records would be a requirement of due diligence by any potential merger partner or acquirer.

During 2007, as volume of activities increased and volatility in the bullion market increased, management hired additional staff and hired consultants to assist the accounting staff in producing accurate financial information. Those efforts failed, and during Fiscal Year ending June 30, 2009, BDI management hired Randy Russell, a consultant, to help BDI create an accurate financial information system. After spending upwards of two million dollars on a new, comprehensive accounting software, the company still could not integrate the data contained in the website database system with the accounting system.

By August 2010 the consultants had performed enough work that they were able to create financial statements for the prior ten years (without ever detailing all the transactions that had been executed on the website). They used summary estimates and reports to recreate these

financial statements. Tax returns were filed based on these re-creations¹. The returns showed that by June 30, 2002, the end of BullionDirect, Inc.'s third fiscal year, the company had amassed \$829,000 of operating losses on only \$4.5 million in trades. Unfulfilled orders had already amounted to \$722,000. The collapse of the *dot com* bubble had led to a slower growth curve. The company operated on a small amount of funds to stay in operation, thus never developing internal controls, so that its financial information was not reliable. The tax returns for the years 1999 through 2009 were not prepared until August 2010. The reported losses were not disclosed to BullionDirect depository customers.

At some time early in its history, BDI posted a series of *Terms of Service Agreements* to the website. The apparent intent was to bind customers to certain rules and agreements regarding transactions at the website. From the beginning of the company, the various terms of service agreements posted to the website were interpreted by BDI management as allowing BDI to act as “owner” of the stored metals and to “book,” but not complete, transactions. The unfulfilled transactions were referred to as “obligations”. The earliest version of the Terms of Service Agreement, dating from 2008, had very similar language and was presumably interpreted the same as the 2012 version.

It is apparent from claims filed by customers, as well as comments communicated to the Debtor and the Creditors Committee by customers, that customers were lead to believe that the precious metals shown in their account at the website were precious metals held in storage for the customer. On the Chapter 11 petition date, “obligations” appeared to total approximately \$25,000,000, while the vault inventory was estimated to be worth only \$700,000². A significant number of creditors reported that their transactions were not reflected in the filed schedule of claims. The fragmented records confronting Bensimon made analysis and partial reconciliation of the accuracy of the website database slow and tedious.

Equity Trust Company, a precious metals IRA account manager, sent quarterly reports to BDI customers with precious metal funded IRAs, which tended to reinforce the belief of the customer that the purchased precious metals were being held in the vault used by BDI, but, had

¹ The tax returns for the periods 1999 through 2009 were prepared and filed by Cantrell & Cantrell, CPAs. The 2010 return was prepared and filed by Julie Mayfield of Russell & Mayfield, LLC. Mayfield had served as BDI's controller until 2009, but left and joined Randy Russell in a tax consulting firm.

² Although multiple creditors have asserted ownership of specific precious metal products in the vault, the owners of the IDS Vault in Delaware have indicated that the transfer of the vault inventory from Texas to Delaware was not accompanied by documentation that identifies ownership of specific products. The BDI records have not yet produced a documented trail that would trace such ownership.

the vault contents been inspected by Equity Trust, the much smaller amount of inventory would presumably have been noted. It does not appear that Equity Trust ever examined, audited or inspected the vault. Equity Trust has denied any liability resulting from its erroneous and misleading reports.

3. The Middle. The fiscal years ending June 30, 2010, saw the company grow to over a \$100 million a year in sales transactions. This growth was a direct result of the company's decision to become a seller on its own website. Management appeared to realize that not enough individuals wanted to sell its precious metals on-line, thus the company increased its volume of sales of bullion it did not own. The company monitored the current price of bullion and offered sales of that bullion on its website at prices slightly discounted from the current market price, the policy being that they would immediately purchase the item to be sold at current market price. BullionDirect continued to lose money throughout this period.

Due to this continuing lack of profitability, the company was not able to make promised purchases of silver or gold coins as the obligation arose. During BDI's entire period of existence, at least through June 30, 2011, the price of bullion had increased. Thus, any delay in buying silver and/or gold coins to match website sales resulted in a loss to the company for that transaction.

While sales increased substantially through June 30, 2011 (the end of Fiscal Year 2010), the Company had accumulated operating losses of over \$32 Million and unfilled orders of over \$41 Million (according to the 2010 federal tax return filed by BDI).

In 2009 and 2010, as stated earlier, the company made an effort to create an accurate financial information system and to institute proper internal controls to provide better information to management. Realizing the magnitude of its problem from the 2010 tax return, management tried to make BDI a possible merger partner or target for acquisition. BDI hired consultants, primarily, Randy Russell, to create an accounting system that would integrate the website database. This \$4,000,000+ effort was not successful. In addition, Randy Russell advised BDI management to invest in other transactions, including one for over \$400,000 in one of Russell's own companies, NBFog, Inc. That company has yet to generate any return and is the target of litigation by other investors. BDI's claims against NBFog, Russell and others are under investigation. One of the investors, Jason Parrish, worked for NBFog but in the BDI

offices, and was interviewed by BDI's CRO and counsel, as well as the counsel for the Creditors Committee in late 2015.

4. The End. By the end of Fiscal Year 2011, the company had parted ways with its consultants and reportedly focused all of its attention on reducing the amount of outstanding unfulfilled obligations. An accurate financial information system was never developed. The bank statements stopped being reconciled. The information in the database was never integrated into the accounting system. Accounting again became a secondary function and bank statements stopped being reconciled as of September 30, 2011. Expense records were only sporadically posted after the last tax return was filed (based on the last filed tax return for Fiscal Year 2010).

Records indicate that as late as 2012 BullionDirect still had more than \$4 million in tangible assets. BullionDirect still did not disclose its losses to customers and instead continued to accept payments for orders and provided account statements indicating that customer deposits could be honored in full. At the time of the bankruptcy filing in 2015, these assets had dwindled to less than \$1 million, and total obligations had been reduced to \$25,000,000.

5. Since Filing Bankruptcy. The CRO first had to evaluate the books and records to try to establish some reliability in the numbers generated prior to June 2015. Reconstructing the "unfulfilled" list of transactions (also referred to as "obligations") as of the date of the bankruptcy took a significant amount of time. While transactional information appeared in the website database, accounting information for the years 1999 through June 30, 2011, was not available. The company had switched systems and the prior ledgers could not be retrieved. The Debtor was forced to rely on the tax returns filed. The CRO reviewed the returns for reasonableness based on the information on the website and some available records. The summary of revenue and costs for the taxable periods 1999 through 2009 are listed on Exhibit A-1, which appears to have been prepared by Cantrell & Cantrell and appears reasonable, except for the "other deductions" amount. "Other deductions" may represent, among other items, overpayments to McAllister for expense reimbursement. The amount of other deductions per BDI's former management was the market value gain or loss on unfulfilled orders. Based on the increase in the value of bullion during the time period involved, these numbers could be reasonable; however, there is not enough information to determine the accuracy of that expense item. The tax return for Fiscal Year 2010, which was prepared by Julie Mayfield, is attached as Exhibit A-2.

The amount of unfulfilled orders as listed on the Amended Schedule F had to be derived totally from the database system, since there was no reliable accounting information. The company did not account for these items in its bookkeeping functions. Creating an accurate Schedule F (Creditors Holding Unsecured Nonpriority Claims) required understanding of and testing of the database system, including reviewing all claims and complaints. It took until mid-September to finish this task.

The Debtor, through its professionals, searched for potential caches of money being held by Mr. McAllister and/or real estate in or near the area of operations. The review has not yet revealed any assets of substantial value, but that search will continue under the authority of a Litigation Trustee to be created under the Plan of Reorganization proposed by the Debtor with the cooperation and support of the Creditors Committee³.

All the cash available from entities owned by BullionDirect was transferred to BullionDirect, with the exception of cash on hand at Nucleo Development Company, LLC ("NDC"). NDC's cash was used to pay its past due rent.

The physical assets were secured and stored. All information, IP codes, database, etc. were maintained at third party entities where they were housed prior to the filing. All software licenses are being maintained.

As of today, BullionDirect still has control of all the bullion held in storage, all physical assets held by BullionDirect, all books and records available, and all intellectual property. All expenses paid to date have been for storage or rental costs, insurance, etc. to protect the assets.

In addition the CRO and counsel have cooperated with every state, local and federal agency that has been examining the operations of BullionDirect, including several state attorneys-general.

The company still holds notes receivables from two entities totaling roughly \$150,000 and all of its claims and causes of action. A description and valuation of assets is more fully described below.

As of the date of the filing of this disclosure statement, a Sale Motion⁴ is pending seeking

³ On August 24, 2015, the Debtor informed the Creditors Committee that the Debtor intended to assign all litigation rights against former management and related parties to the Creditors Committee and the Litigation Trust. The Creditors Committee has conducted its own limited investigation of possible litigation claims during the pendency of the case.

⁴ *Debtor's Motion for Order (a) Authorizing Debtor to Enter into an Agreement for the Sale of Assets Free and Clear of Claims, Interests, Liens and Encumbrances, (b) Approving Procedures and Notice with Respect to*

bankruptcy court approval of a sale process to sell the website platform to the highest bidder. A “stalking horse bid” from Cheryl Huseman and Jack Murph was negotiated by the Debtor and the Creditors Committee. Huseman held shares in BullionDirect and provided legal advice to BullionDirect. She is also Chad McAllister’s mother. In 2012 Murph, Huseman’s husband, withdrew approximately \$14,000 in assets that he had deposited with BullionDirect.

The details of the stalking horse bid and the sale procedures are set forth in the Sale Motion which was served on creditors and parties in interest on March 8, 2016. The Debtor and the Creditors Committee hope to generate other, higher bids from third parties with business models compatible with a web-based sale platform. The sale proceeds will be used to fund administrative costs of the Chapter 11 and to provide funding for the Litigation Trust to be set up under the Plan. The sale procedures include the solicitation of other parties in the precious metal trading business and other entities which have contacted the Debtor and/or the Creditors Committee.

C. Future Income and Expenses Under the Plan

Under the Plan, future income will be derived from the sale of assets and settlement of or enforcement of judgments arising from the claims and causes of action transferred to The BDI Litigation Trust (“BDILT”). The sale of the BDI website may include a future profits interest⁵.

D. Future Management of the Debtor

BullionDirect, Inc. will not conduct any business after plan confirmation. Dan Bensimon will be in charge of filing final reports and tax returns. The BDILT will be operated by a Litigation Trustee to be named prior to the deadline for voting and for objections to the Plan.

E. Accounting Method Used and Source of Financial Information

Debtor uses generally accepted accounting principles on an accrual basis. The information contained in this disclosure statement has been provided by the Debtor and is unaudited.

Sale, (c) Scheduling an Auction and Hearing for Approval of Sale, and (d) Granting Related Relief (Doc. No. 143) filed 3/8/2016

⁵ The Huseman-Murph offer includes a profits interest for BDI creditors (80%, after the first year, declining to 50% over a 7-year period). A future profits interest is not a requirement for other bids.

IV. ANALYSIS AND VALUATION OF PROPERTY

DIFFERENCES BETWEEN THIS DISCLOSURE STATEMENT AND DEBTOR'S ORIGINALLY FILED SCHEDULES SHOULD BE REFLECTED IN AMENDMENTS TO THE SCHEDULES AND THE DISCLOSURE STATEMENT REFLECTS THE CURRENT STATUS OF DEBTOR.

A. Real Property

BDI owns no real property. A small office is leased on a month-to-month basis at 700 Lavaca Street, Suite 1400, Austin, Texas.

B. Personal Property

On the petition date BDI owned certain physical assets which were listed on Schedule B (Doc. No. 44). A schedule of assets listed as of July 20, 2015, is shown on Exhibit B, Analysis of Current and Liquidation Value of Assets. Currently pending is a sale procedure which will attempt to liquidate the BullionDirect "web platform". It is believed that the bundled sale of the elements of the web platform, which includes software and other intellectual property owned by Nucleo Development Company, LLC, will generate more funds for the estate than the piecemeal sale of components in a liquidation sale. It is not yet known which assets will be sold pursuant to the winning bid at auction on May 23, 2016. The assets which are proposed to be purchased under the "stalking horse bid" approved as part of the sale process are listed as:

"All intellectual properties owned or claimed to be owned by BDI and all its subsidiaries. This would include but is not limited to all patents, trademarks, domain names; All software developed or in various stages of development; All procedures, manuals, policies, all claims past and present against any infringement on these intellectual properties. All the stock of Nucleo Development Company, LLC. ('NDC') including all the same intellectual properties listed above for any and all its subsidiaries and claims and causes of action of BDI or its subsidiaries against NDC."

"All the servers stored with ZColo and the assets listed in Exhibit A. This purchase will be subject to Bidding Procedure and Auction, with Bid Procedure and Protections acceptable to Newco; assets purchased shall be free and clear of all liens, claims or encumbrances except as authorized in the Plan;"

The Sale Agreement excludes the causes of action of NDC, the precious metals, other inventory, and cash, if any, of NDC, and all of the other assets of NDC that are not needed for the operation of Newco. The stalking horse bid offers \$100,000 plus seven (7) years of shared profits for the listed assets. The stalking horse bidder would commit to providing \$100,000 to the new company and up to \$100,000 additional funding if needed and if certain sales threshold targets are met. A competing bid may include the same assets but at a differently structured purchase price. In addition to those assets currently the subject of bid, the BDI customer lists could be the subject of a bid. It is difficult to estimate the value of a customer list from a company as controversial as BDI, but in other cases customer lists have sold for more than \$100,000.

C. Intangible Property

The Creditors Committee believes that claims and causes of action owned by the bankruptcy estate against former management, professionals, consultants, vendors, business partners, transferees, and related parties will generate funds for some payment of creditors' claims. Under the proposed Plan, all such causes of action shall be transferred to the BDI Litigation Trust. Valuing such claims prior to completion of investigation would be speculative.

D. Liquidation Value of Assets

None of the assets of the debtor are easily valued. Projecting the amount that might be generated from the website platform that is being sold under the court-approved sale procedure includes elements that are owned by NDC. If not sold under a non-distressed, commercially reasonable sale process, the *components* of the platform are likely to sell at forced sale or "fire sale" prices. As reflected in Exhibit B, Analysis of Current and Liquidation Value of Assets, **Debtor has assets with a market value of approximately \$1,009,886.34, but if sold on a liquidation basis, the probable net proceeds of such a sale would be only \$695,651.00.** These valuations do not take into consideration the costs of administration or litigation on the contested claims. Unless a substantial amount is realized from the sale at auction on May 23, 2016, and excluding any amounts that may be recovered from litigation, very little would be available for distribution in a Chapter 7 liquidation.

E. Property Possibly Held for Another

The offices of BDI contained 24 boxes of coins, bars and other metals that were unshipped at the time of the bankruptcy filing. The BDI vault in Delaware has precious metals with an estimated value of more than \$650,000. Neither the Debtor's records nor the records of individual customers will provide a basis for determining the ownership of the precious metals in the Debtor's possession or in the IDS vault. **The Plan will provide that these assets will be transferred to the BDILT free and clear of all claims and interests.**

V. SUMMARY OF PLAN OF REORGANIZATION

The following summary of claims is derived from the Debtor's schedules and a review of the claims filed in this proceeding. THE EXACT AMOUNT OF EACH CLAIM FOR PURPOSES OF THIS DISCLOSURE STATEMENT, THE PLAN, AND THE SUBSEQUENT DISCHARGE WILL BE AS STATED IN THE DISCLOSURE STATEMENT AND PLAN EXCEPT THAT A PROOF OF CLAIM FILED BY A CREDITOR IS PRIMA FACIE EVIDENCE OF THE AMOUNT OF THE CLAIM, UNLESS AN OBJECTION TO THE PROOF OF CLAIM IS FILED. THOSE CLAIMS WHICH ARE LISTED AS DISPUTED IN THIS DISCLOSURE STATEMENT WILL BE SETTLED BY AGREEMENT OF THE PARTIES OR BY THE COURT BEFORE DISTRIBUTION UNDER THE PLAN OCCURS.

EACH CREDITOR WILL BE PAID IN THE MANNER SET FORTH BELOW WHICH APPLIES TO THAT PARTICULAR CREDITOR. IN THE EVENT DEBTOR DISCOVERS A POTENTIAL VOIDABLE PREFERENCE, FRAUDULENT CONVEYANCE, OR EQUITABLE SUBORDINATION CLAIM, DEBTOR SPECIFICALLY RETAINS THE RIGHT TO PURSUE SUCH CAUSE OF ACTION.

A. Classification and Treatment of Classes under Plan

Class 1 Administrative Claims

Class 1 administrative claims for fees which occurred prior to confirmation, and for which application is made, shall be paid in full or as the same are allowed, approved, and ordered paid by the Court from estate funds after payment of other Class 1 claims and after transfer of \$50,000 to the BDI Litigation Trust. By voluntary agreement and concessions made by estate and Committee professionals, payment of approved professional fees and expenses shall be subordinated to payment of other approved administrative claims. If approved professional fees and expenses are not paid in full from estate funds, the balance of such claims shall be the BDI

Litigation Trustee ahead of all other Classes of claims after reservation of reasonably necessary funds for the administration of the BDI Litigation Trust. The estimated amounts of professional fees, through April 19, 2016⁶, are as follows:

<u>FIRM</u>	<u>Fees</u>	<u>Expenses</u>
Unique Strategies Group (Bensimon)	\$159,000.00 ⁷	\$12,500.00
Martinec Winn & Vickers, PC	\$178,000.00	\$6,800.00
Dykema Cox & Smith	\$60,000.00	\$0.00

The Debtor shall pay to the United States Trustee the appropriate sum required pursuant to 28 U.S.C. § 1930(a)(6) on the Effective Date⁸ of the Plan of Reorganization and simultaneously provide to the United States Trustee an appropriate affidavit indicating cash disbursements for the relevant period. Quarterly payments will be paid through the quarter the case is dismissed, converted, or closed, or sooner as provided by law.

Class 1 is not a true class and is neither impaired nor unimpaired.

Class 2 Secured Claims of Governmental Units

Ad valorem taxing authorities will retain statutory liens, and allowed claims will be paid in full with 12% interest in 60 monthly installments, beginning on the first day of the first calendar month after the Effective Date. The BDILT Trustee may elect to provide such claims with more favorable treatment, such as paying the claims in full.

Class 2 is impaired.

⁶ The professionals in the case will accrue additional fees and expenses through the date of plan confirmation. The amount of those fees and expenses will depend on the complexity of issues relating to the Plan and other administrative matters.

⁷ Does not include a contractual “success fee” of \$100,000 for obtaining a plan confirmation within one year of the Petition Date. Unique Strategies Group has agreed to cap that fee at \$50,000.

⁸ “Effective Date” shall mean 15 days after the entry of the Order Confirming the Plan, or in the event an appeal from the Order Confirming Plan is taken, then 21 days after the Notice of Appeal, unless the Order Confirming the Plan is stayed by appropriate Court order.

Class 3 Priority Unsecured Claims of Governmental Units

Allowed Priority Unsecured Claims of Governmental Units will be paid in full with 3% interest in 60 monthly installments, beginning on the first day of the first calendar month after the Effective Date. The BDILT Trustee may elect to provide such claims with more favorable treatment, such as paying the claims in full.

Class 3 is impaired.

Class 4 Priority Unsecured Claims - § 507(a)(7)

Allowed Priority Unsecured Claims pursuant to 11 U.S.C. § 507(a)(7) will be paid from funds available for distribution from the BDILT on a pro rata basis, up to an aggregate amount of \$2,775 per individual. Payments or distributions from the BDILT will occur only if the BDILT Trustee determines that funds are available for distribution after reserving funds needed for administration of the BDILT.

Class 4 is impaired.

Class 5 General Unsecured Claims

Allowed General Unsecured Claims will be paid after Class 4 claims have been paid in full from funds available for distribution from the BDILT, on a pro rata basis. Payments or distributions from the BDILT will occur only if the BDILT Trustee determines that funds are available for distribution after reserving funds needed for administration of the BDILT.

Class 5 is impaired.

Class 6 Equity Claims

All equity interests in BullionDirect, Inc. will be cancelled upon entry of an order approving the Plan.

Class 6 is impaired.

B. Mechanics/Implementation of Plan

BDI Litigation Trust. The BDI Litigation Trust (“BDILT” or “Litigation Trust”) will be created under the Plan under the provisions of a BDI Litigation Trust Agreement, the form of which shall be provided to creditors and parties in interest ten (10) days prior to the deadline set

for voting on or objecting to the Plan of Reorganization. The identity of the Litigation Trustee of the BDILT, an individual to be selected by the Creditors Committee and approved by the court, will be disclosed at that time.

BDILT Beneficiaries. Beneficiaries of the BDILT will be professionals whose fees and expenses have been approved by the court as § 503(b) administrative claims as set forth in Class 1 and holders of allowed claims in Classes 2 through 5. Payments or distributions to beneficiaries shall be according to the priorities set forth under the Bankruptcy Code.

BDILT Distributions Under the Plan. Payments to holders of allowed claims under Classes 1 through 5 of the Plan as set forth under the Plan from funds transferred by the Debtor to the BDILT or generated by the BDILT from asset sales, settlement of claims or litigation. The Trustee of the BDILT shall be obligated to make distributions only from funds not reasonably required, in the sole discretion of the Litigation Trustee, for the administration of the BDILT and the costs of investigating and pursuing claims assigned to it by the Debtor.

BDILT Assets. All assets of the Debtor, as described in § 541, which have not been sold prior to confirmation, will be transferred to the BDILT pursuant to § 1123, including all Chapter 5 causes of action and legal remedies, including but not limited to, §§ 542, 544, 547, 548, 549 and 550 of the Bankruptcy Code, as well as causes of action and legal remedies arising under non-bankruptcy federal, state or common law (collectively “Estate Causes of Action”).

Precious Metals Inventories. The inventory of precious metals in the possession of the Debtor and in the IDS vault will be transferred to the BDI Litigation Trust free and clear of all liens, claims and encumbrances.

C. Feasibility of Plan

Distribution to creditors will be derived from liquidation of assets and the proceeds of settlements or judgments resulting from the BDILT’s investigation and pursuit of litigation claims after payment of the costs and expenses of the BDILT. There is no certainty that there will be funds from settlement or litigation of claims and causes of action available for distribution. To the extent that partial consideration for the sale of the BDI website platform

includes any future profits interest for the BDI creditors, there is no certainty that profits will be generated.

D. Claims Allowance Procedure

If a creditor or interest is scheduled in the Schedule of Liabilities filed by the Debtor, that schedule constitutes prima facie evidence of the validity and amount of the claims of creditors and interests. It is not necessary for a creditor or interest to file a proof of claim if there is not a disagreement as to the amount owed. If you disagree with the amount scheduled or you are a creditor whose claim or interest is not scheduled or scheduled as unknown, disputed, contingent, or unliquidated, you **MUST** have filed a proof of claim or interest by the bar date, January 25, 2016. Any unscheduled creditor who failed to file a proof of claim shall not be treated as a creditor with respect to such claim for purposes of voting and distribution.

THE BAR DATE FOR FILING PROOFS OF CLAIM IN THIS CASE WAS JANUARY 25, 2016. Any late filed claims will be deemed disallowed without further order of the Court upon confirmation of the Plan pursuant to Bankruptcy Rule 3003. Pursuant to Bankruptcy Rule 3003, any creditor who was scheduled as contingent, unliquidated, or disputed who did not file a claim will be treated as not having a claim for voting or Plan distribution.

Pursuant to Section 502 of the Bankruptcy Code, your claim will be allowed against a Chapter 11 estate in either (1) the scheduled amount or (2) the amount shown on your proof of claim unless the Debtor or a party in interest objects to your claim. The controversy will be set for a hearing and the allowed amount of your claim will be determined by the Bankruptcy Judge. Generally, unsecured claims will not be allowed to accrue interest after the Filing Date, while secured claims may be allowed post-petition interest and other charges under Section 506 of the Bankruptcy Code. In order to be fully apprised of your claim rights, you should consult an attorney knowledgeable in bankruptcy matters.

You, the Claimant, have the responsibility for determining how your claim has been scheduled in the case. To avoid any possibility of error, you should check the Court records to

determine how your claim has been scheduled. In order to protect your interests, consult YOUR ATTORNEY on any questions you may have concerning the Plan.

E. Retention of Jurisdiction

Once a Plan of Reorganization is confirmed by the Court, the Court's role changes. Until the case is closed, the Court shall have jurisdiction over the following matters. This list is meant to be descriptive and is not intended to be an exhaustive recitation of the Court's authority. The Court shall retain jurisdiction:

- 1) To insure that the purpose and intent of this Plan are carried out;
- 2) To consider any modification of this Plan under Section 1127 of the Code;
- 3) To hear and determine all claims, controversies, suits and disputes to which the Debtor or the BDILT is a party, including actions transferred to the BDI Litigation Trust;
- 4) To hear and determine all controversies, suits and disputes that may arise in connection with the interpretation or enforcement of this Plan;
- 5) To hear and determine all requests for compensation and/or reimbursement of expenses which may be made after the effective date of the Plan which relate to services rendered prior to confirmation of the Plan;
- 6) To hear and determine all objections to claims, controversies, suits and disputes that may be pending at or initiated after the effective date of the Plan, except as provided in the confirmation order;
- 7) To consider and act on the compromise and settlement of any claim against or cause of action on behalf of the Debtor or the estate;
- 8) To enforce and interpret by injunction or otherwise the terms and conditions of the Plan;
- 9) To enter an order concluding and terminating this case;
- 10) To correct any defect, cure any omission, or reconcile any inconsistency in the Plan or confirmation order which may be necessary or helpful to carry out the purposes and intent of the Plan;

11) To determine all questions and disputes regarding titles to the assets of the Debtor or the estate;

12) To classify the claims of any creditor and to re-examine claims which have been allowed for purposes of voting, and to determine objections which may be filed to creditors' claims (the failure by the Debtor to object to, or examine any claim for the purposes of voting shall not be deemed a waiver of the Debtor's right to object to, or re-examine the claim in whole or part);

13) To consider and act on such other matters consistent with this Plan as may be provided in the confirmation order;

14) To consider the rejection of executory contracts that are not discovered prior to confirmation and allow claims for damages with respect to the rejection of any such executory contracts within such further time as this Court may direct.

Consummation of the Plan will occur within 180 days from the Effective Date of the Plan unless there is a matter pending at that time, in which case no Application for Final Decree will be made until that matter is resolved.

F. What Debtor is Retaining

Upon confirmation of the Plan all property of the Debtor, and certain property of its non-debtor subsidiaries, will be transferred to the BDI Litigation Trust.

VI. ALTERNATIVES TO DEBTOR'S PLAN

The alternative to Debtor's Plan is a Chapter 7 liquidation. In the event that this case is converted to a Chapter 7, Debtor's property will be sold at the direction of a Chapter 7 Trustee. These sales are usually operated on a "quick sale" or "fire sale" basis and the amount recovered is only a percentage of the fair market value of the Property. Debtor believes that the most which would be gained from a Chapter 7 would be \$695,651.00 from the sale of the assets. [See **Exhibit B.**] This amount would go to pay administrative expenses, the Trustee's commission,

and the secured creditors. Debtor does not believe that any amount would be available to pay unsecured creditors under a Chapter 7 liquidation.

VII. RISKS TO CREDITORS UNDER THE DEBTOR'S PLAN

The financial forecast set forth in this statement reflects the Debtor's judgment based on present circumstances and the most likely set of conditions and courses of action. The assumptions disclosed herein are those that Debtor believes are significant to the financial forecast and are key factors upon which the operating results of Debtor depend. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this statement. Therefore, actual results may vary from the financial forecast. However, Debtor does not believe the variations will be material.

Any forecasts based on Debtor's sales are subject to the risks generally incident to sales, including: adverse changes in national economic conditions; adverse changes in local market conditions due to changes in general or local economic conditions; and other factors which are beyond the control of Debtor.

VIII. CREDITORS' REMEDIES UPON DEFAULT

8.1 In the event that a creditor does not receive a payment required under the Plan, a creditor can send notice of said default to the BDILT Litigation Trustee, requesting a response within fourteen (14) days of receipt. If the BDILT Litigation Trustee fails to respond satisfactorily within 14 days, that creditor may seek relief from the Bankruptcy Court. Failure to seek relief within the applicable statute of limitations after the BDILT Litigation Trustee's failure to make payment required by the terms of this Plan, without regard to whether there has been given notice of failure to pay and without regard to whether default has occurred, shall cause the claim to be barred by limitations and waiver.

8.2 Internal Revenue Service:

(a) That the debt owed by the Debtor to the Internal Revenue Service (IRS) is a Non-Dischargeable debt, except as otherwise provided for in the Code, and that if the Debtor defaults, the IRS is not subject to the provisions of the Bankruptcy Code so that the IRS can take whatever

actions are necessary to collect said debt in the event of default; the federal tax liens survive the plan confirmation, a bankruptcy discharge, and dismissal of the case. The Liens continue to be enforceable against all of the Debtor's property under federal law.

(b) A failure by the Debtor to make a payment to the Internal Revenue Service pursuant to the terms of the Plan and/or failure to remain current on filing and paying post-confirmation taxes, shall be an event of default, and as to the Internal Revenue Service, there is an event of default if payment is not received by the 15th day of each month. If there is a default, the Internal Revenue Service must send written demand for payment, and said payment must be received by the Internal Revenue Service within 15 days of the date of the demand letter. The Debtor can receive up to three notices of default from the Internal Revenue Service; however, on the third notice of default from the Internal Revenue Service the third notice cannot be cured, and the Internal Revenue Service may accelerate its allowed claim(s), past and future, and declare the outstanding amount of such claim(s) to be immediately due and owing and pursue any and all available state and federal rights and remedies. These default provisions pertain to the entire claim(s) of the Internal Revenue Service, secured, unsecured priority and unsecured general.

(c) The IRS is bound by the provisions of the confirmed plan and is barred under 11 U.S.C. § 1141 from taking any collection actions against the Debtor for prepetition claims during the duration of the Plan (provided there is no default as to the IRS). The period of limitations on collection remains suspended under 26 U.S.C. § 6503(h) for the tax periods being paid under the Plan and terminates on the earlier of (1) all required payments to the IRS have been made; or (2) 30 days after the date of the demand letter (described above) for which the Debtor failed to cure the default.

IX. TAX CONSEQUENCES TO THE DEBTOR

An analysis of federal income tax consequences of the Plan to Creditors and the Debtor requires a review of the Internal Revenue Code, the Treasury Regulations promulgated thereunder, judicial authority, and current administrative rulings and practice. The Plan and its related tax consequences are complex. The Debtor has not requested a ruling from the Internal Revenue Service, nor has he obtained an opinion of counsel. **This summary is provided for informational purposes only, and we assume no responsibility for the effect consummation of the Plan will have on any given creditor. Therefore, all creditors should consult with their own tax advisors concerning the particular effect to them of the federal, state, local and foreign tax consequences of the Plan.**

A. Tax Consequences to Debtor

Generally speaking, under the Internal Revenue Code of 1986 (the "Tax Code"), the filing of the Chapter 11 bankruptcy petition by Debtor results in the treatment of the estate as a separate taxable entity. The estate must file tax returns and pay taxes on its taxable income generated during the period of administration. Any tax liability payable by the estate would be an administrative claim. Accordingly, if the estate were to have a significant income tax liability, the funds available for distribution to unsecured creditors would be reduced.

The estate succeeds to the Debtor's tax attributes existing as of the first day of the taxable year in which the bankruptcy petition is filed. Accordingly, under the general rule, the estate

would succeed to the Debtor's tax attributes existing as of January 1, 2015. These tax attributes could include any of the following: Debtor's net operating loss carryovers, investment tax credit carryovers, and tax bases in assets.

Under Tax Code Section 1398(d)(2), a debtor can make an election to terminate his taxable year as of the day prior to the date of the filing. The deadline for so electing has passed and Debtor did not elect to terminate his tax year.

Until Debtor's tax returns for the pre-bankruptcy period are filed, which is expected to occur prior to the date set for plan confirmation, the magnitude of the tax attributes available to the estate cannot be determined with certainty as of the time of this Disclosure Statement. However, given the large net operating losses reported by the Debtor in tax returns filed through Fiscal Year 2010 as well as preliminary estimates of Debtor's income and expenses for subsequent tax periods, it appears unlikely that the Debtor will have any income tax liability.

As of the date of this Disclosure Statement, no significant taxable events are believed to have occurred since the filing of this case in terms of disposition of estate property. The Tax Code [Section 1398(h)(8)] allows an estate to deduct administrative expenses during a bankruptcy case. Under Section 1398(f)(2) of the Tax Code, transfers from a bankruptcy estate to a debtor upon the termination of the estate will not be treated as a disposition giving rise to recognition of gain or loss. In such event, a debtor succeeds to the tax attributes of the estate.

At least two courts have found that debtors continue to have liability for any taxes resulting from dispositions of assets under plans, although there can be no assurance that such rulings will necessarily be followed by the Court under the facts of this case. The Plan requires Debtor's share of the taxes to be paid prior to any distribution to creditors upon the sale of a property. Taxes are potentially payable from dispositions of property by foreclosure, just as in the event of a voluntary sale. The amount of tax payable for sales of property encumbered by recourse debt would be measured by the fair market value of the property at the time of the sale, less the taxpayer's basis in the property. Further, disposition of property giving rise to losses and disposition of property giving rise to gains could occur in different tax years. Therefore, the Plan may create some risk of a tax liability to the bankruptcy estate (Debtor).

INDIVIDUAL CREDITORS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE EFFECT OF THE PLAN. TO PROTECT BOTH THE DEBTOR AND THE ESTATE FROM TAX CONSEQUENCES, THE DEBTOR OR ANY PARTY IN INTEREST MAY, WITH COURT APPROVAL, RETAIN ACCOUNTANTS TO EVALUATE TAX ISSUES.

B. Federal Income Tax Consequences to Creditors

The federal income tax consequences of the implementation of the Plan to a creditor will depend in part on whether, for federal income tax purposes, the obligation from which a creditor's claim arose constitutes a "security". The determination as to whether an obligation from which a creditor's claim arose constitutes a "security" for federal income tax purposes is complex. It depends on the facts and circumstances surrounding the origin and nature of the obligation. Generally, corporate debt obligations evidenced by written instruments with maturities, when issued, of five years or less, or arising out of the extension of trade credit, do not constitute "securities", whereas corporate debt obligations evidenced by written instruments with original maturities of ten years or more constitute "securities", the Debtor expresses no views with respect to whether the obligation from which a particular creditor's claim arose constitutes a "security" for federal income tax purposes. Creditors are urged to consult their own tax advisors in this regard.

Exchanges by creditors whose claims arise from obligations that do not constitute “securities”, or whose claims are for wages or services, will be fully taxable exchanges for Federal income tax purposes. Such creditors who receive solely cash in discharge of their claims will recognize gain or loss, as the case may be, equal to the difference between (i) the amount realized by the creditor in respect of its claim (other than any claim for accrued interest) and (ii) the creditor’s tax basis in its claim (other than any claim for accrued interest). For federal income tax purposes, the “amount realized” by a creditor who receives solely cash in discharge of its claim will be the amount of cash received by such creditor.

Where gain or loss is recognized by a creditor, the character of such gain or loss as a long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the creditor, whether the obligation from which a claim arose has been held for more than six months, and whether and to what extent the creditor has previously claimed a bad debt deduction.

To the extent any amount received (whether cash or other property) by a creditor is received in discharge of interest accrued on its claim during its holding period, such amount will be taxable to the creditor as interest income (if not previously included in the creditor’s gross income). Conversely, a creditor will recognize a deductible loss (or, possibly, a write-off against a reserve for bad debts) to the extent any interest accrued on its claim was previously included in the creditor’s gross income and is not paid in full.

X. LITIGATION

Civil and Criminal Investigations. On or after the petition date, the Debtor was the subject of inquiries or investigations by multiple attorneys general, the Travis County District Attorney and the Austin Police Department. In addition, investigations were begun by the Federal Bureau of Investigation, the Internal Revenue Service, and the Commodities Futures Trading Commission. The Chief Restructuring Officer and counsel for the Debtor have fully cooperated with all investigatory authorities. The Chapter 11 proceeding is separate and apart from criminal and regulatory processes and investigations.

Claims Against Former Management and Other Business Partners. The Creditors Committee believes that potential litigation claims and causes of action exist against former management of BullionDirect and BullionDirect’s professionals, consultants, vendors, business partners, transferees, and related parties. The Litigation Trustee will investigate, and where appropriate, pursue litigation and causes of action against former management, as well as professionals and consultants hired by the Debtor, all of which claims and causes of action are to be transferred by the Debtor to the BDILT pursuant to § 1123 upon confirmation of the Plan. The Creditors Committee has indicated that causes of action for theft, conversion, malpractice,

breach of contract, breach of fiduciary duty, actual fraud, preferential transfer, fraudulent transfer, civil conspiracy, aiding-and-abetting, and racketeering/RICO are among those being investigated.

Vault Inventory. In early 2015 BDI transferred stored metals from its vault in Austin, Texas, to the IDS vault in Delaware. Under the terms of *Joint Stipulation Regarding Contents of Vault* (Doc. No. 17), IDS and the Debtor agreed that no transfers from the vault would occur unless authorized by the bankruptcy court. According to IDS, the transferred metals did not arrive with any indication of the ownership of individual precious metal coins or bars. When the Chapter 11 was filed, the value of the stored metals was estimated at approximately \$700,000⁹, while creditors' claims are approximately \$25,000,000. Given the state of BDI's records and the legal burden of individuals asserting title to specific items, it would be virtually impossible to track or trace the ownership of the coins and bars in the vault. The costs of such an attempt, even if possible, would also be prohibitively expensive. Under the circumstances, the contents of the vault should be transferred to the BDI Litigation Trust, to be liquidated, with the proceeds being used by the Litigation Trustee to administer the BDILT and for distribution to creditors if possible.

IF THE PLAN IS CONFIRMED, THE INVENTORY OF PRECIOUS METALS IN THE IDS VAULT AND IN THE POSSESSION OF THE DEBTOR WILL BE TRANSFERRED TO THE BDI LITIGATION TRUST FOR LIQUIDATION FREE AND CLEAR OF CREDITOR CLAIMS AND INTERESTS, WITH THE PROCEEDS TO BE USED FOR COSTS OF ADMINISTRATION, COSTS OF LITIGATION, OR FOR PAYMENT TO CREDITORS.

XI. ASSOCIATION OF DEBTOR WITH AFFILIATES¹⁰

Debtor is associated with affiliates as that term is defined in 11 U.S.C. § 101.

⁹ The original estimated value was \$700,000; however, the CRO received an unsolicited offer to purchase the contents of the IDS vault for \$650,000.

¹⁰ Debtor has filed reports under Bankruptcy Rule 2015.3 regarding the listed subsidiaries. The second such report, which was filed on March 9, 2016 (Doc. No. 145), contains additional detail.

A. Nucleo Development Company, LLC (“NDC”) – A Texas limited liability company formed August 5, 2011. NDC is a wholly owned subsidiary of Debtor. NDC’s subsidiaries are Nucleo Staffing, LLC, NucleoCore, LLC, and NumisDirect, LLC. The entity was formed to develop the software necessary to implement the BDI web platform and patent, but also engaged in negotiations to acquire rights to security packaging technology for licensing or re-sale to end users. NDC also had its own subsidiary, NumisDirect, LLC, which attempted to operate a numismatic product trading site at www.numisdirect.com. It is anticipated that the BDI equity interest in, or assets of, NDC will be acquired by the party which purchases the BDI web-platform. Non-operating assets of NDC and NumisDirect will be transferred to the BDI Litigation Trust.

B. NBD Holdings, LLC – A Texas limited liability company formed October 8, 2010. NBD is a wholly owned subsidiary of Debtor. As of the petition date, this entity had the Shaune and Christie Maycock note (balance \$38,751), which arose from a sale of a hangar at the San Marcos airport, and the Fort Worth Coin Company, Inc. note (balance \$92,000). Both notes had been treated as BDI assets, so that payments under both notes have been deposited into the BDI Debtor-in-Possession bank account. This entity also invested \$405,000 in NBFog, Inc. A San Marcos, Texas, attorney, Bart Behr, served as the chief executive of NBD Holdings, according to him as an accommodation to Charles McAllister. NBD Holdings and all of its assets will be transferred to the BDI Litigation Trust.

C. BDI Trust – A trust set up in 2011 primarily for hedging. On the petition date, BDI Trust had a bank account balance of \$20,158.45, which was transferred to BDI. BDI Trust will be transferred to the NBD Holdings and all of its assets will be transferred to the BDI Litigation Trust.

XII. SUMMARY OF SIGNIFICANT ORDERS ENTERED DURING THIS CASE

As of the date this Disclosure Statement was filed, the only significant orders entered in this case are as follows:

#	Date Entered	Description
29	8/4/2015	Order Authorizing Payment of Expenses of Debtor in Possession
36	8/7/2015	Agreed Order Granting Debtor's Emergency Motion for Order Limiting Notice and Implementing Certain Notice Procedures
38	8/10/2015	Agreed Order Authorizing the Disposition of Undeposited Checks
43	8/11/2015	Order Granting Complex Chapter 11 Bankruptcy Case Treatment
96	9/15/2015	Order Extending Deadline for Filing Proofs of claim by Creditors to January 25, 2016
110	9/28/2015	Order Authorizing Debtor to Destroy, Return or Deposit Checks
155	3/29/2016	Order (a) Authorizing Debtor to Enter Into an Agreement for the Sale of Assets Free and Clear of Claims, Interests, Liens and Encumbrances, (b) Approving Procedures and Notice with Respect to Sale, (c) Scheduling an Auction and Hearing for Approval of Sale, and (d) Granting Related Relief

XIII. EXECUTORY CONTRACTS AND LEASES

Debtor scheduled several executory contracts and leases. Said contracts and leases are identified on Exhibit C. A list of executory contracts to be accepted or rejected will be provided ten (10) days prior to the deadline for voting on or objecting to Debtor's Plan. Those to be accepted will be assumed upon confirmation of the Plan pursuant to 11 U.S.C. § 365(d)(2). Any executory contracts not accepted are deemed rejected. **THE BAR DATE FOR FILING CLAIMS ON REJECTED EXECUTORY CONTRACTS SHALL BE THE SAME DATE AS THE DEADLINE FOR FILING OBJECTIONS TO DEBTOR'S PLAN OF REORGANIZATION.**

XIV. EXCULPATIONS

The Debtor, including the Chief Restructuring Officer, the Creditors Committee, and their respective directors, managers, officers, employees, partners, members, agents, representatives, accountants, financial advisors, investment bankers, or attorneys (but solely in their capacities as such) shall not have or incur any liability for any claim, cause of action or other assertion of liability for any act taken or omitted to be taken since the Commencement Date in connection with, or arising out of, the Chapter 11 Case, the formulation, dissemination,

confirmation, consummation, or administration of this Plan, property to be distributed under the Plan, or any other act or omission in connection with the Chapter 11 Cases, this Plan, the Disclosure Statement or any contract, instrument, document or other agreement related thereto; provided, however, that the foregoing shall not affect the liability of any Person that would otherwise result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted willful misconduct, gross negligence, actual fraud, or criminal conduct, or intentional unauthorized misuse of confidential information that causes damages. In addition, if the stalking horse bid of Huseman and Murph is accepted, Huseman, Murph, the new company they will be forming to purchase the assets, and their legal counsel for the bankruptcy case will receive a limited release of estate causes of action.

XV. CONCLUSIONS

Debtor believes that this Disclosure Statement provides adequate information to its creditors and that the Court should so find.

Respectfully submitted,


BULLIONDIRECT, INC.

By:


Dan Behsimon, President/CRO
Debtor-in-Possession

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By:


Joseph D. Martinec
State Bar No. 13137500
Attorneys for Debtor-in-Possession

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing *Disclosure Statement* has been served via the Court's ECF Noticing System, by First Class Mail, postage prepaid, or by e-mail upon the current Master Limited Service List on this 19th day of April, 2016.

U. S. Trustee
903 San Jacinto, Ste. 230
Austin, TX 78701
(via ECF)


Joseph D. Martinec

Form **1120**Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

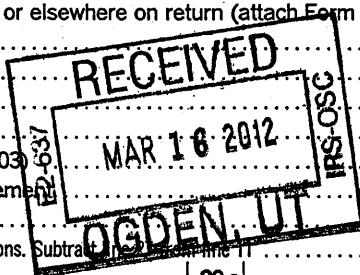
For calendar year 2010 or tax year beginning Jul 1, 2010, ending Jun 30, 2011

See separate instructions.

OMB No. 1545-0123

2010

A Check if:		Name		B Employer identification number	
1 a Consolidated return (attach Form 851) <input checked="" type="checkbox"/>		BullionDirect, Inc.		76-0622534	
b Life/nonlife consolidated return <input type="checkbox"/>		Number, street, and room or suite number. If a P.O. box, see instructions.		C Date incorporated	
2 Personal holding co (attach Sch PH) <input type="checkbox"/>		PO Box 1987		08/30/1999	
3 Personal service corp (see instr) <input type="checkbox"/>		City or town		D Total assets (see instructions)	
4 Schedule M-3 attached <input type="checkbox"/>		Austin TX 78767		\$ 9,979,666.	
E Check if:		Initial return <input type="checkbox"/>		Name change <input type="checkbox"/>	
		Final return <input type="checkbox"/>		Address change <input type="checkbox"/>	
1 Gross receipts or sales		10,069,013.		Less returns & allowances	
		22,358.		c Balance	
2 Cost of goods sold (Schedule A, line 8)				1c 10,046,655.	
3 Gross profit. Subtract line 2 from line 1c				2 1,196,332.	
4 Dividends (Schedule C, line 19)				3 8,850,323.	
5 Interest				4	
6 Gross rents				5 46,819.	
7 Gross royalties				6	
8 Capital gain net income (attach Schedule D (Form 1120))				7	
9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)				8	
10 Other income (see instructions — attach schedule) . See Other Income Statement				9 19,187.	
11 Total income. Add lines 3 through 10				10 -19,936,085.	
				11 -11,019,756.	
12 Compensation of officers (Schedule E, line 4)				12 271,967.	
13 Salaries and wages (less employment credits)				13 718,110.	
14 Repairs and maintenance				14 7,620.	
15 Bad debts				15 878,147.	
16 Rents				16 175,694.	
17 Taxes and licenses				17 98,812.	
18 Interest				18 1,194.	
19 Charitable contributions				19	
20 Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)				20 459,844.	
21 Depletion				21	
22 Advertising				22	
23 Pension, profit-sharing, etc, plans				23	
24 Employee benefit programs				24 37,740.	
25 Domestic production activities deduction (attach Form 8903)				25	
26 Other deductions (attach schedule) . See Other Deductions Statement				26 1,742,615.	
27 Total deductions. Add lines 12 through 26				27 4,391,743.	
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11				28 -15,411,499.	
29 Less: a Net operating loss deduction (see instructions)		29a		29c	
b Special deductions (Schedule C, line 20)		29b		29c	
30 Taxable income. Subtract line 29c from line 28 (see instructions)				30 -15,411,499.	
31 Total tax (Schedule J, line 10)				31	
32a 2009 overpayment credited to 2010		32a		32d	
b 2010 estimated tax payments		32b		32e 0.	
c 2010 refund applied for on Form 4466		32c		32f	
e Tax deposited with Form 7004				32g	
f Credits: (1) Form 2439 (2) Form 4136				32h 0.	
g Refundable credits from Form 3800, line 19c, and Form 8827, line 8c				33	
33 Estimated tax penalty (see instructions). Check if Form 2220 is attached				34	
34 Amount owed. If line 32h is smaller than the total of lines 31 and 33, enter amount owed				35 0.	
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid				36	
36 Enter amount from line 35 you want: Credited to 2011 estimated tax				Refunded	

**COPY**

Sign Here		Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		May the IRS discuss this return with the preparer shown below (see instructions)?	
Signature of officer: <i>Julie Mayfield</i>		Date: <i>3/15/2012</i>		Title: <i>President</i>	
Print/Type preparer's name		Preparer's signature		Check <input type="checkbox"/> if self-employed PTIN	
Julie Mayfield		<i>Julie Mayfield</i>		P01269961	
Firm's name		Firm's EIN			
RUSSELL & MAYFIELD, LLC		27-3685356			
Firm's address		TX 78734-2175		Phone no.	
4601 HUDSON BEND RD., SUITE 300					
AUSTIN					

BAA For Paperwork Reduction Act Notice, see separate instructions.

CPCA0212 02/09/11

Form 1120 (2010)

TC 590-CC14
INPUT FOR SUBS

OK 59918

4423657303 APR 10 2012

INCOME

DEDUCTIONS

TAX REFUNDABLE CREDITS

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule) ... See Other Costs Statement	5	1,196,332.
6	Total. Add lines 1 through 5	6	1,196,332.
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	1,196,332.

9a Check all methods used for valuing closing inventory:

- (i) ☐ Cost
(ii) ☐ Lower of cost or market
(iii) ☐ Other (Specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) Percentage	(c) Special deductions (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		70	
2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations		see instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs		80	
8 Dividends from wholly owned foreign subsidiaries		100	
9 Total. Add lines 1 through 8. See instructions for limitation			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from affiliated group members		100	
12 Dividends from certain FSCs		100	
13 Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12			
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15 Foreign dividend gross-up			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17 Other dividends			
18 Deduction for dividends paid on certain preferred stock of public utilities			
19 Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4			
20 Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b			

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

1	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
				(d) Common	(e) Preferred	
	Charles H. McAllister	466-67-1020	100.0 %	49.3 %	%	
			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
2	Total compensation of officers					
3	Compensation of officers claimed on Schedule A and elsewhere on return					
4	Subtract line 3 from line 2. Enter the result here and on page 1, line 12					

Form 1120 (2010)

Schedule J Tax Computation (see instructions)

1 Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))		<input type="checkbox"/>	
2 Income tax. Check if a qualified personal service corporation (see instructions)		<input type="checkbox"/>	2
3 Alternative minimum tax (attach Form 4626)			3
4 Add lines 2 and 3			4
5a Foreign tax credit (attach Form 1118)	5a		
b Credit from Form 8834, line 29	5b		
c General business credit (attach Form 3800)	5c		
d Credit for prior year minimum tax (attach Form 8827)	5d		
e Bond credits from Form 8912	5e		
6 Total credits. Add lines 5a through 5e			6
7 Subtract line 6 from line 4			7
8 Personal holding company tax (attach Schedule PH (Form 1120))			8
9 Other taxes. <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 Check if from: <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (att schedule)			9
10 Total tax. Add lines 7 through 9. Enter here and on page 1, line 31			10

Schedule K Other Information (see instructions)

1 Check accounting method	a <input type="checkbox"/> Cash	b <input type="checkbox"/> Accrual	c <input checked="" type="checkbox"/> Other (specify) ▶ <u>Hybrid</u>	Yes	No
2 See the instructions and enter the:					
a Business activity code no. ▶	<u>421940</u>				
b Business activity ▶	<u>Online Sales</u>				
c Product or service ▶	<u>Precious Metals</u>				
3 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?					X
If 'Yes,' enter name and EIN of the parent corporation ▶					
4 At the end of the tax year:					
a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If 'Yes,' complete Part I of Schedule G (Form 1120) (attach Schedule G)					X
b Did any individual or estate own, directly 20% or more, or own directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If 'Yes,' complete Part II of Schedule G (Form 1120) (attach Schedule G)					X
5 At the end of the tax year, did the corporation:					
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851, Affiliations Schedule? For rules of constructive ownership, see instructions					X
If 'Yes,' complete (i) through (iv)					

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

Schedule K Continued

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership see instructions **X**
 If "Yes," complete (i) through (iv)

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Maximum Percentage Owned in Profit, Loss, or Capital

6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) **X**
 If "Yes," file **Form 5452**, Corporate Report of Nondividend Distributions.

If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary

7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of the corporation's stock entitled to vote or (b) the total value of all classes of the corporation's stock? **X**
 For rules of attribution see section 318. If "Yes," enter:

(i) Percentage owned ▶ _____ and (ii) Owner's country ▶ _____

(c) The corporation may have to file **Form 5472**, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ▶ _____

8 Check this box if the corporation issued publicly offered debt instruments with original issue discount ☐

If checked, the corporation may have to file **Form 8281**, Information Return for Publicly Offered Original Issue Discount Instruments.

9 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ _____

10 Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ _____

11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ☒ **X**

If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.

12 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction on line 29a.) ▶ \$ _____ **17,044,673.**

13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? **X**

If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 5. Instead, enter the total amount of cash distributions and the book value property distributions (other than cash) made during the tax year. ▶ \$ _____ **0.**

14 Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement (see instructions)? **X**

If "Yes," complete and attach Schedule UTP.

Form 1120 (2010)

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		2,642,715.		7,310,437.
2a	Trade notes and accounts receivable	535,660.		250,000.	
b	Less allowance for bad debts		535,660.		250,000.
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule) .. Ln. 6. Stmt		370,317.		209,516.
7	Loans to shareholders		1,503,743.		0.
8	Mortgage and real estate loans				
9	Other investments (attach schedule) .. Ln. 9. Stmt		238,025.		517,469.
10a	Buildings and other depreciable assets	1,771,782.		2,689,709.	
b	Less accumulated depreciation	696,301.	1,075,481.	1,111,443.	1,578,266.
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)	171,038.		171,038.	
b	Less accumulated amortization	23,510.	147,528.	57,060.	113,978.
14	Other assets (attach schedule)		0.		
15	Total assets		6,513,469.		9,979,666.
Liabilities and Shareholders' Equity					
16	Accounts payable		1,675,027.		733,629.
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach sch) .. Ln. 18. Stmt		111,090.		28,139.
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more		21,238,367.		41,145,413.
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
b	Common stock	430,000.	430,000.	430,000.	430,000.
23	Additional paid-in capital				
24	Retained earnings — Approp (att sch)				
25	Retained earnings — Unappropriated		-16,941,015.		-32,357,515.
26	Adjmnt to shareholders' equity (att sch)				
27	Less cost of treasury stock				
28	Total liabilities and shareholders' equity		6,513,469.		9,979,666.

Schedule M-1				Reconciliation of Income (Loss) per Books With Income per Return	
Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more — see instructions					
1	Net income (loss) per books	-15,416,500.	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books			Tax-exempt interest \$	
3	Excess of capital losses over capital gains	
4	Income subject to tax not recorded on books this year (itemize):			
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation \$			a Depreciation .. \$	
b	Charitable contributions . \$	100.		b Charitable contribns \$	
c	Travel & entertainment .. \$	4,901.		
	
		5,001.	9	Add lines 7 and 8	
6	Add lines 1 through 5	-15,411,499.	10	Income (page 1, line 28) — line 6 less line 9	-15,411,499.

Schedule M-2		Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)			
1	Balance at beginning of year	-16,941,015.	5	Distributions	a Cash ...
2	Net income (loss) per books	-15,416,500.		b Stock	c Property ..
3	Other increases (itemize):		6	Other decreases (itemize):	

	-----		7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	-32,357,515.	8	Balance at end of year (line 4 less line 7)	-32,357,515.

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	ther costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	1196 332
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see instructions)	8	

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost

(ii) ☐ Lower of cost or market

(iii) ☐ Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods ▶ ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

d If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO 9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

Section references are to the Internal Revenue Code unless otherwise noted

General Instructions

Purpose of Form

Use Form 1125-A to calculate and deduct cost of goods sold for certain entities.

Who Must File

Complete and attach Form 1125-A to Form 1120, 1120-C, 1120-F, 1120-S, 1065, or 1065-B, if the applicable entity reports a deduction for cost of goods sold.

Inventories

Generally, inventories are required at the beginning and end of each tax year if the production, purchase, or sale of merchandise is an income-producing factor. See Regulations section 1.471-1. If inventories are required, you generally must use an accrual method of accounting for sales and purchases of inventory items.

Exception for certain taxpayers. If you are a qualifying taxpayer or a qualifying small business taxpayer (defined below), you can adopt or change your accounting method to account for inventoriable items in the same manner as materials and supplies that are not incidental.

Under this accounting method inventory costs for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year you paid for the raw materials or merchandise, if you are also using the cash method).

If you account for inventoriable items in the same manner as materials and supplies that are not incidental, you can currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs.

Qualifying taxpayer. A qualifying taxpayer is a taxpayer that, (a) for each prior tax year ending after December 16, 1998, has average annual gross receipts of \$1 million or less for the 3 prior tax years and (b) its business is not a tax shelter (as defined in section 448(d)(3)). See Rev. Proc. 2001-10, 2001-2 I.R.B. 272.

Qualifying small business taxpayer. A qualifying small business taxpayer is a taxpayer that, (a) for each prior tax year ending on or after December 31, 2000, has average annual gross receipts of \$10 million or less for the 3 prior tax years, (b) whose principal business activity is not an ineligible activity, and (c) whose business is not a tax shelter (as defined in section 448(d)(3)). See Rev. Proc. 2002-28, 2002-18, I.R.B. 815.

Additional information. For additional guidance on this method of accounting, see Pub. 538, Accounting Periods and Methods. For guidance on adopting or changing to this method of accounting, see the Instructions for Form 3115.

Uniform capitalization rules. The uniform capitalization rules of section 263A generally require you to capitalize, or include in inventory, certain costs incurred in connection with the following.

- The production of real property and tangible personal property held in inventory or held for sale in the ordinary course of business.
- Real property or personal property (tangible and intangible) acquired for resale.
- The production of real property and tangible personal property by a corporation for use in its trade or business or in an activity engaged in for property.



CAUTION See Section 263A uniform capitalization rules in the instructions for your tax return before completing Form 1125-A. Also see Regulations sections 1.263A-1 through 1.263A-3. See Regulations section 1.263A-4 for rules for property produced in a farming business.

Form **851****Affiliations Schedule**

(Rev December 2010)

▶ **File with each consolidated income tax return.**

OMB No. 1545-0025

Department of the Treasury
Internal Revenue Service**For tax year ending Jun 30, 2011**

Name of common parent corporation

Employer identification number

BullionDirect, Inc.**76-0622534**

Number, street, and room or suite number. If a P.O. box, see instructions.

PO Box 1987

City or town

State

ZIP Code

Austin**TX****78767****Part I Overpayment Credits, Estimated Tax Payments, and Tax Deposits** (see instructions)

Corp No.	Name and address of corporation	Employer identification number	Portion of overpayment credits and estimated tax payments	Portion of tax deposited with Form 7004
1	Common parent corporation		0.	0.
	Subsidiary corporations:			
2	NBD Holdings, LLC PO Box 1987, Austin, TX 78676	27-4689023 ATP	0.	0.
3	The BDI Trust PO Box 1987, Austin, TX 78676	27-7121160 AFR	0.	0.
4				
5				
6				
7				
8				
9				
10				
Totals (Must equal amounts shown on the consolidated tax return)			0.	0.

Part II Principal Business Activity, Voting Stock Information, Etc (see instructions)

Corp No.	Principal business activity (PBA)	PBA Code Number	Did the subsidiary make any nondividend distributions?		Stock holdings at beginning of year			
			Yes	No	Number of shares	Percent of voting power	Percent of value	Owned by corporation number
	Common parent corporation:							
1	Online Sales	421940						
	Subsidiary corporations:							
2	NBD Holdings, LLC	523900		X	1,000	100.00 %	100.00 %	1
3	BDI Trust	523900		X	1,000	100.00 %	100.00 %	1
4						%	%	
5						%	%	
6						%	%	
7						%	%	
8						%	%	
9						%	%	
10						%	%	

BAA For Paperwork Reduction Act Notice, see instructions.

Form 851 (Rev 12-2010)

Part III Changes in Stock Holdings During the Tax Year

Corp No.	Name of corporation	Shareholder of Corporation No.	Date of transaction	(a) Changes		(b) Shares held after changes described in column (a)	
				Number of shares acquired	Number of shares disposed of	Percent of voting power	Percent of value
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%

- (c) If any transaction listed above caused a transfer of a share of subsidiary stock (defined to include dispositions and deconsolidations), did the share's basis exceed its value at the time of the transfer? See instructions ☐ Yes ☐ No
- (d) Did any share of subsidiary stock become worthless within the meaning of section 165 (taking into account the provisions of Regulations section 1.1502-80(c)) during the taxable year? See instrs ☐ Yes ☐ No
- (e) If the equitable owners of any capital stock shown above were other than the holders of record, provide details of the changes.

- (f) If additional stock was issued, or if any stock was retired during the year, list the dates and amounts of these transactions.

Part IV Additional Stock Information (see instructions)

- 1 During the tax year, did the corporation have more than one class of stock outstanding? ☐ Yes ☒ No
 If 'Yes', enter the name of the corporation and list and describe each class of stock.

Corp No.	Name of corporation	Class of stock

- 2 During the tax year, was there any member of the consolidated group that reaffiliated within 60 months of disaffiliation? ... ☐ Yes ☒ No
 If 'Yes', enter the name of the corporation(s) and explain the circumstances.

Corp No.	Name of corporation	Explanation

- 3 During the tax year, was there any arrangement in existence by which one or more persons that were not members of the affiliated group could acquire any stock, or acquire any voting power without acquiring stock, in the corporation, other than a de minimis amount, from the corporation or another member of the affiliated group? ☐ Yes ☒ No
 If 'Yes', enter the name of the corporation and see the instructions for the percentages to enter in columns (a), (b), and (c).

Corp No.	Name of corporation	(a) Percent of value	(b) Percent of outstanding voting stock	(c) Percent of voting power
		%	%	%
		%	%	%
		%	%	%
		%	%	%
		%	%	%

Corp No.	(d) Provide a description of any arrangement.

BAA

Form 851 (Rev 12-2010)

Form **4562****Depreciation and Amortization**
(Including Information on Listed Property)Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions. ▶ Attach to your tax return.

2010Attachment
Sequence No. **67**

Name(s) shown on return

BullionDirect, Inc.

Identifying number

76-0622534

Business or activity to which this form relates

Form 1120 Line 20

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	500,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2009 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	44,038.
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	380,678.

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2010	17	24,603.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B -- Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property		481.	5.0 yrs	HY	200 DB	96.
c 7-year property		4,823.	7.0 yrs	HY	200 DB	689.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property	06/11	830,000.	27.5 yrs	MM	S/L	1,258.
i Nonresidential real property			27.5 yrs	MM	S/L	
			39 yrs	MM	S/L	

Section C -- Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	8,482.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	459,844.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

BAA For Paperwork Reduction Act Notice, see separate instructions.

FDIZ0812 10/29/10

Form 4562 (2010)

Part V Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A – Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? ☒ **Yes** ☐ **No** **24b** If 'Yes,' is the evidence written? ☒ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
---	-------------------------------	---	----------------------------	--	------------------------	--------------------------	-------------------------------	---------------------------------

25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) **25**

26 Property used more than 50% in a qualified business use:

2009 Honda CRV	11/11/08	100.00	32,070.	32,070.	5.00	200 DB-HY	2,850.	
2008 Toyota Sequoia	06/30/09	100.00	35,000.	35,000.	5.00	200 DB-HY	3,990.	
2000 Toyota Land Cru	05/16/06	100.00	24,000.	24,000.	5.00	200 DB-HY	1,642.	

27 Property used 50% or less in a qualified business use:

28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 **28** 8,482.

29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 **29**

Section B – Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6
30 Total business/investment miles driven during the year (do not include commuting miles)						
31 Total commuting miles driven during the year						
32 Total other personal (noncommuting) miles driven						
33 Total miles driven during the year. Add lines 30 through 32						
	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours?						
35 Was the vehicle used primarily by a more than 5% owner or related person?						
36 Is another vehicle available for personal use?						

Section C – Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is 'Yes,' do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
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42 Amortization of costs that begins during your 2010 tax year (see instructions):

43 Amortization of costs that began before your 2010 tax year **43** 33,550.

44 **Total.** Add amounts in column (f). See the instructions for where to report **44** 33,550.

Form **4797**Department of the Treasury
Internal Revenue Service (99)**Sales of Business Property**
(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return. ▶ See separate instructions.

OMB No. 1545-0184

2010Attachment
Sequence No. **27**

Name(s) shown on return

Identifying number

BullionDirect, Inc.

76-0622534

1 Enter the gross proceeds from sales or exchanges reported to you for 2010 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)**1****Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft – Most Property Held More Than 1 Year (see instructions)**

2	(a) Description of property	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
	MacBookPro 15	09/09/08	08/31/10	400	1662	2415	-353

3 Gain, if any, from Form 4684, line 42**3****4** Section 1231 gain from installment sales from Form 6252, line 26 or 37**4****5** Section 1231 gain or (loss) from like-kind exchanges from Form 8824**5****6** Gain, if any, from line 32, from other than casualty or theft**6**

0.

7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows
Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.**7**

-353.

Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.**8** Nonrecaptured net section 1231 losses from prior years (see instructions)**8****9** Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)**9****Part II Ordinary Gains and Losses (see instructions)****10** Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

11 Loss, if any, from line 7**11**

-353.

12 Gain, if any, from line 7 or amount from line 8, if applicable**12****13** Gain, if any, from line 31**13**

19,540.

14 Net gain or (loss) from Form 4684, lines 34 and 41a**14****15** Ordinary gain from installment sales from Form 6252, line 25 or 36**15****16** Ordinary gain or (loss) from like-kind exchanges from Form 8824**16****17** Combine lines 10 through 16**17**

19,187.

18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:**a** If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from 'Form 4797, line 18a.' See instructions**18a****b** Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14**18b****BAA For Paperwork Reduction Act Notice, see separate instructions.**Form **4797** (2010)

Form 4797 (2010) BullionDirect, Inc.

76-0622534

Page 2

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

19(a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)
A 2008 Toyota Sequoia	06/30/09	01/11/11
B 2000 Toyota Land Cruiser	05/16/06	03/31/11
C		
D		

These columns relate to the properties on lines 19A through 19D		Property A	Property B	Property C	Property D
20	Gross sales price (Note: See line 1 before completing.)	20	28,000.	7,500.	
21	Cost or other basis plus expense of sale	21	35,000.	24,000.	
22	Depreciation (or depletion) allowed or allowable	22	19,040.	24,000.	
23	Adjusted basis. Subtract line 22 from line 21	23	15,960.	0.	
24	Total gain. Subtract line 23 from line 20	24	12,040.	7,500.	
25	If section 1245 property:				
a	Depreciation allowed or allowable from line 22	25a	19,040.	24,000.	
b	Enter the smaller of line 24 or 25a	25b	12,040.	7,500.	
26	If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.				
a	Additional depreciation after 1975 (see instrs)	26a			
b	Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions)	26b			
c	Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e	26c			
d	Additional depreciation after 1969 & before 1976	26d			
e	Enter the smaller of line 26c or 26d	26e			
f	Section 291 amount (corporations only)	26f			
g	Add lines 26b, 26e, and 26f	26g			
27	If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).				
a	Soil, water, and land clearing expenses	27a			
b	Line 27a multiplied by applicable percentage (see instructions)	27b			
c	Enter the smaller of line 24 or 27b	27c			
28	If section 1254 property:				
a	Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion (see instructions)	28a			
b	Enter the smaller of line 24 or 28a	28b			
29	If section 1255 property:				
a	Applicable percentage of payments excluded from income under section 126 (see instructions)	29a			
b	Enter the smaller of line 24 or 29a (see instrs)	29b			

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30	Total gains for all properties. Add property columns A through D, line 24	30	19,540.
31	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	19,540.
32	Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 36. Enter the portion from other than casualty or theft on Form 4797, line 6	32	0.

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

	(a) Section 179	(b) Section 280F(b)(2)
33 Section 179 expense deduction or depreciation allowable in prior years	33	
34 Recomputed depreciation (see instructions)	34	
35 Recapture amount. Subtract line 34 from line 33. See the instructions for where to report	35	

BAA

FDIZ1002 07/01/10

Form 4797 (2010)

EXHIBIT A-2 - Page 13 of 18

Form 1120, Line 29a

Net Operating Loss Worksheet

2010

Name

BullionDirect, Inc.

Employer Identification Number

76-0622534

Two, three, four, or five year carryback, twenty year carryover

NOL Carryover Year	A Carryover	B Less Carrybacks/ Carryovers	C Adjusted Carryover
2009	1,842,747.		1,842,747.
2008	4,112,439.		4,112,439.
2007	3,102,490.		3,102,490.
2006	5,099,566.		5,099,566.
2005	3,845.		3,845.
2004	1,664,761.		1,664,761.
2003	634,748.		634,748.
2002			
2001	267,113.		267,113.
2000	316,964.		316,964.
1999			
1998			
1997			
Total new law	17,044,673.		17,044,673.

OLD LAW: Three year carryback, fifteen year carryover

NOL Carryover Year	A Carryover	B Less Carrybacks/ Carryovers	C Adjusted Carryover
2009			
2008			
2007			
2006			
2005			
2004			
2003			
2002			
2001			
2000			
1999			
1998			
1997			
1996			
1995			
Total old law			

BullionDirect, Inc.

76-0622534

Net Operating Loss Summary

NOL Carryover Year	A NOL Carryover Available	B Deduction Allowed in Current Year	C Adjustment Under Section 172(b)(2)	D Remaining Carryover 20 Years	E Remaining Carryover 15 Years
2009	1,842,747.			1,842,747.	0.
2008	4,112,439.			4,112,439.	0.
2007	3,102,490.			3,102,490.	0.
2006	5,099,566.			5,099,566.	0.
2005	3,845.			3,845.	0.
2004	1,664,761.			1,664,761.	0.
2003	634,748.			634,748.	0.
2002					
2001	267,113.			267,113.	0.
2000	316,964.			316,964.	0.
1999					
1998					
1997					
1996					
1995					
Totals	17,044,673.			17,044,673.	0.
Less: Carryover expiring due to 15-year limitation					
Add: Current year net operating loss					15,411,499.
Less: Carryback of current year net operating loss					
Net operating loss carryover to next year					32,456,172.

CPCW7601.SCR 10/11/10

Form 1120, Page 1, Line 10

Other Income Statement

Discounts	292.
Unrealized loss on Mark to Market	-19,936,377.
Total	-19,936,085.

Form 1120, Page 1, Line 26

Other Deductions Statement

Accounting	150,713.
Amortization	33,550.
Automobile and truck expense	5,151.
Computer services and supplies	58,764.
Credit and collection costs	78,156.
Dues and subscriptions	3,104.
Gifts	2,317.
Insurance	84,914.
Legal and professional	1,177,045.
Meals and entertainment (50%)	4,901.
Miscellaneous	3,752.
Office expense	11,268.
Parking fees and tolls	13,243.
Postage	616.
Security	9,019.
Telephone	7,291.
Training/continuing education	4,173.
Travel	29,090.
Utilities	579.
Communications	41,808.
Contract Help	2,520.
Document Management	1,521.
Hardware/Equipment purchase <\$1000	6,325.
Meetings & Seminars	4,927.
Moving	47.
Publications	316.
Recruiting	146.
Software Licenses	4,259.
Software Upgrades	1,530.
Storage	1,570.
Total	1,742,615.

Form 1120, Page 2, Schedule A, Line 5

Other Costs Statement

Online Advertising	490,971.
Credit Card Collection	166,826.
Freight & Shipping	448,380.
Other	90,155.
Total	1,196,332.

Form 1120, Page 5, Schedule L, Line 6
Ln 6 Stmt

Other Current Assets:	Beginning of tax year	End of tax year
Prepaid Inventory	271,825.	
Prepaid Expenses	81,462.	198,483.
Receivable for COBRA pmts	1,400.	0.
Travel Advance	448.	0.
Lease Deposits	15,182.	11,033.
Total	<u>370,317.</u>	<u>209,516.</u>

Form 1120, Page 5, Schedule L, Line 9
Ln 9 Stmt

Other Investments:	Beginning of tax year	End of tax year
NR - Investment	100,000.	190,000.
CD - Secured Lease	138,025.	103,469.
Interest in NBFog, Inc.		224,000.
Total	<u>238,025.</u>	<u>517,469.</u>

Form 1120, Page 5, Schedule L, Line 18
Ln 18 Stmt

Other Current Liabilities:	Beginning of tax year	End of tax year
Severance Payable	80,141.	0.
Payroll Tax Liabilities	30,744.	23,665.
Sales Tax Payable	205.	945.
Credit Card Payable		3,529.
Total	<u>111,090.</u>	<u>28,139.</u>

Supporting Statement of:

Form 1120, p3-5/Line 7(d)

Description	Amount
Shareholder Loan	514,627.
Accrued Interest on Shareholder Loan	77,860.
Allowance for Doubtful Account	-592,487.
Total	0.

BULLIONDIRECT, INC.

Analysis of Current and Liquidation Value of Assets

#/Category	Description	Scheduled Value	Value (3/1/2016)	Liquidation Value
1. Cash	\$1.00 Silver Certificate	\$1.00	\$1.00	\$1.00
2. Bank Accounts	Wells Fargo Accounts	\$181,215.62	\$204,984.34	\$0.00
8. Firearms	Bushmaster A3 Carbine	\$900.00		
	Springfield Armory XD(M) Pistol	500.00		
	Total Firearms	\$1,400.00	\$900.00	\$900.00
9. Insurance	Northwestern Mutual Term Life Insurance (Key-man policy – Charles McAllister)	Unknown	\$0.00	\$0.00
13. Stock	100% Stock in NBD Holdings, LLC	\$56,500.83	--	
	Shaune & Christie Maycock Note*		38,751.00	
	Receivable from Chad McAllister*		18,000.00	
	Total NBD Holdings	\$56,500.83	\$56,751.00	\$15,000.00
	100% Stock in Nucleo Development Company, LLC (Debts exceed cash on hand)	Unknown	\$0.00	\$0.00
16. Accounts Receivable	Receivable from Nucleo Development Company, LLC	Unknown	\$0.00	\$0.00
18. Notes Receivable	Fort Worth Coin Company, Inc.	\$98,886.41	\$92,000.00	\$25,000.00
20. Interest in Trust	The BDI Trust (Scheduled amount overestimated by \$5,000; all cash transferred to BDI DIP Account)	\$20,158.45	\$0.00	\$0.00

F:\BullionDirect Inc\Disclosure Statement & Plan of Reorganization\Personal Property List.docx

* Previously included in the value of NBD Holdings, LLC

EXHIBIT B

#/Category	Description	Scheduled Value	Value (3/1/2016)	Liquidation Value
21. Other Contingent Claims	Loss Carry-Forward from 2009/2010 Tax Return (\$17,044,673.00)	Unknown	\$0.00	\$0.00
	Insurance Claim against Lloyds, London for Lost Product (Collected; September MOR)	\$7,045.00	\$0.00	\$0.00
	Claim against IDS for Shipping Error on Product sent to Beverly Frye	\$2,950.00	\$0.00	\$0.00
	Potential Claim Against Corbin Tuma	Unknown	Unknown	Unknown
	Potential Claim against Charles H. McAllister and any other officer or director of BullionDirect, Inc.	Unknown	Unknown	Unknown
	Potential Claim against Equity Trust Company/Sterling Trust Company	Unknown	Unknown	Unknown
22. Patents, trademarks, intellectual property	Domain Names	Unknown	Unknown	Unknown
	Patent #7584135 – Electronic trading and delivery platform	Unknown	Unknown	Unknown
	Trademarks	Unknown	Unknown	Unknown
24. Customer list	Customer List	Unknown	Unknown	Unknown
28. Office equipment, furnishings	Gun Safes	\$600.00		
	3 Computers	450.00		
	Filing Cabinets	150.00		
	Tool Cabinet and Tools	50.00		
	Total Office Equipment/Furnishings	\$1,250.00	\$1,000.00	\$500.00
	Office Furniture & Equipment (In Storage)-IDS, New Castle, Delaware, & CubeSmart	Unknown	\$4,000.00	\$4,000.00

#/Category	Description	Scheduled Value	Value (3/1/2016)	Liquidation Value
29. Machinery, fixtures, equipment Used in Business	Nikon Camera, Tripod, Lenses, and Equipment	\$700.00	\$250.00	\$250.00
30. Inventory Held for Others	IDS Vault Inventory**, New Castle, Delaware	Unknown	\$650,000.00	\$650,000.00
	Inventory (Insurance Value), Austin, Texas (Now included in Vault Inventory)	\$116,000.00	0.00	0.00
	Total Inventory	\$116,000.00	\$650,000.00	\$650,000.00
	GRAND TOTAL	\$486,107.31	\$1,009,886.34	\$695,651.00

** Under the Debtor's Plan the contents of the vault will be transferred to the BullionDirect, Inc. Litigation Trust.

B 6G (Official Form 6G) (12/07)

In re BullionDirect, Inc.,

Debtor

Case No. 15-10940-tmd

(if known)

SCHEDULE G - EXECUTORY CONTRACTS AND UNEXPIRED LEASES

☐ Check this box if debtor has no executory contracts or unexpired leases.

NAME AND MAILING ADDRESS, INCLUDING ZIP CODE, OF OTHER PARTIES TO LEASE OR CONTRACT.	DESCRIPTION OF CONTRACT OR LEASE AND NATURE OF DEBTOR'S INTEREST. STATE WHETHER LEASE IS FOR NONRESIDENTIAL REAL PROPERTY. STATE CONTRACT NUMBER OF ANY GOVERNMENT CONTRACT.
CubeSmart 610 E. Stassney Lane Austin, TX 78745	Description: Rental of Storage Unit (with Nucleo Development Company, LLC) Nature of Debtor's Interest: Lessee
Efax 6922 Hollywood Blvd., 5th Floor Los Angeles, CA 90028	Description: Email Fax Service Contract Nature of Debtor's Interest: Contractor
Contegix Attn: Billing 210 North Tucker, 6th Floor St. Louis, MO 63101	Description: Hosting BullionDirect Website Nature of Debtor's Interest: Contractor
Constant Contact 85 Second Street, Ste. 100 San Francisco, CA 94105	Description: Marketing/Communication Nature of Debtor's Interest: Contractor
Live Person 475 Tenth Avenue, 5th Floor New York, NY 10018	Description: Customer Service Portal Nature of Debtor's Interest: Contractor
PayPal 2211 N. First St. San Jose, CA 95131	Description: Merchant Account Nature of Debtor's Interest: Contractor
Rackspace P.O. Box 730759 Dallas, TX 75373-0759	Description: Cloud Hosting Nature of Debtor's Interest: Contractor
Amazon Web Services, Inc. 410 Terry Ave. North Seattle, WA 98109-5210	Description: Hosting Nature of Debtor's Interest: Contractor
Phone.com 211 Warren Street Newark, NJ 07103	Description: Telephone/Voicemail Service Nature of Debtor's Interest: Contractor

B 6G (Official Form 6G) (12/07)

In re BullionDirect, Inc.,

Debtor

Case No. 15-10940-tmd

(if known)

SCHEDULE G - EXECUTORY CONTRACTS AND UNEXPIRED LEASES

NAME AND MAILING ADDRESS, INCLUDING ZIP CODE, OF OTHER PARTIES TO LEASE OR CONTRACT.	DESCRIPTION OF CONTRACT OR LEASE AND NATURE OF DEBTOR'S INTEREST. STATE WHETHER LEASE IS FOR NONRESIDENTIAL REAL PROPERTY. STATE CONTRACT NUMBER OF ANY GOVERNMENT CONTRACT.
Dream Host 12235 El Camino Real, Ste. 200 San Diego, CA 92130	Description: Hosting Nature of Debtor's Interest: Contractor
Hootsuite Media 5 E. 8th Ave. Vancouver, BC V5T 1R6 CANADA	Description: Marketing Suite Nature of Debtor's Interest: Contractor
Junction Networks 55 Broad Street, 20th Floor New York, NY 10004	Description: VOIP Phone Service Contract Nature of Debtor's Interest: Contractor
Endicia 278 Castro Street Mountain View, CA 94041-1204	Description: Shipping Software Nature of Debtor's Interest: Contractor
Time Warner Cable Attn: Recovery Support 3347 Platt Springs Rd. West Columbia, SC 29170	Description: Internet Services Nature of Debtor's Interest: Contractor
3Seventy 2224 Walsh Tarlton Lane #220 Austin, TX 78746	Description: Mobile Site Maintenance Nature of Debtor's Interest: Contractor
Zayo Colocation, Inc. P.O. Box 209008 Dallas, TX 75320	Description: Hosting - Telecommunications Service Nature of Debtor's Interest: Contractor
Kount, Inc. 917 Lusk St. Boise, ID 83706	Description: Fraud Filtering Software Service Nature of Debtor's Interest: Contractor

B 6G (Official Form 6G) (12/07)

In re BullionDirect, Inc.,

Debtor

Case No. 15-10940-tmd

(if known)

SCHEDULE G - EXECUTORY CONTRACTS AND UNEXPIRED LEASES

NAME AND MAILING ADDRESS, INCLUDING ZIP CODE, OF OTHER PARTIES TO LEASE OR CONTRACT.	DESCRIPTION OF CONTRACT OR LEASE AND NATURE OF DEBTOR'S INTEREST. STATE WHETHER LEASE IS FOR NONRESIDENTIAL REAL PROPERTY. STATE CONTRACT NUMBER OF ANY GOVERNMENT CONTRACT.
Travelers P.O. Box 660317 Dallas, TX 75266-0317	Description: Liability Insurance Nature of Debtor's Interest: Purchaser
Diamond State Depository, LLC d/b/a International Depository Services of Delaware (IDS) Attn: Operations Department 406 West Basin Road New Castle, DE 19720	Description: Corporate Custody Agreement Nature of Debtor's Interest: Contractor
Dacey, Richard, Philford Johnson & April Sheehy 100 Passaic Avenue, Ste. 110 Fairfield, NJ 07004	Description: Brokers Agreement dated 7/25/2014