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Honorable Christopher M. Alston
Chapter 11

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

9 In re:

10 **NORTHWEST TERRITORIAL**
11 **MINT, LLC**

12 Debtor.

Case No. 16-11767-CMA

13 TRUSTEE'S REPORT OF
14 INVESTIGATION AND STATUS REPORT

15 Chapter 11 Trustee Mark Calvert (the "Trustee"), in fulfillment of his duties under 11 U.S.C.
§ 1106(a), submits the following Report of Investigation and Status report.

16 This chapter 11 case seeks to provide a resolution to years of dysfunctional and destructive
17 business conduct by the Northwest Territorial Mint (the "Debtor" or the "Mint") under the direction
18 of its owner Ross B. Hansen ("Hansen") and to reorganize the business of the Mint so as to bring
19 finality and some recovery to its more than three thousand creditors.

20 The Mint is a Washington limited liability company whose sole member is Hansen. Hansen
21 exercised complete operational control over the Mint at all times prior to the appointment of the
22 Trustee. The Debtor sold medals and gold coins, manufactured commemorative medals and ribbons,
23 produced custom minting products and bought and sold precious metals including gold and silver
24 bullion.

25 Prior to the filing of the bankruptcy case, the Mint conducted its bullion sales business in a
Ponzi like fashion, fulfilling the orders of its bullion purchaser customers from deposits taken from
newer customers. Prior to the bankruptcy case, the Mint under the control of Hansen
misappropriated stored, consigned and customer owned precious metal inventory. Prior to the filing

TRUSTEE'S REPORT OF INVESTIGATION
AND STATUS REPORT - 1

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1 of the bankruptcy case, the Mint was deeply insolvent. Prior to the filing of the bankruptcy case, the
2 custom minting aspects of the Mint's business, while creating quality and valued products, were
3 unprofitable, without necessary financial oversight tools and with extremely poor management
4 practices. Prior to the filing of the bankruptcy case, the Mint was the subject of investigations and
5 lawsuits by multiple regulatory agencies, including the Equal Opportunity Commission (employee
6 discrimination and harassment) and state regulatory agencies (environmental contamination) who
7 asserted tens of millions of dollars of claims against the company. Prior to the filing of the
8 bankruptcy case, the Mint and its owner maliciously defamed a former landlord resulting in a
9 judgment against the Debtor of more than twelve million dollars and a judgment against Hansen of
10 more than twenty five million dollars.

11 There are more than three thousand creditors who filed claims in this case in amounts in
12 excess of \$83 million. The vast majority of creditors are customers whose orders have not been
13 fulfilled or whose stored or leased inventory has been consumed or transferred by the Debtor prior to
14 the Trustee's appointment. The Trustee has communicated with hundreds of creditors who have
15 conveyed the hardship and havoc that has been visited on them by the failure of the bullion business
16 of the Mint. Creditors have lost all of their retirement assets, their entire college savings funds for
17 their children, and even their assets necessary to pay for health care and basic living expenses. The
18 Mint will never be able to fully compensate creditors for their losses and these hardships, but the
19 Trustee and his professionals have devoted every effort to fully investigating the financial affairs of
20 the Debtor, preserving the value of the Debtor's business, and recovering as much as possible for the
21 benefit of creditors.

22 Trustee's Restructuring Objectives

23 The success of this chapter 11 case has always depended on the preservation and realization
24 of the enterprise value of the minting operations of the bankruptcy estate. Since the Trustee's
25 appointment, he has singularly focused on this objective. The Trustee took control of the affairs of
the bankruptcy estate on April 11, 2016, ten days after the case was filed. At the time of bankruptcy
filing, the estate had approximately one thousand dollars in its bank accounts and limited current
assets with which to satisfy its considerable operating expenses. The Debtor had 241 employees and
a monthly payroll of approximately \$630,000, plus monthly benefits of approximately \$60,000. The
Debtor operated from seven different locations in six states. The company had accumulated
approximately \$25.5 million dollars in unfulfilled customer orders including approximately
\$575,000 of orders for which deposits had been taken after the bankruptcy case was filed. The
company was not remotely capable of fulfilling the outstanding customer orders. The Trustee was
faced with a choice: close the business operation and liquidate the assets of the estate at severely
discounted values or reorganize and preserve the business operations with the aim of making
distributions to creditors from profits and the sales proceeds of the business as a going concern. In

1 evaluating these options, the Trustee was compelled to consider the severely discounted values that
2 would be derived from assets in a shutdown circumstances as well as the considerable winddown
3 costs which included large payroll and lease costs. It became apparent that absent preservation of
4 the going concern value of the Debtor's business, there would be no distribution to creditors in the
5 case. Only through the restructuring of the business and preservation of the enterprise value of the
6 company could the estate bring any return to creditors.

7 Since the outset of his appointment, the Trustee has consistently communicated with the
8 Official Unsecured Creditors' Committee (the "Committee"), keeping the Committee advised as to
9 important issues and developments in the case and consulting with the Committee regarding key
10 decisions. The Trustee has attended Committee meetings at the invitation of the Committee to make
11 presentations about case progress and objectives. The Committee has been consistently supportive
12 of the Trustee's decision to preserve the enterprise value of the business rather than shut the business
13 down. The Trustee has also spoken with hundreds of individual creditors in the case. The Trustee
14 believes that there is an overwhelming consensus among creditors that the Trustee should make
15 every effort to preserve the going concern value of the company.

12 The Trustee's Investigation of the Financial Affairs of the Company

13 Upon his appointment, the Trustee commenced an investigation of the financial affairs of
14 Debtor. The Trustee faced significant obstacles in his investigation due to the condition of the
15 business, lack of financial records, poor prior management and the unavailability or unwillingness of
16 certain former officers and employees to provide information to the Trustee. In particular the Trustee
17 learned that:

- 17 • The Debtor had not prepared financial statements for at least five years
- 18 • The Debtor had not prepared tax returns for at least five years
- 19 • There were no inventory controls in place for precious metal inventory and no physical
20 inventory of precious metals had been conducted to the knowledge of any of the
21 company's employees
- 22 • There was no cost accounting to determine the profitability of divisions of the company
23 or the profitability of individual orders. As a consequence, the sales team and
24 management did not know if individual customer orders were profitable
- 25 • The company had no cash management system in place or forecasting of monthly sales,
working capital requirements or profitability

- 1 • The business and financial records of the Debtor were held in a disorganized state and
2 included voluminous records that dated back decades

3 The Trustee expended considerable effort constructing a financial reporting system for the
4 Mint's business and in reconstructing historical records in support of his investigation of financial
5 affairs. The Trustee obtained bank records for NWTM dating back to 2008, had the banking data
6 uploaded into a searchable database and reconstructed cash in and cash out for fiscal years 2008 to
7 2016. The Trustee immediately implemented a cash flow tracking and reporting system in order to
8 manage the cash needs of the business. The Trustee's cash flow reporting is detailed and tracked on
9 a day to day basis and projects forward five to ten months based upon known seasonality and known
10 fixed and variable costs. The Trustee created the cost accounting system for the business in order to
11 confirm the profitability of all aspects of the custom minting and manufacturing business.

12 The Trustee's Solvency Analysis

13 In connection with this investigation of the financial affairs of the estate and in
14 support of the claims relating to Medallion Art Company which are discussed in further detail below,
15 the Trustee prepared an analysis of the solvency of the Debtor reaching back to 2008. A copy of the
16 draft solvency analysis is attached hereto as Exhibit 1. The Trustee conducted his analysis with the
17 assistance of his financial consultants, Cascade Capital Group ("Cascade") and analyzed the
18 company's assets and liabilities, concluding that the company was never solvent from a balance
19 sheet perspective during the period 2008 through April 2016.

20 Additionally, from 2008 through its bankruptcy filing, the Mint was never able to satisfy its
21 obligations as they came due. In September 2008, the Mint entered into a consent decree with the
22 Washington State Attorney General because the Mint was then failing to timely ship bullion orders.
23 As of year-end 2008, the average time to fill bullion customer orders exceeded 50 days. As of year-
24 end, 2015, the average time to fulfill bullion customer orders exceeded 120 days. As of the petition
25 date, the value of outstanding bullion orders that were unfulfilled was approximately \$25.5 million.

 The solvency analysis revealed that the Mint's business shared attributes of a Ponzi scheme,
in that new customer cash deposits were used to fund and complete older customer orders. The
Debtor was insolvent by a wide margin throughout the relevant time period. On a balance sheet
basis the Debtor was insolvent by at least \$18 million ranging up to more than \$45 million, which
insolvency is confirmed by the more than \$83 million in filed claims against the bankruptcy estate.

The Trustee Secured, Inventoried and Documented the Estate's Precious Metal Inventory

 The Trustee has determined that there is more than \$13.8 million in missing precious metal
inventory including approximately \$5 million of missing storage inventory, approximately \$5.4
million of missing leased metal inventory and approximately \$1.1 million of inventory which was
the consigned property of a custom metal customer, approximately \$540,000 of precious metal
inventory provided by customers to complete custom orders, and approximately \$1.8 million in

1 missing gold sent to the Mint’s Federal Way, Washington facility in October, 2015 to be exchanged
2 for Canadian gold maple leafs, all of which totals approximately \$13.8 million.

3 Hundreds of creditors have contacted the Trustee to request that the Trustee conduct a
4 thorough investigation of whether their precious metals were still in the possession of the Trustee
5 and if not, what happened to them. Customers who tendered deposits and ordered product that was
6 not delivered to them were under the impression that there was precious metal on hand at the
7 Company that belonged to them. The Committee was focused on missing precious metal and
8 requested that the Trustee conduct an investigation of the disposition of precious metals by the
9 Debtor.

10 On the day of his appointment, the Trustee locked down all precious metals in any facility of
11 the Debtor, changed building locks, changed vault combination codes and restricted access to
12 precious metal vaults. The Trustee and his staff conducted a detailed and comprehensive physical
13 inventory of all precious metal held by the company and preserved photographic evidence of all
14 precious metal that was on hand as of his appointment. The Trustee also preserved copies of video
15 recordings of activities in the company’s vaults including for periods prior to his appointment
16 through the conduct of the physical inventory and preserved all records relating to precious metal
17 inventory.¹ The Trustee has maintained copies of the video recordings of the vault activity which
18 reflect all activity in the vaults through and including the Trustee’s physical inspection and the
19 inspection subsequently conducted by the Federal Bureau of Investigation (the “FBI”).

20 The Trustee learned that no physical inventory of precious metals had been conducted to the
21 knowledge of any of the company’s employees and that there was a lack of internal control within
22 the Company over the purchase and sales of precious metal. Only Hansen and his long time live-in
23 girlfriend Diane Erdmann (“Erdmann”) had access to and control over precious metal inventory in
24 Federal Way and their access was unfettered. Industry standards for control over precious metal
25 inventory would require checks and balances to ensure the security of such inventory, but no such
26 checks and balances existed at the Mint. Erdmann was designated as the vault manager for the
27 Federal Way facility, but she maintained almost no records relating to the precious metal
28 transactions of metal in the vaults. The records of disposition of precious metals from the vaults
29 were incomplete and not up to date and limited to two rudimentary spreadsheets maintained by
30 Erdmann. These spreadsheets were written over on a daily basis, precluding the recovery of
31 historical data regarding the existence of inventory at a prior date.

32 The Trustee learned from his interviews of employees of the Mint that Erdmann had
33 modified her behavior in the days just prior to the bankruptcy filing through the date of the Trustee’s
34 appointment. On a typical workday, Diane Erdmann would arrive at the Federal Way Building at
35

¹ The Trustee has generally preserved all of the records of the company some of which date back thirty years.

1 approximately 9:30 a.m., and she would work until 6 or 7 p.m. It was uncommon for Erdmann to
2 leave the facility during the work day for lunch (other than to pick up lunch and bring it immediately
3 back) or otherwise. But in March, 2016, just before the bankruptcy case was filed, Erdmann began
4 to arrive early (about 7 a.m.) and would frequently come and go from the facility throughout the day,
5 and this was noticed by other employees. Rather than sitting at her work station all day, as was her
6 practice, other employees noticed that she starting leaving and returning at irregular times during the
7 day, sometimes with Hansen and sometimes alone, but many times carrying a bag.

8 The Trustee viewed video tapes of activity in the Mint's vaults prior to his appointment. The
9 video tapes revealed Hansen and Erdmann in the vaults removing large bags of materials from the
10 vaults just before the bankruptcy case was filed. On Saturday, March 26, 2016, and again on Easter
11 Sunday, March 27, 2016, the security cameras in the vault and Federal Way Building recorded
12 Erdmann and Hansen removing boxes from the vault after business hours. On March 26, 2016, at
13 approximately 8:10 p.m., Erdmann and Hansen arrived at the Federal Way Building and shortly
14 thereafter were captured on video in the vault. In the video, Ms. Erdmann can be seen opening the
15 safe in which gold and other high value bullion was kept, and removing two medium-sized, and one
16 large box from the safe while Hansen watches. Security footage shows that Hansen carried the
17 boxes out of the Federal Way Building at approximately 8:18 p.m. on March 26, 2016.

18 Just a few days later, Erdmann provided funds to the Tracy law firm to fund the retainer for
19 the filing of the bankruptcy case. Erdmann provided the retainer in two parts: a \$50,000 wire
20 transfer and a cashier's check for \$99,460. On March 31, 2016, Erdmann wired \$50,000 of the
21 retainer funds from her bank account at Wells Fargo Bank. Erdmann had deposited \$50,000 in cash
22 into her checking account on the same day and immediately thereafter wired it to fund the retainer.
23 Erdmann funded the remaining \$99,460 of the Tracy retainer from the proceeds of the sale of coins
24 held in a black bag that she brought to the Mint on March 31, 2016. The coins were sold to a Seattle
25 based coin dealer in exchange for a cashier's check which was delivered to the Tracy law firm.

17 While the Trustee's staff was conducting the physical inventory of metal in the Debtor's
18 Dayton, Nevada facility during the afternoon of April 12, 2016, six boxes arrived at the Nevada
19 facility. About fifteen minutes before the boxes arrived, Erdmann had called the shipping and
20 receiving clerk and instructed him not to open the boxes and to put the boxes in an unsecured area.
21 The company's normal protocol for receiving metals would have called for opening and weighing
22 the materials, but Erdmann instructed the receiving clerk not to do this. The Trustee instructed his
23 staff to open the boxes. The boxes contained coins, collectible medallions and other precious metals
24 that were shipped from the Debtor's Federal Way facility by Erdmann on or about April 8, 2016.²
25 Based on the inventory that the Trustee and his staff conducted, the Trustee believes that the value of
the contents of the boxes is approximately \$50,000.

23 The boxes contained property that was definitively purchased by the Debtor. One of the
24 boxes included a purchase order evidencing that the Debtor purchased a number of items contained
25 in the box. The Trustee believes that most, if not all, of the remaining items in the shipped boxes

² The Court had orally ordered the appointment of a trustee on the previous day, April 7, 2016.

1 were purchased by the Debtor and that given the circumstances surrounding the arrival of the six
2 boxes in Dayton, the shipment was an attempt by Hansen and Erdmann to take control of assets of
3 the estate on the eve of the Trustee's appointment. When the Trustee questioned Hansen regarding
4 the shipment of boxes, Hansen claimed that the boxes were Medallie³ assets that had been shipped
5 from Dayton, Nevada, to Federal Way, Washington so that pictures could be taken for a sales
brochure, even though the Debtor regularly used a photographer in Dayton for such purposes. Based
on the nature and type of inventory and receipts relating to the purchase of the inventory contained
in the six boxes, Mr. Hansen's explanation is false.

6 On April 27, 2016, Bradley Cohen, the former landlord, who holds a \$25 million personal
7 judgment against Hansen, obtained a writ of execution under which the King County Sheriff seized
8 assets at Hansen's personal residence. The seized assets included cash in the amount of \$6,000 and
9 coins and precious metals worth approximately \$149,000. The Trustee believes that the seized
10 assets are property of the Mint. Erdmann has alleged that the seized inventory all belongs to her
11 personally. Pursuant to an order of the Bankruptcy Court, the seized inventory was turned over by
the King County Sheriff to the Trustee pending a determination by the Bankruptcy Court as to
ownership of those assets.

12 In October of 2015, the company assisted a customer, Mr. Steven Fox, in the movement of
13 gold bars from Geneva, Switzerland to the Federal Way Office. Mr. Fox's father had passed away
14 and had left his son with instructions to recover the contents of a safe deposit box in Geneva. The
15 chief of security for the Mint travelled to Geneva to help move the inventory to a hotel room where
16 it was photographed. The gold bars then were shipped by Brinks Armor to the Mint's Federal Way
17 office. Fox filed a proof of claim in the bankruptcy case, claim # 2984, in which he alleges that he
18 shipped 1,477.42 ounces of gold bars to the Mint attaching a receipt for delivery of the gold dated
19 October 13, 2015. The Mint, through Hansen, agreed to exchange the gold bars for one ounce
20 Canadian Maple Leaf coins. Fox never received his Canadian Maple Leaf coins. The Trustee's
21 physical inventory of metal on hand at the Mint confirmed that the gold bars were not in the
22 possession of the Mint when the Trustee took control. At the bankruptcy petition date spot price of
gold of \$1,222, the value of the gold delivered to the Mint was \$1.805 million. The gold delivered
to the Mint by Fox included 39 one-kilo bars of gold and other gold bars and coins. The sales
records of the Mint indicate that the Mint had sold 18 of the one-kilo bars as of the date the Trustee
took control, leaving 21 one-kilo bars unaccounted for. The 21 one-kilo bars for which there are no
records of sales were worth approximately \$825,000 at the petition date spot price.

23 On June 3, 2016, Erdmann testified at deposition that she owned limited assets. She
24 disclosed that she had a safe deposit box at a bank which held only six ounces of gold and under a

25 ³ Medallie Art Company LLC ("Medallie") is an entity controlled by Mr. Hansen whose assets have now been
substantively consolidated with those of the Mint as more fully described below. At the time of the shipment, Medallie
was exclusively controlled by Hansen.

1 thousand dollars of cash. She stated that a friend, Don Schwenk was holding an undisclosed amount
2 of silver for her. Erdmann repeatedly testified that she had no other assets and that she did not know
3 how she would fund her living expenses.

4 In May, 2017, the Trustee learned that Erdmann had been liquidating significant quantities of
5 precious metals through coin dealers to fund payments to attorneys representing Hansen and
6 Medallie Art Company. The Trustee obtained orders from the Court authorizing discovery of the
7 coin dealers and of Erdmann and Hansen to investigate these precious metals sales. The Trustee's
8 investigation disclosed that Erdmann, after testifying that she had limited assets, had liquidated more
9 than \$695,000 in precious metals including gold, silver and palladium between June 20, 2016 and
10 March 31, 2017. More than \$500,000 of the proceeds from these sales was paid to attorneys, the
11 majority of those amounts having been paid to attorneys representing Hansen and Medallie Art
Company. The Trustee conducted a deposition of Erdmann in August, 2017 in connection with his
investigation of the matters relating to the metal sales. At that deposition, Erdmann refused to
answer certain questions and asserted her Fifth Amendment privilege when asked about whether her
prior testimony regarding her assets had been true.

12 The Trustee Identified Certain Inventory that Belonged to Storage Customers and Returned It

13 The precious metal inventory that remained on hand at the time the Trustee took control
14 included some metal that was specifically identified to certain storage customers. The Trustee
15 conducted a painstaking review of records of storage customers to confirm that the inventory that
16 was identified to a specific storage customer had been paid for and had not been repurchased by the
17 Mint. The Trustee filed two motions with the Court seeking authority to return inventory to storage
customers and after obtaining Court approval, returned approximately \$900,000 in storage customer
owned inventory.

18 The Trustee's Efforts to Preserve the Value of the Custom Minting Operations

19 The Trustee has taken important and timely steps to reduce overhead and consolidate the
20 operations of the Company and at the same time to engage a leadership team that will grow sales so
21 as to increase the profitability and value of the Company. At the time of his appointment, the
22 Trustee immediately closed the bullion sales operations of the company and refunded approximately
\$575,000 in customer deposits that had been received after the filing of the bankruptcy case.

23 The Trustee has reduced employee numbers from 241 as of April 2016 to 115 as of the end
24 of August, 2017, including approximately fifty employees who were laid off in the first fifteen days
25 after the Trustee took control with the closing of the bullion operations. The Trustee closed the
Federal Way and Auburn Washington offices and rejected the leases for those facilities, achieving
expenses savings of approximately Forty Thousand Dollars per month. The Trustee negotiated lease

1 concessions from landlords at other facilities as well. The Trustee consolidated all of the
2 manufacturing operations into the Dayton, Nevada and Green Bay, Wisconsin facilities.

3 In May, 2016, the Trustee found a buyer for the estate's assets in Tomball, Texas. The
4 Tomball, Texas operations were unprofitable and the estate was in dire need of cash for the
5 preservation of the other aspects of the business. The Trustee obtained Court approval for the sale of
6 the Tomball, Texas for a sale price of \$1 million.⁴ The Trustee obtained approval for the Tomball
7 sale over the objection of Hansen who falsely alleged that another entity under his control (Medallic
8 Art Company) owned significant assets that were in the Tomball facility and were being sold by the
9 Trustee. Hansen also sought to obstruct the sale by purporting to act as a bidder and falsely
represented that Medallic had the financial capability to participate as a bidder at an auction of the
Tomball assets. The Trustee was compelled to conduct an auction and an evidentiary hearing at
significant cost to the estate in order to conclude the Tomball sale.

10 In February, 2017, the Trustee obtained court approval to engage Bill Atalla as CEO for the
11 Company. Mr. Atalla is a very experienced and talented executive with a proven track record of
12 business success. Mr. Atalla was hired to grow the sale of the Company and maximize the
13 enterprise value of the Company. Mr. Atalla's compensation structure is premised on sales growth
14 targets of approximately \$2 million per year. A summary of Mr. Atalla's experience and his views
of the progress and potential of the Company is attached hereto as Exhibit 2.⁵

15 The Trustee Faced Interference from Hansen in His Management of the Business

16 The Trustee also was forced to deal with intentional and destructive interference by Ross Hansen. In
17 particular:

- 18 • Hansen resigned the day after the Trustee was appointed
- 19 • Hansen continued to contact employees telling them that he was coming back to
20 take the company over
- 21 • Hansen tried to persuade an employee to destroy valuable engraving machinery
22 and software

23 ⁴ Net proceeds to the estate payment of secured claims taxing authorities and closing expenses were approximately
24 \$770,000.

25 ⁵ A link to a video regarding the minting operations of the company is found here:
<https://vimeo.com/234915168>.

- 1 • Hansen and Diane Erdmann removed large bags of materials from the precious
2 metal vaults of the Company shortly before the bankruptcy case was filed and
3 have not been truthful in disclosing the contents or source of those assets
- 4 • Hansen and Erdmann shipped boxes of valuable precious metals from Federal
5 Way to Nevada immediately before the Trustee took office in an attempt to
6 transfer those assets out of the control of the Trustee
- 7 • Hansen took the position that the most valuable operating assets of the Company
8 did not belong to NWTM, but instead belonged to a non-debtor company that he
9 controlled, Medallic Art Company. Hansen expressed his intentions to force the
10 liquidation of NWTM so that he could purchase the assets of NWTM at a
11 discount and resume operations under the Medallic name
- 12 • Hansen through Medallic initiated litigation against the bankruptcy estate alleging
13 that Medallic owned the valuable assets of the custom minting business and
14 asserting a large administrative claim against the estate
- 15 • Hansen through Medallic forced the estate to incur significant professional fees to
16 document the insolvency of the Mint and other issues in connection with the
17 litigation brought by Medallic

16 The Liquidation Value of the Estate's Assets

17 The liquidation value of the assets of the company at the time of the Trustee's appointment
18 was of de minimus value to creditors and there were large administrative claims that would have
19 arisen in liquidation that would have consumed what value there was. The Trustee prepared an
20 analysis of the liquidation value of the assets of the estate as of August 31, 2016 which is attached
21 hereto as Exhibit 3. As is reflected in the liquidation analysis, if the Trustee had elected to close the
22 business and liquidate the Company's assets in August 2016, there would have been no return to
23 general unsecured creditors. Only administrative creditors, principally administrative winddown
24 expenses of employees, landlords and professionals would have received any distribution from the
25 estate and those administrative creditors would not have been paid in full.

24 The Enterprise Value of the Estate's Business

25 The Trustee also conducted an evaluation of the potential enterprise value of the estate's
business. A copy of the enterprise valuation is attached hereto as Exhibit 4. The enterprise value of

1 the estate's business as a going concern is approximately \$14 million and in the next three years, the
2 business is expected to generate positive cash flow of approximately \$4 million for a total estate
3 value of approximately \$18 million.

4 The Trustee Resolved Multiple Prebankruptcy Disputes and Litigation

5 At the time of the Trustee's appointment, the Debtor was engaged in approximately fifteen
6 lawsuits and disputes, including disputes with governmental entities which were not stayed by the
7 bankruptcy automatic stay. The Trustee sought to avoid litigation expense by achieving settlements
8 which were approved by the Court with the Nevada Department of Environmental Protection
9 ("NDEP") and the Equal Employment Opportunity Commission ("EEOC"). The EEOC had sued the
10 Debtor prepetition in the United States District Court for the Western District of Washington,
11 alleging that the Debtor, through its principal Ross Hansen, had violated Title VII of the Civil Rights
12 Act of 1964, by subjecting female employees to an abusive and hostile work environment. The
13 Trustee and the EEOC agreed to a form of consent decree resolving the suit and granting the EEOC
14 an allowed unsecured claim. NDEP filed suit in the State of Nevada on January 29, 2016, alleging
15 that the Debtor violated environmental laws related to the storage and disposal of hazardous
16 materials, and asserting that the Debtor was incurring fines of \$1,000 per day as a result. The Trustee
17 entered into negotiations with NDEP early in the case and eventually achieved a settlement with
18 NDEP whereby NDEP would be allowed an unsecured prepetition claim (and no priority
19 administrative claim) in the amount of \$521,584.50.

20 The Trustee Successfully Defended the Medallic Litigation

21 NWTM's Dayton, Nevada location is a manufacturing facility that includes a satellite
22 corporate office, a 118,000-square foot minting facility, and storage vaults. It has been occupied by
23 the Debtor since 2009. The real property where the Debtor's Dayton facility is located and the
24 manufacturing and operating assets in that facility were originally owned by Medallic Art Company
25 Ltd ("Medallic Ltd"), an entity owned by Robert and Connie Hoff. In early 2009, the Debtor
engaged and paid a Nevada based law firm to negotiate the acquisition, by the Mint, of substantially
all of Medallic Ltd's personal property assets, including its equipment, archived materials, and
goodwill and to negotiate a purchase option and lease for the Dayton facility. The purchase price for
the Dayton assets was partially funded from \$2 million which was derived from customer deposits of
the Mint. After the acquisition of Medallic, Ross Hansen moved some, but not all of the employees
and equipment of the Debtor located in Auburn, Washington, to the Dayton facility at a substantial
cost to the Debtor. The Debtor announced in press releases and internal memoranda that the Debtor
had acquired Medallic Art Company and that the Debtor was combining the operations of the two
entities. After 2009, only NWTM manufactured product, had employees, and conducted business
operations in Dayton. All payroll for employees working in Dayton and other facilities of the Debtor
was paid by NWTM. Since July 2009, NWTM, and only NWTM, actively used the "Medallic" name
in commerce.

Ross Hansen ("Hansen") formed a new entity Medallic Art Company, LLC in 2010. Hansen

1 controlled Medallic Art Company as its manager. Medallic Art Company LLC and Hansen took the
2 position in the bankruptcy case that the Dayton facility lease and the operating assets acquired from
3 the Hoffs in 2009 were the property of Medallic Art Company LLC and that the bankruptcy estate
4 owed significant rents and royalty payments to Medallic Art Company. On August 12, 2016,
5 Medallic Art Company commenced an adversary proceeding (the “Medallic Litigation”) against the
6 Trustee by filing its Complaint for Declaratory, Injunctive, and Other Relief. Medallic LLC asserted
7 that the Debtor has no ownership right to any assets or property purchased from the Hoffs in 2009
8 and that the license, royalty, and lease agreements between Medallic Art Company and NWTM are
9 valid and enforceable. Medallic LLC also sought judgment for conversion and damages on account
10 of the Trustee exercising control over property interests that Medallic LLC asserted were its own.

11 The Trustee answered the Complaint and asserted counterclaims for substantive
12 consolidation, alter ego, fraudulent transfer and other bases of recovery against Medallic. Medallic
13 LLC and its attorneys (whom the Trustee eventually learned incurred in excess of \$450,000 in fees
14 in connection with their representation of Medallic LLC), forced the Trustee to incur substantial fees
15 in the Medallic Litigation by, among other things, commencing the action, moving to withdraw the
16 reference of all aspects of the adversary proceeding to the United States District Court, vigorously
17 opposing the Trustee’s request to bifurcate the litigation, and by issuing numerous discovery
18 requests that required the Trustee and his counsel to preserve, collect, review and produce thousands
19 of documents. The Trustee engaged in motion practice, including by moving for determination, on
20 summary judgment, of the estate’s rights in the Dayton lease, conducting depositions of Ross
21 Hansen and various third party witnesses, and propounding discovery. On the eve of trial, Medallic
22 LLC capitulated, and entered into a stipulated form of Judgment, which granted all relief requested
23 by the Trustee and denied the relief requested by Medallic LLC. In particular, the judgment
24 substantively consolidated the assets and liabilities of Medallic with the assets and liabilities of the
25 Debtor.

While the fees and costs associated with the Medallic Litigation were substantial, the Trustee
was compelled to defend the claims asserted by Medallic LLC in the Medallic Litigation and
prosecute his counterclaims. The Medallic Litigation was critical to the Trustee’s ability to preserve
the enterprise value of the company. The assets of the Debtor that are located in Dayton, Nevada are
essential for the Debtor’s operations. If Hansen and Medallic Art Company had prevailed on its
claims against the Debtor and (a) been awarded title to assets in Dayton; and (b) granted a
considerable money judgment against the Debtor for the Debtor’s use of such assets, the Trustee
would have no chance of reorganizing the Debtor’s business and the Trustee would have been forced
to immediately liquidate the Debtor’s assets.

The Trustee Formulated a Plan of Reorganization

The Trustee and his professionals have performed the analysis of issues necessary to
formulate a reorganization plan, including the assessment of operational, financial and tax related
issues relevant to a plan. The Trustee’s counsel drafted the plan and a disclosure statement. The
Trustee met with the Committee and presented the draft plan to the Committee in November, 2016.
The Trustee could not file the plan until the Medallic Litigation referenced above was resolved and

1 has subsequently delayed the filing of the plan due to the unexpected results from the business
2 operations during the Spring of 2017. However, the Trustee anticipates that the reorganization plan
3 will be filed with the Court and circulated to creditors in 2018.

4 Current Status of the Business of the Estate

5 During the course of the Trustee's administration of the case, the estate has remained current
6 on its payment of post-petition taxes and United States Trustee's fees. The August monthly
7 operating report reflects a post-petition accounts payable balance, excluding taxes⁶ and professional
8 fees of \$110,578.12. The Trustee obtained court approval for a DIP loan which balance at month
9 end August, 2017 was \$296,621. Cash flow from business operations has tightened due to
10 unanticipated reduced revenues in the Spring of 2017. The Trustee has indicated that he has
11 observed an improvement in sales activity for product deliveries in the Fall, 2017 including an
12 increase in larger custom minting orders. This increase in sales activity provides room for optimism
13 regarding the prospects of the business. The Trustee anticipates that the sale of the Company as a
14 going concern or reorganization of the Company on terms providing dividends to creditors post
15 confirmation will eventually provide the resources for payment of distributions to creditors. The
16 Trustee is also in discussion with potential purchasers who have expressed interest in purchasing the
17 company on a going concern basis, or otherwise investing in the business.

13 The Business Developed Cash Flow Pressures Leading the Trustee to Market the Company 14 for Sale

15 In April of 2017, to the surprise of the Trustee and company management, the Company
16 suffered extremely poor sales. The month of April is usually a strong month for custom minting
17 sales due to college and university customer orders. But the anticipated sales orders did not occur
18 due to a variety of circumstances, one of which was the lack of performance of a key salesperson
19 who has since left the company. The poor sales results for April, 2017 was a wake up call for the
20 Trustee, and the Trustee anticipated that cash flow could become a serious problem. The Trustee
21 immediately initiated a marketing effort for the sale of the Company. A list of about fifty potential
22 purchasers was assembled by the Trustee's financial consultants, Cascade Capital Group. Cascade
23 assembled a solicitation package which included marketing materials, a summary of operating
24 results, balance sheet, cash flow, equipment liquidation valuation, inventory detail, staffing and an
25 organization chart. The Trustee sent communications to potential purchasers with the solicitation
26 materials.

27 Eight parties expressed interest and signed confidentiality agreements to obtain more detailed
28 information and to tour the operations. As a result of the marketing effort a total of four parties
29 toured the operations and three offers were received. The three offers focused on the liquidation
30 value of the Company and were not acceptable to the Trustee. Two additional parties have

⁶ The Trustee is current on the payment of post-petition taxes.

1 expressed interest in the company and discussions have centered around a \$4-\$5 million purchase
2 price for 50% of the Company and the balance being held by a liquidating trust for the benefit of
3 creditors. The Trustee has also had discussions with a private investor that is interested in buying
4 20% of the company for \$2 million. This private investor may be sufficient to help the company to
5 emerge from bankruptcy. The discussions with this investor remain in progress as of the date of this
6 filing and the Trustee continues to solicit investment in the Company and market the Company for
7 sale.

8 Management of the Company and the Trustee Continue to Believe in the Company's Value
9 and Potential to Emerge from Bankruptcy

10 Management of the company and the Trustee believe that the Mint has undergone a top to
11 bottom overhaul and in its restructured state has been transformed from a dysfunctional disorganized
12 and unprofitable enterprise into a lean, motived and capable organization, with excellent employee
13 morale and tremendous capacity for growth. With the proper capitalization, the company has
14 outstanding earning potential. If the company can turn the corner on profitability and show
15 consistent earnings the Trustee believes that there are multiple purchasers or investors that will come
16 to the table. Thus, the focus for the company is on sales growth and profitability to allow an
17 independent reorganization, a reorganization backed by an investor, or a going concern sale of the
18 company on terms that will provide a return to creditors. The Trustee and the professionals involved
19 in the case, the company's management and its employees have made much progress in moving the
20 case forward. The Trustee remains optimistic that the company will grow and will achieve its full
21 potential and if so, will provide a deserved recovery for creditors.

22 DATED this 3rd day of October, 2017.

23 /s/ Mark Calvert
24 Mark Calvert
25

1 **CERTIFICATE OF SERVICE**

2 The undersigned declares as follows:

3 That she is a Sr. Practice Assistant in the law firm of K&L Gates LLP, and on October 3,
4 2017, she caused the foregoing document to be filed electronically through the CM/ECF system
5 which caused Registered Participants to be served by electronic means, as fully reflected on the
6 Notice of Electronic Filing.

7 Also on October 3, 2017, she caused the foregoing document to be placed in the mail to the
8 Parties at the addresses listed below:

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

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

15 Executed on the 3rd day of October, 2017 at Seattle, Washington.

16 /s/ Benita G. Gould
17 Benita G. Gould

EXHIBIT 1



NORTHWEST TERRITORIAL MINT.; ET AL
(CASE NO. C16-01895-JCC)
TRUSTEE REPORT ON NWTM
HISTORY, OPERATING APPROACH AND INSOLVENCY

March 30, 2017

**Re: Northwest Territorial Mint History, Operations and Insolvency
Bankruptcy Case No. C16-0895-JCC
Court-Appointed Trustee Report**

Executive Summary

The purpose of this report is to document the history, operations and the findings related to the financial position of Northwest Territorial Mint, (“NWTM” or the “Company”) from 2008 to 2016. It is currently anticipated that the Insolvency Report will be used in the litigation associated with Medallion Art Company (“MAC”). We focused our insolvency analysis on the Company’s operations from 2008 to 2016. For periods prior to 2008, all of the required documentation was not available and the additional analysis would have been cost prohibitive.

The objective of the procedures performed was to document what happened, when it happened and to what extent it happened, in an effort to better understand the operations of NWTM and when and why the Company became insolvent.

This approach allowed us to document with confidence the Company’s flow of funds, realized operating gains and losses, and unrealized gains and losses so that we could, with reasonable confidence, forensically construct the Company’s financial statements for fiscal 2008 to 2016. With the aid of the forensically-constructed financial statements, we are being able to better understand the level of missing funds or assets there might be, when the assets might have gone missing, who might be responsible for the missing assets, who made the decision that resulted in the insolvency and how to complete the incomplete/unfiled federal income tax returns for the Company.

The operations of the Company are more complicated and larger than most people realize. Over the 8-year reviewed period, the company had total cash and credit card receipts of \$2.2 billion which flowed through 15 different bank accounts and 3 hedging accounts. Excluding transfers between accounts (i.e. general account to payroll account), the total was approximately \$1.2 billion. The Company was in the business of buying, selling and manufacturing gold and silver products which were in most cases sold as a commodity. The situation was further complicated by the fact that no financial statements were completed for fiscal 2011 to 2016. In addition, our forensic analysis of the financial position of the company disclosed there were likely errors in the 2008 to 2010 tax returns. In addition, the Trustee was not able to confirm when the last physical inventory was completed. However, we were able to confirm that there was no physical inventory completed between 2010 and 2016. The level of inventory from 2008 to 2016 should have been material and our analysis shows limited gold and silver inventory for the entire period. To document the financial position of the company, we focused our review of the balance sheet on an account by account basis and on a year by year basis. This required rolling forward and rolling back individual account balances. In the world of public accounting, this is referred to as

“pounding the balance sheet and plugging the income statement”. In addition to the balance sheet approach, we also looked at an income approach. More specifically we looked at the bullion transactions on a transaction by transaction basis and on a year by year basis and calculating the estimated realized gain and loss on each transaction.

In accordance with Generally Accepted Accounting Principles, the Company should have completed a “mark to market” calculation at the end of every month associated with closing the books. This calculation adjusts the carrying value of tradable assets such as raw commodities to the current market level. It appears that this adjustment did not occur from 2008 to 2015. We completed a mark to market analysis on an individual transaction level basis for fiscal 2008 to 2015. The results of the analysis suggest that the company had total customer liabilities ranging from a low of \$20 million to a high of \$45 million over the period 2008 to 2016.

Based upon our review of the actual cash balance, individual transaction obligations, the days of delay in delivery of customer orders, (60 to 120 days) the lack of inventory, it appears that the company had attributes of a “Ponzi” or “lapping” scheme from at least (though likely earlier) 2008 to 2016. More specifically, new customer deposits were required to pay off the obligation of older customers (a common Ponzi scheme attribute). Significant delays in delivery of customer orders (compared with industry standards of 10 days) ultimately caused the company to begin to experience a decline in bullion sales which then resulted in fewer new customer deposits. By 2015, total cash collected was approximately \$60 million compared with the peak level in sales of over \$200 million in 2011.

In conclusion, the Company’s *level* of insolvency varied significantly over the period reviewed, but the Company was insolvent from 2008 to 2016. At the time of the bankruptcy filing (April 1, 2016), the Company held assets of _____ and liabilities of _____.

A significant amount of time and effort has been invested to document the nature and extent of the Company’s insolvency from 2008 to 2016. The construction of a bank database of all cash transactions and the detailed review of customer orders and delivery dates allowed us to understand the Company’s realized and unrealized gains and losses as well as its operating expense structure which, in turn, allowed us to confirm that the Company became solvent before 2008. With the confirmation of the insolvency prior to 2008, the funds used to acquire MAC in 2009 thus constitute a fraudulent transfer to Mr. Hansen. As such, MAC should be substantively consolidated into NWTM. Following this substantive consolidation, the Trustee will be able to push forward with the Plan of Reorganization and achieve a recovery for creditors of NWTM.

Sincerely,

Mark T. Calvert, CPA, CTP, CIRA, CFE and PI
Managing Director

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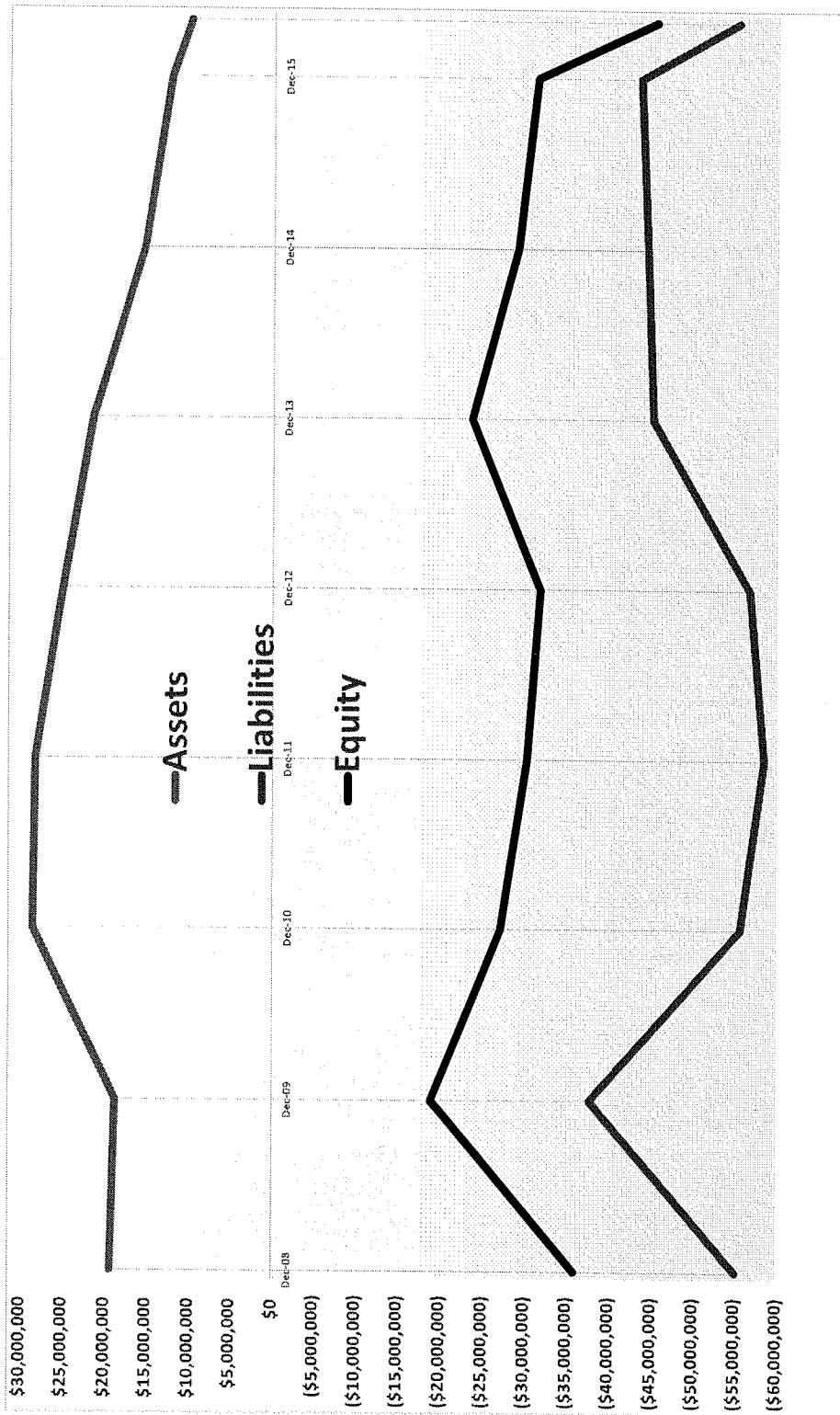
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**Northwest Territorial Mint
Solvency Analysis
Year by Year**



| | Dec-08 | Dec-09 | Dec-10 | Dec-11 | Dec-12 | Dec-13 | Dec-14 | Dec-15 | Apr-16 |
|-------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Assets | \$19,266,986 | \$18,733,139 | \$28,462,366 | \$28,201,597 | \$24,905,364 | \$21,477,695 | \$15,316,905 | \$12,185,555 | \$9,849,088 |
| Liabilities | (\$5,175,426) | (\$37,731,588) | (\$55,642,952) | (\$58,534,003) | (\$56,769,257) | (\$45,189,227) | (\$44,424,309) | (\$43,599,637) | (\$55,343,785) |
| Equity | (\$35,908,440) | (\$18,998,449) | (\$27,180,587) | (\$30,332,407) | (\$31,863,893) | (\$23,711,532) | (\$29,107,404) | (\$31,414,082) | (\$45,494,697) |

EXHIBIT 2

PERSONAL INTRODUCTION:

I have 38 years of experience in the Silicon Valley. My management expertise ranges from start-up ventures to Fortune 500 Corporations. Most of my career has been in C-level management in advanced technology, typically complex environments; developing and implementing strategic initiatives pertaining to hardware, software, consumer products and social marketing/media companies.

In addition to P&L responsibilities, my emphasis has been on growing sales and marketing organizations, fortifying company infrastructure, streamlining production/operations, and installing analytical metrics (production, inventory, and product) cost controls while building a positive culture of employee accountability and integrity.

My leadership skills are particularly effective with diverse employee populations because of my management style of 'a singular theme and clear going-forth directives' that unify employees' efforts and bring understanding and focus to the corporate mission at hand. I believe in fostering employee career growth and creativity; creating an environment that supports individual as well as group problem solving; which builds a healthy company platform and ultimately leads to new and sustainable growth with profitability.

<https://www.linkedin.com/in/bill-atalla-2496853/>

SUMMARY STATE OF THE BUSINESS:

At this writing, it is my firm belief that Medallic Art is a new company from top to bottom. We are moving forward and gaining momentum at a rapid rate. It has been a very complex eight months, where we have collectively restructured this operation, realigned people, defined priorities and objectives and set in place metrics to which to govern our progress in all aspects of the business. Emphasis now continues with keen focus on generating sales revenues. (1)

That said, we are on a growth path even with the "BK" headwinds and can expect to breakeven at \$12M this year. Sales are currently on the steady upswing with a backlog that supports September and October both exceeding our average run rate of \$1M a month. It should be noted that each dollar after breakeven represents a gross margin of 50%. So margins and profitability will not be a future problem for Medallic at this current rate of growth.

I am not typically impressed with a mere breakeven achievement but in this case, where we have drastically reduced the head count and simultaneously stimulated a positive culture, that has yielded more production with half the employees and 98% on time product delivery for the last year, it's hard to ignore real progress.

We are on the right path to not only grow but to take back our leadership position in our market space. (2) We are a 115 year old company with a heritage unlike any other mint and I am already capitalizing on this position and renowned history through unique product introductions with strategic partners who also have global reach and highly respected reputations. Two such

relationships involve MTM Recognition, www.mtmrecognition.com and the Bradford Exchange, www.bradfordexchange.com .

I forecast revenues of \$15-18M for 2018 and in the range of \$25M by 2020. (3) Achievement of these forecasts would well position the company for an event, possibly a sale or merger that would benefit all parties, including the creditors. At \$18M and EBITDA of \$4M the company would be valued at \$20M. Needless to say in five years, based on the current revenue trajectory, the valuation will be three times greater.

MEDALLIC ART THEN:

When I came on board in January I found, as one might expect, the ruins of a once great company. It was all too clear that prior management and ownership ran the business into the ground with little or no respect for its customers, employees or those who trusted the mint with their assets. What was surprising is that the company was still being held together by the sheer strength and hopes of its employees. I could see the passion in their eyes and the desire to succeed despite being abused. Thankfully the Trustee had already made significant reductions of the non-contributors. The remaining 'good bones' and potential still existed. The need for leadership, employee inspiration, guidance and 'real' direction were my obvious charter.

I also found that we were/are saddled with too large a building and a staggering rent but if we continue to grow and partner, we can grow into our space. Other notable hurdles include: a weak sales force (untrained and lacking focus), no major accounts of record, poor sales management, seasonal sales cycles that were being ignored, significant list of lost accounts, poor on time delivery, lack of quality control processes and training, poor communications amongst employees and a handful of caustic individuals with their own agendas and no unifying leadership to align the employees to a specific set of goals and priorities.

MEDALLIC ART NOW:

Today 'Medallic Art and Mint' is a totally new company. We are positioned to realize the potential that has been dormant for quite some time. We have the people—exactly who we need in their key positions. They are focused, cross trained, accountable and true team players. We have no redundancy so everyone counts.

The culture which is "integrity and attitude" is well understood and clearly evident in terms of how we treat each other. The environment is positive and everyone is working toward a common goal of succeeding. Communication is open as is my door so we can solve problems or discuss issues as they arise. I believe we have an environment of employee empowerment yet disciplined to achieve specific departmental and corporate goals.

We now have processes in place to assure timely and accurate order delivery and customer satisfaction. A day does not go by without us receiving a 'Thank You' letter from a satisfied individual or institution. For example:

TITANIC MEDALLION—first produced in 1912 for the Captain of the Carpathia who rescued the Titanic survivors.

“I am absolutely thrilled with the duplicate Congressional Medal of Honour as presented to Captain Rostron over a hundred years ago, and I am honoured that it is only the second one cast from the original dies. The first was given to the Captain and now resides in a museum. The workmanship of the casting, the gold plating, and the presentation is superb. His medal would have lived in this house for nearly twenty years, and so it is fitting that a duplicate now resides here, courtesy of the generosity of Bill Atalla and the craftsmen at Medallic Art Company. I am truly grateful.” Tony

We are on the rise with sales moving in the right direction. It has taken eight months to reestablish and build a sales organization that makes outbound calls and customer visits. Medallic did not have marketing and hence no programs to support lead generation or focus on new verticals and major accounts. We now have a highly effective marketing department lead by a former Dell employee—and the results are already obvious.

We also have an effective product development group both for our online store and our custom market place. Some of the new products are entirely unique to Medallic and will contribute significantly to our sales efforts. We are also reaching into our archives and re-striking medals such as the Titanic and these re-strikes represent high margin product opportunities.

In summary, we have the people, processes and the products and the perfect blend of old world craftsmanship and state of the art technology to achieve our revenue targets. And with the addition of our new strategic marketing partners, we are further assured of achieving those goals.

The outlook for this company is realistically bright. We are taking every step to achieve the success this company deserves. I am very aware of my obligation to the employees and their families and the creditors who need us to succeed as well.

I face only a handful of hurdles at this time, namely cash flow where an investor would offset dips in cash but the sales are on the rise which we believe at this moment might offset this need altogether. A second hurdle which will be dealt with when the company is properly capitalized through sales or investment is the adjustment in wages for some of the employees. Recent competitions from major companies such as Amazon, Panasonic and Tesla have put pressure on our wage base with some of our workforce now considered underpaid. This of course creates the third hurdle which is attracting the talent we need for our open positions. Thankfully, rumor is out that we are a *new* company so entirely different than before that the

past reputation is being pushed down and we have quality applicants. But we will need to be competitive in terms of wages and salaries to attract and retain that talent.

All said, I firmly believe in the potential of this company! I recognized the potential and saw the commitment and passion of the employees when I came on board in January and now even more so after eight months of revitalization and results. The people at Medallic Art and Mint are now a team and worth all the effort to turn this company around for everyone's sake. This is a great company and I am committed as demonstrated by moving from California, purchasing a home nearby, taking a reduction in salary and giving back my moving expenses. I am grateful to be here and will be so as long as it takes to make things right.

Please see the video, **The Voices of Medallic Art**—featuring the people behind the medals, medallions and awards that recognize the achievements of others around the world. This unscripted and unrehearsed video represents the beliefs of my team and precisely why—they are worth the effort. A link to the video is found here: <https://vimeo.com/234915168>.

(1)

SALES FOCUS

My focus is what we are doing **today** to immediately affect sales activities; specifically revenue generation programs. Those programs include:

- Lead generation through online advertising
- Website updates for maximum optimization and ranking
- Installed software for rapid lead follow up
- Ongoing and extensive direct mails and phone campaigns
- E-blasts tailored to specific sales peoples need
- E-blasts tailored to promote specific products in our online store
- PR programs for awareness (ABC TV Spot, Assemblywoman visit)
- Trade show attendance where we write orders on the spot
- Strategic partner relationships—such as the revenue share with Bradford Exchange
- Museum program offering for nationwide replication
- Catalogue penetration program
- Key personnel to exploit existing relationships with exchanges, Amazon, Ebay
- Additional programs for immediate revenue generation include photo coin business expansion and online promotional programs for new and seasonal products.

Focus is on supporting the in house sales activities, while in parallel launching programs from marketing to generate revenues from alternative sources such as major accounts, (Amazon Corporate, Apple, ASPCA, National Pony Express), partnering with Awards companies and coop marketing with other mints, organizations with online stores and associations, (Odd Fellows, Rotary). Furthermore we are actively working to expand, (double), the sales team with industry specific sales talent which will greatly reduce their time to effectiveness. But it is extremely important that we have multiple revenue sources, reducing our dependency on in house sales and our online store.

I am very bullish about Medallic Art. We finally have the necessary people in place, dozens of sales growth programs well underway and many processes and procedures have been streamlined/standardized to minimize operating costs and maximize profitability. With a little more time and capital we can realize my projections of breakeven this year, \$18M next year and \$25M by year three.

EXHIBIT 3

Northwest Territorial Mint, LLC
Liquidation Analysis
As of August 31, 2016

&

Reorganization Allocation
Assuming Confirmed Plan of Reorganization
Sale of Company in August of 2020
Exhibit 3



Northwest Territorial Mint, LLC
Balance Sheet - Plan & Liquidation Analysis
As of September 1, 2016

| Chapter 7 Liquidation Analysis | | | | |
|--|--------------------------|-----------------|--------------------|--------------|
| | September 1, 2016 | % | | |
| | Projection | Recovery | Amount | Notes |
| Current Assets | | | | |
| Cash | \$1,435,050 | 100% | \$1,435,050 | 1 |
| Accounts Receivable, net | \$947,532 | 70% | \$663,272 | 2 |
| Pre-Petition Accounts Receivable | \$249,374 | 70% | \$174,562 | 2 |
| Inventory - Auburn | \$1,462,560 | 50% | \$731,280 | 3 |
| Inventory - Dayton | \$574,286 | 90% | \$516,858 | 4 |
| Inventory - Vault | \$90,772 | 90% | \$81,695 | 4 |
| Pre-Paid Expenses | \$151,799 | 50% | \$75,900 | 5 |
| Legal Receivable | \$253,829 | 0% | \$0 | 6 |
| Deposits/Advances | \$43,850 | 50% | \$21,925 | 7 |
| Total Current Assets | \$5,209,052 | 71% | \$3,700,541 | |
| Fixed Assets | | | | |
| Equipment, net | \$1,024,836 | 60% | \$614,902 | 8 & 9 |
| Cause of Action: Claw back and Fraudulent Transfers | | | | |
| Avoidance Action Recoveries | TBD | 100% | TBD | |
| Total Assets | \$6,233,888 | 69% | \$4,315,443 | |

Northwest Territorial Mint, LLC Notes to the Liquidation Proceeds

Notes:

- 1 Gross Cash Balance
- 2 Account Receivable balance is assumed to experience collection issues with the liquidation of the company.
- 3 Inventory-Auburn would be liquidated via an auction or controlled sale. The discount is assumed to be approximately 50% off of the adjusted fair market value due to the 'odds and ends' nature of the inventory making it more difficult to find an active market upon liquidation less an additional auction commission fee.
- 4 Inventory-Dayton and Vault would be liquidated via an auction or controlled sale. The discount is assumed to be 10% off of the adjusted fair market value due to the highly active market available for precious metals.
- 5 Pre-paid expense balance is assumed to experience collection issues with the liquidation of the company.
- 6 Legal Receivable does not expect to be recovered upon liquidation.
- 7 Deposits/Advances balance is assumed to experience collection issues with the liquidation of the company.
- 8 Equipment would be liquidated via an auction or controlled sale. The discount is assumed to be approximately 40% off of the adjusted fair market value less an additional auction commission fee.
- 9 A complete equipment appraisal was done by James G. Murphy Co. and the fair market value of all of the equipment was \$1,886,000. Without pursuing the Medallie Litigation NWTM would not have been able to liquidate the assets that Medallie alleged were owned by it. Therefore the entire appraised amount of alleged Medallie owned equipment is excluded. Appraised value of the non Medallie appraised assets is approximately \$1,024,836.

Northwest Territorial Mint, LLC
Balance Sheet - Plan & Liquidation Analysis
As of September 1, 2016

Ties to actual amount or confirmed to supporting documents
 Estimated amount, subject to additional analysis

| Chapter 7 | | | | |
|--|--------------------|-------------------|-------------|-------|
| Claims | Allocation | % | Recovery | Notes |
| Total Funds to be Allocated to Secured Claims | | | | |
| \$4,315,443 | | | | |
| Secured Claims: | | | | |
| 1 Tomball Independent School District | \$0 | \$0 | 0% | 1 |
| 2 City of Tomball | \$0 | \$0 | 0% | 1 |
| 3 Pan American Silver Corp | \$43,250 | (\$43,250) | 100% | 2 |
| Total Secured Balance | \$43,250 | (\$43,250) | 100% | |
| Remaining Funds Available | \$4,272,193 | | | |

Total Funds to be Allocated to Administrative Claims

Post-Petition Payables:

| | | | | |
|---|--------------------|----------------------|------------|----|
| 1 Accrued Liabilities | \$367,084 | (\$281,470) | 77% | 3 |
| 2 Medallion Equipment Rental Payable | \$250,000 | (\$191,693) | 77% | 4 |
| 3 Close Down Salaries and Health Benefits | \$220,156 | (\$168,810) | 77% | 5 |
| 4 Customer Deposits | \$193,013 | (\$147,997) | 77% | 3 |
| 5 Dayton Lease Payable | \$192,631 | (\$147,705) | 77% | 6 |
| 6 Medallion Royalty Payable | \$150,000 | (\$115,016) | 77% | 7 |
| 7 Unpaid Payroll / one week lag period | \$105,877 | (\$81,184) | 77% | 8 |
| 8 WARN' Act | \$1,011,377 | (\$775,497) | 77% | 9 |
| 9 Environmental Payable | \$100,000 | (\$76,677) | 77% | 10 |
| 10 Vacation Payable Accrued Post Petition | \$65,000 | (\$49,840) | 77% | 11 |
| 11 Health Benefits Payment | \$53,777 | (\$41,235) | 77% | 12 |
| 12 Other Accounts Payable | \$48,947 | (\$37,531) | 77% | 3 |
| 13 Dayton IT Web/Hosting Payable | \$27,008 | (\$20,709) | 77% | 13 |
| 14 Kent IT Web/Hosting Payable | \$25,443 | (\$19,509) | 77% | 13 |
| 15 Environmental Payable Close Down | \$25,000 | (\$19,169) | 77% | 14 |
| 16 Auburn Lease Payable | \$19,657 | (\$15,072) | 77% | 6 |
| 17 Kent Lease Payable | \$5,043 | (\$3,866) | 77% | 6 |
| 18 Virginia Lease Payable | \$3,598 | (\$2,759) | 77% | 6 |
| 19 Wisconsin Lease Payable | \$2,295 | (\$1,760) | 77% | 6 |
| 20 Hawaii Lease Payable | \$138 | (\$106) | 77% | 6 |
| Total Post-Petition Balance | \$2,866,043 | (\$2,197,606) | 77% | |
| Net Funds to Distribute | | | | |

Northwest Territorial Mint, LLC
Balance Sheet - Plan & Liquidation Analysis
As of September 1, 2016

Professional Fees:

| | | | | |
|---|--------------------|----------------------|------------|----|
| 1 K&L Gates Fee's | \$854,608 | (\$655,291) | 77% | 15 |
| 2 Cascade Capital Group Fee's | \$459,779 | (\$352,546) | 77% | 15 |
| 3 Creditors Committee Fee's | \$169,259 | (\$129,783) | 77% | 15 |
| 4 Trustee Fee's | \$146,960 | (\$112,685) | 77% | 15 |
| 5 Estimated K&L Gates Fee's | \$250,000 | (\$191,693) | 77% | 16 |
| 6 Estimated Cascade Capital Group Fee's | \$300,000 | (\$230,032) | 77% | 16 |
| 7 Estimated Creditors Committee Fee's | \$50,000 | (\$38,339) | 77% | 16 |
| 8 Estimated Trustee Fee's | \$120,000 | (\$92,013) | 77% | 17 |
| 9 Medallic Litigation Resolution | \$125,000 | (\$95,847) | 77% | 18 |
| 10 Proof of Claim Reconciliation | \$75,000 | (\$57,508) | 77% | 19 |
| 11 Return of Inventory Analysis | \$75,000 | (\$57,508) | 77% | 20 |
| 12 Investigation Fee's Payable for FBI Subpoena's | \$30,000 | (\$23,003) | 77% | 21 |
| 13 Tomball Admin Claim for Lease Termination | \$25,000 | (\$19,169) | 77% | 22 |
| 14 EPA Settlement Analysis | \$15,000 | (\$11,502) | 77% | 23 |
| 15 EEOC Settlement Analysis | \$5,000 | (\$3,834) | 77% | 24 |
| 16 Pan American Property Lien Analysis | \$5,000 | (\$3,834) | 77% | 25 |
| Total Professional Fee's Balance | \$2,705,606 | (\$2,074,587) | 77% | |
| Net Funds to Distribute | \$0 | | | |

Pre-Petition Priority Payables:

| | | | | |
|--|--------------------|------------|-----------|----|
| Accrued Vacation Liability Payable Tomball | \$48,849 | \$0 | 0% | 26 |
| Accrued Vacation Liability for all other employees | \$50,000 | \$0 | 0% | 27 |
| Priority Claims | \$1,213,168 | \$0 | 0% | 28 |
| Total Pre-Petition Balance | \$1,312,017 | \$0 | 0% | |
| Net Funds to Distribute | \$0 | | | |

General Unsecured Creditors:

| | | | | |
|-------------------|--------------|-----|-------|----|
| Unsecured Claims: | \$59,834,463 | \$0 | 0.00% | 29 |
|-------------------|--------------|-----|-------|----|

Northwest Territorial Mint, LLC
Notes to the Liquidation Waterfall
As of August 31, 2016

Notes:

- 1** Amount paid from the proceeds collected for the sale of Tomball, prior to August 31, 2016.
- 2** The claim filed by Pan American Silver Corp is \$1,072,661.12. The estimated value of the equipment Pan American alleges as collateral is \$86,500. The Trustee used a 50% probability allowance for the estimated value of the lien.
- 3** Figures are taken from the Balance Sheet as of 8/31/16 per the MOR filed with the Court.
- 4** Absent substantive consolidation Medallic asserted equipment rental payments at a rate of \$50,000/month starting from the bankruptcy date: April 1, 2016 to shut down at September 1, 2016.
- 5** See the 'Close Down Labor' tab for details
- 6** See the 'Rent' tab for details
- 7** Absent substantive consolidation Medallic asserted the right to recover royalty payments as administrative claims calculated as 10% of the Medallic Sales every month. Per last year's reports Medallic sales per month are approximately \$300,000.
- 8** This figure represents the August 25, 2016 payroll from the monthly statement of cash flows divided by 2 to account for the one week of unpaid payroll that would have been accrued as of the close down date of September 1, 2016. Payroll is paid bi-weekly.
- 9** The 'WARN' Act would apply in this case requiring the Trustee to pay two months in additional salary to all employees at the Dayton facility. The monthly payroll and benefits in August of 2016 for the entire month was \$561,854. Assume 90% of the employee's workforce is laid off. 90% of monthly payroll is approximately \$505,667, making two months equate to \$1,011,337.
- 10** This figure represents the total estimated fee to deliver, contain and dispose of hazardous waste that was shipped from Auburn to Dayton in accordance with EPA rules. If the company would have been liquidated as of September 1, 2016 none of the employee's would have been retained and an expert EPA consultant would have been hired incurring higher fees than the internal employee labor expense.
- 11** This figure represents April through August's post petition accrued vacation.
- 12** NWTM pays health care benefits on the first of each month for the month. With the close down the Trustee has assumed one additional month of health care to be paid on behalf of terminated employee's based upon the actual payments made in the month of September 2016.
- 13** See the 'IT' tab for details.
- 14** As of the bankruptcy date NWTM had a plating operation. Upon the close down of the company proper disposal of the plating operations fluids would be required. The estimated cost per the NWTM's EPA compliance officer is \$25,000.
- 15** These figures are representative of invoices received as of August 31, 2016 that are reflected in the Monthly Operating Reports.
- 16** These are the estimated fees that would be incurred by all professionals to conclude the liquidating case.

Northwest Territorial Mint, LLC
Notes to the Liquidation Waterfall
As of August 31, 2016

- 17 Total distributions would have been approximately \$4 Million. Trustee fees are capped at 3% of total distributions made to creditors.
- 18 The Trustee has assumed for the purpose of this analysis that the Medallic equipment could be segregated and identified but there would still be issues associated with cannibalized equipment and ongoing dispute regarding ownership of specific assets. Additionally, we would anticipate disputes with Medallic related to the claw back that would be pursued. This figure is an estimate of the legal fee's associated with the separation analysis.
- 19 This figure is an estimate of the professional fee's that would be incurred to determine which claims are valid for distribution purposes.
- 20 This figure is an estimate of the professional fee's associated with the determination and confirmation of ownership of inventory and the subsequent release of that inventory per court approval.
- 21 NWTM has been served a number of subpoenas from the FBI. While we have been able to comply with these subpoenas using primarily employee knowledge and labor additional fees would be incurred by professionals after liquidation to obtain the necessary
- 22 This figure represents a post petition environmental clean-up claim from the close down and flood damage relating to the Tomball facility. The Trustee believes the settlement value of the claim is \$25,000.
- 23 NWTM would incur costs to reduce the EPA settlement claim.
- 24 NWTM would incur costs to reduce the EEOC settlement claim.
- 25 NWTM would incur costs to determine the value of the secured claim of Pan American.
- 26 This figure represents the amount of accrued vacation owed to Tomball employee's after the close down of the factory.
- 27 The amount of accrued vacation owed to employees taking into account priority claim cap.
- 28 This figure ties to the amount of priority claims filed with the court, see other spreadsheet for details.
- 29 This figure ties to the amount of unsecured claims filed in the proof of claim after preliminary scrubbing, elimination of duplicate claims and claims the Trustee anticipates objecting to.

EXHIBIT 4

Northwest Territorial Mint, LLC
Assuming Exit in Three Years August 2020
Calculation of Equity and Cash Value
Exhibit 4



Northwest Territorial Mint, LLC
Projected Cash Flow - Base Case

| | <u>12 Months Ended</u> | | | | | |
|--------------------------------|------------------------|---------------------|---------------------|---------------------|--------------|--------------|
| | 8/30/2018 | 8/30/2019 | 8/30/2020 | Year 1 | Year 2 | Year 3 |
| (a) Revenue | \$14,727,500 | \$16,200,000 | \$17,820,000 | | | |
| | | | | <i>Growth Rate</i> | | |
| | | | | 7.5% | 10.0% | 10.0% |
| (b) Cost of Goods Sold | \$3,829,150 | \$4,212,000 | \$4,633,200 | | | |
| | | | | <i>% of Revenue</i> | | |
| | | | | 26.0% | 26.0% | 26.0% |
| Gross Profit | \$10,898,350 | \$11,988,000 | \$13,186,800 | 74.0% | 74.0% | 74.0% |
| (c) Operating Expenses | \$10,525,000 | \$11,051,000 | \$11,604,000 | 71.5% | 68.2% | 65.1% |
| Operating Income | \$373,350 | \$937,000 | \$1,582,800 | 2.5% | 5.8% | 8.9% |
| Other Income (Expense) | | | | | | |
| Interest expenses | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| State franchise tax | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| (d) CEO and Employee Bonuses | (\$50,000) | (\$150,000) | (\$150,000) | -0.3% | -0.9% | -0.8% |
| Other net income/expenses | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| Other Income (Expense) | (\$50,000) | (\$150,000) | (\$150,000) | -0.3% | -0.9% | -0.8% |
| Net Income | \$323,350 | \$787,000 | \$1,432,800 | 2.2% | 4.9% | 8.0% |
| Cash Flow Adjustments | | | | | | |
| Capital Investments | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| (e) Working capital investment | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| Cash Flow Adjustments | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| Enterprise Cash Flow | \$323,350 | \$787,000 | \$1,432,800 | 2.2% | 4.9% | 8.0% |

- (a) Year 1 growth by 7.5% per estimates by the Company of which 3% is inflationary growth
Year 2 growth by 10% per estimates by the Company of which 3% is inflationary growth
Year 3 growth by 10% per estimates by the Company of which 3% is inflationary growth
- (b) Costs of good sold is estimated based on the gross margin achieved by the Company in Q2 2017.
- (c) Operating expenses in Year 1 is estimated based on the gross margin achieved by the Company in Q2 2017.
Operating expenses in years 2 and 3 are based on an assumed inflationary growth of 5%
The higher CPI of 5% is due in part to the growth in the Reno area and alternative staffing opportunities
- (d) Judgmental bonus based sales growth and production performance
- (e) Working capital was calculated based upon sales growth and cost of good sold and working capital turns of 6x per year

Northwest Territorial Mint, LLC
Projected Cash Flow - Most Likely

| | 12 Months Ended | | | | | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|--------------|--------------|
| | 8/30/2018 | 8/30/2019 | 8/30/2020 | Year 1 | Year 2 | Year 3 |
| | | | | <i>Growth Rate</i> | | |
| (a) Revenue | \$15,070,000 | \$17,330,500 | \$19,930,075 | 10.0% | 15.0% | 15.0% |
| | | | | <i>% of Revenue</i> | | |
| (b) Cost of Goods Sold | \$3,918,200 | \$4,505,930 | \$5,181,820 | 26.0% | 26.0% | 26.0% |
| Gross Profit | \$11,151,800 | \$12,824,570 | \$14,748,256 | 74.0% | 74.0% | 74.0% |
| (c) Operating Expenses | \$10,775,000 | \$11,314,000 | \$11,880,000 | 71.5% | 65.3% | 59.6% |
| Operating Income | \$376,800 | \$1,510,570 | \$2,868,256 | 2.5% | 8.7% | 14.4% |
| Other Income (Expense) | | | | | | |
| Interest expenses | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| State franchise tax | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| (d) CEO and Employee Bonuses | (\$100,000) | (\$300,000) | (\$300,000) | -0.7% | -1.7% | -1.5% |
| Other net income/expenses | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| Other Income (Expense) | (\$100,000) | (\$300,000) | (\$300,000) | -0.7% | -1.7% | -1.5% |
| Net Income | \$276,800 | \$1,210,570 | \$2,568,256 | 1.8% | 7.0% | 12.9% |
| Cash Flow Adjustments | | | | | | |
| Capital Investments | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| (e) Working capital investment | (\$70,000) | (\$250,000) | (\$450,000) | -0.5% | -1.4% | -2.3% |
| Cash Flow Adjustments | (\$70,000) | (\$250,000) | (\$450,000) | -0.5% | -1.4% | -2.3% |
| Enterprise Cash Flow | \$206,800 | \$960,570 | \$2,118,256 | 1.4% | 5.5% | 10.6% |

- (a) Year 1 growth by 10% per estimates by the Company of which 3% is inflationary growth
Year 2 growth by 15% per estimates by the Company of which 3% is inflationary growth
Year 3 growth by 15% per estimates by the Company of which 3% is inflationary growth
- (b) Costs of good sold is estimated based on the gross margin achieved by the Company in Q2 2017.
- (c) Operating expenses in Year 1 is estimated based on the gross margin achieved by the Company in Q2 2017.
Operating expenses in years 2 and 3 are based on an assumed inflationary growth of 3%.
The higher CPI of 5% is due in part to the growth in the Reno area and alternative staffing opportunities
- (d) Judgmental bonus based sales growth and production performance
- (e) Working capital was calculated based upon sales growth and cost of good sold and working capital turns of 6x per year

Northwest Territorial Mint, LLC

Projected Cash Flow - Best Case

| | 12 Months Ended | | | Growth Rate | | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|--------------|--------------|
| | 8/30/2018 | 8/30/2019 | 8/30/2020 | Year 1 | Year 2 | Year 3 |
| | Year 1 | Year 2 | Year 3 | <i>% of Revenue</i> | | |
| (a) Revenue | \$15,755,000 | \$18,906,000 | \$22,687,200 | 15.0% | 20.0% | 20.0% |
| (b) Cost of Goods Sold | \$4,096,300 | \$4,915,560 | \$5,898,672 | 26.0% | 26.0% | 26.0% |
| Gross Profit | \$11,658,700 | \$13,990,440 | \$16,788,528 | 74.0% | 74.0% | 74.0% |
| (c) Operating Expenses | \$11,025,000 | \$11,576,000 | \$12,155,000 | 70.0% | 61.2% | 53.6% |
| Operating Income | \$633,700 | \$2,414,440 | \$4,633,528 | 4.0% | 12.8% | 20.4% |
| Other Income (Expense) | | | | | | |
| Interest expenses | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| State franchise tax | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| (d) CEO and Employee Bonuses | (\$200,000) | (\$400,000) | (\$400,000) | -1.3% | -2.1% | -1.8% |
| Other net income/expenses | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| Other Income (Expense) | (\$200,000) | (\$400,000) | (\$400,000) | -1.3% | -2.1% | -1.8% |
| Net Income | \$433,700 | \$2,014,440 | \$4,233,528 | 2.8% | 10.7% | 18.7% |
| Cash Flow Adjustments | | | | | | |
| Capital Investments | \$0 | \$0 | \$0 | 0.0% | 0.0% | 0.0% |
| (e) Working capital investment | (\$200,000) | (\$500,000) | (\$900,000) | -1.3% | -2.6% | -4.0% |
| Cash Flow Adjustments | (\$200,000) | (\$500,000) | (\$900,000) | -1.3% | -2.6% | -4.0% |
| Enterprise Cash Flow | \$233,700 | \$1,514,440 | \$3,333,528 | 1.5% | 8.0% | 14.7% |

- (a) Year 1 growth by 15% per estimates by the Company of which 3% is inflationary growth
Year 2 growth by 20% per estimates by the Company of which 3% is inflationary growth
Year 3 growth by 20% per estimates by the Company of which 3% is inflationary growth
- (b) Costs of good sold is estimated based on the gross margin achieved by the Company in Q2 2017.
- (c) Operating expenses in Year 1 is estimated based on the gross margin achieved by the Company in Q2 2017.
Operating expenses in years 2 and 3 are based on an assumed inflationary growth of 5%.
The higher CPI of 5% is due in part to the growth in the Reno area and alternative staffing opportunities
- (d) Judgmental bonus based sales growth and production performance
- (e) Working capital was calculated based upon sales growth and cost of good sold and working capital turns of 6x per year

**Northwest Territorial Mint, LLC
Weighted Average Cost of Capital (WACC) Calculation**

Cost of Equity

| | |
|---------------------------|---------------|
| (a) Risk Free Rate | 2.47% |
| (b) Equity Premium | 6.90% |
| (c) Size Premium | 11.79% |
| (d) Specific Risk Premium | 1.50% |
| Cost of Equity | 22.66% |

Cost of Debt

| | |
|-------------------------------|--------------|
| Pretax Cost of Debt | 8.00% |
| Tax Rate | 35.00% |
| After Tax Cost of Debt | 5.20% |

Capital Structure and Weighted Average Cost of Capital

| | |
|------------------|--------|
| Equity weighting | 50.00% |
| Debt weighting | 50.00% |

| | |
|-----------------------|---------------|
| Indicated WACC | 13.93% |
| Rounded To | 13.90% |

Notes

- (a) 20 Year Treasury Bond Yield as of August 31, 2017.
- (b) Long term equity premium - Duff & Phelps Valuation Handbook
- (c) Long term size premium for Decile 10Z - Duff & Phelps Valuation Handbook
- (d) Used 10Z to capture distressed companies.

Northwest Territorial Mint, LLC
Discounted Cash Flow Valuation - Base Case

| | 1 | 2 | 3 |
|--|---------------------|-----------|-------------|
| | Year 1 | Year 2 | Year 3 |
| Projected Cash Flows | | | |
| Projected cash flows | \$323,350 | \$787,000 | \$1,432,800 |
| Discount Rate | 13.9% | | |
| PV of Cash Flows by Year | \$283,889 | \$606,635 | \$969,649 |
| Total PV of Cash Flows | \$1,860,173 | | |
| Terminal Value | | | |
| Year 3 Cash Flow | \$1,432,800 | | |
| Discount Rate | 13.9% | | |
| Long-Term Growth Rate | 3.5% | | |
| Terminal Value in Year 3 | \$14,259,115 | | |
| Terminal Value in Year 3 | \$14,259,115 | | |
| Discount Rate | 13.9% | | |
| Present Value of Terminal Value | \$7,438,305 | | |
| Valuation | | | |
| PV of Year 1-3 Cash Flows | \$1,860,173 | | |
| PV of Terminal Value | \$7,438,305 | | |
| Market Value of Invested Capital (MVIC) | \$9,298,477 | | |

Northwest Territorial Mint, LLC
Discounted Cash Flow Valuation - Most Likely

| | 1 | 2 | 3 |
|--|---------------------|-----------|-------------|
| | Year 1 | Year 2 | Year 3 |
| Projected Cash Flows | | | |
| Projected cash flows | \$206,800 | \$960,570 | \$2,118,256 |
| Discount Rate | 13.9% | | |
| PV of Cash Flows by Year | \$181,563 | \$740,426 | \$1,433,531 |
| Total PV of Cash Flows | \$2,355,520 | | |
| Terminal Value | | | |
| Year 3 Cash Flow | \$2,118,256 | | |
| Discount Rate | 13.9% | | |
| Long-Term Growth Rate | 3.5% | | |
| Terminal Value in Year 3 | \$21,080,716 | | |
| Terminal Value in Year 3 | \$21,080,716 | | |
| Discount Rate | 13.9% | | |
| Present Value of Terminal Value | \$10,996,810 | | |
| Valuation | | | |
| PV of Year 1-3 Cash Flows | \$2,355,520 | | |
| PV of Terminal Value | \$10,996,810 | | |
| Market Value of Invested Capital (MVIC) | \$13,352,330 | | |

Northwest Territorial Mint, LLC
Discounted Cash Flow Valuation - Best Case

| | 1 | 2 | 3 |
|--|---------------------|-------------|-------------|
| | Year 1 | Year 2 | Year 3 |
| Projected Cash Flows | | | |
| Projected cash flows | \$233,700 | \$1,514,440 | \$3,333,528 |
| Discount Rate | 13.9% | | |
| PV of Cash Flows by Year | \$205,180 | \$1,167,360 | \$2,255,968 |
| Total PV of Cash Flows | \$3,628,507 | | |
| Terminal Value | | | |
| Year 3 Cash Flow | \$3,333,528 | | |
| Discount Rate | 13.9% | | |
| Long-Term Growth Rate | 3.5% | | |
| Terminal Value in Year 3 | \$33,175,014 | | |
| Terminal Value in Year 3 | \$33,175,014 | | |
| Discount Rate | 13.9% | | |
| Present Value of Terminal Value | \$17,305,833 | | |
| Valuation | | | |
| PV of Year 1-3 Cash Flows | \$3,628,507 | | |
| PV of Terminal Value | \$17,305,833 | | |
| Market Value of Invested Capital (MVIC) | \$20,934,340 | | |

Northwest Territorial Mint, LLC
100% Equity and Cash Valuation

| Scenarios | Valuation | Weighting | Weighted Average |
|---|--------------|-------------|---------------------|
| Base Case | \$9,298,477 | 25% | \$2,324,619 |
| Most Likely | \$13,352,330 | 50% | \$6,676,165 |
| Best Case | \$20,934,340 | 25% | \$5,233,585 |
| Market Value of Invested Capital | | 100% | \$14,234,369 |
| Rounded | | | \$14,200,000 |

| Scenarios | Cash Flow for each year and Total | | | |
|--------------------------|-----------------------------------|-------------|-------------|--------------------|
| | 2018 | 2019 | 2020 | Total |
| Base Case | \$323,350 | \$787,000 | \$1,432,800 | \$2,543,150 |
| Most Likely | \$206,800 | \$960,570 | \$2,118,256 | \$3,285,626 |
| Best Case | \$233,700 | \$1,514,440 | \$3,333,528 | \$5,081,668 |
| Average Cash Flow | | | | \$3,636,815 |
| Rounded | | | | \$3,600,000 |

Total Estimated Recovery Over The Next Three Years **\$17,800,000**