

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

In re:

NORTHWEST TERRITORIAL MINT, LLC,

Debtor.

Case No. 16-11767-CMA

DECLARATION OF MARK CALVERT
IN SUPPORT OF TRUSTEE'S
MOTION FOR AUTHORITY TO
ENTER INTO KENT LEASE AND
REJECT FEDERAL WAY LEASE

I, Mark Calvert, hereby declare as follows:

1. I am the Chapter 11 Trustee ("Trustee") of the Debtor, Northwest Territorial Mint, LLC ("Debtor" or "NWTM"). I submit this Declaration in support of my Motion for Authority to Enter into Kent Lease and Reject Federal Way Lease (the "Motion"). I am over eighteen (18) years of age, and I am competent in all ways to testify.

2. On April 11, 2016, the Court entered an order appointing me as chapter 11 trustee in this case. Immediately upon my appointment I took control over the business operations of the Debtor and initiated an investigation of the financial affairs of the bankruptcy estate. I have been engaged in efforts to stabilize the business in order to restructure the financial affairs of the estate and bring a return to creditors.

3. Since the date of my appointment, I have worked to identify areas of cost savings

DECLARATION OF MARK CALVERT IN
SUPPORT OF TRUSTEE'S MOTION FOR
AUTHORITY TO ENTER INTO KENT LEASE
AND REJECT FEDERAL WAY LEASE- 1

K:\2070561\00001\22732_BTP\22732P21Z7

K&L GATES LLP
925 FOURTH AVENUE
SUITE 2900
SEATTLE, WASHINGTON 98104-1158
TELEPHONE: (206) 623-7580
FACSIMILE: (206) 623-7022

1 and efficiencies that can be brought to bear in the conduct of the estate's business. Among the
2 issues I have addressed is the evaluation of the nonresidential leases of the company. As of the date
3 of this declaration NWTM is a lessee for seven (7) non-residential leases. The real properties leased
4 under those agreements are located in Green Bay, Wisconsin; Honolulu, Hawaii; Dayton, Nevada;
5 Alexandria, Virginia; Tomball, Texas; Federal Way, Washington; Auburn, Washington; and the
6 Pentagon in Washington, D.C. The leases are identified in Exhibit A to my declaration (Dkt. No.
7 450) filed in support of the Trustee's Motion for Extension of Time to Assume or Reject Unexpired
8 Leases of Nonresidential Real Property (Dkt. No. 449).

9 4. The Debtor's company headquarters is currently located at 2505 S 320th Street in
10 Federal Way, Washington (the "Federal Way Premises"). The Debtor leases the Federal Way
11 Premises pursuant to a lease agreement with BACM 2004-1 320th Street South, LLC (the "Federal
12 Way Lease"). The Federal Way office houses the management, accounting, legal and human
13 resources staff of the company. It has a vault for storage of precious metals and cash and a
14 showroom with displays of certain products of the Debtor. The Debtor has other storage vaults in
15 facilities in Auburn, Washington and Dayton, Nevada. I have determined that the estate can operate
16 its headquarters offices from less expensive space than in Federal Way and that some of the
17 functions performed presently in Federal Way can be consolidated into other of the Debtor's
18 facilities. The base amount of rent owed under the Federal Way Lease is presently \$11,006.71 per
19 month. The total rent payment owed under the Federal Way Lease is approximately \$17,000 after
20 adding other charges owed under the lease. The base amount of rent increases to \$11,341.24
21 effective July 1, 2017. While the Debtor leases the entire Federal Way Premises under the terms of
22 the Federal Way Lease, a large portion of the Federal Way Premises is not used by the estate and is
23 unnecessary for the Debtor's operations.

24 5. I have located an alternative space in Kent, Washington, to house the corporate
25 offices. The space is smaller and better suits the needs of the estate. The common address of the

DECLARATION OF MARK CALVERT IN
SUPPORT OF TRUSTEE'S MOTION FOR
AUTHORITY TO ENTER INTO KENT LEASE
AND REJECT FEDERAL WAY LEASE- 2

K:\2070561\00001\22732_BTP\22732P21Z7

K&L GATES LLP
925 FOURTH AVENUE
SUITE 2900
SEATTLE, WASHINGTON 98104-1158
TELEPHONE: (206) 623-7580
FACSIMILE: (206) 623-7022

1 Kent office is 841 Central Avenue, Suite C-200, Kent, WA 98032 (the “Kent Premises”). Subject to
2 court approval, I have reached an agreement regarding the terms of a lease for the Kent premises
3 with the landlord, Kent Business Campus Associates, LLC, a Washington limited liability company
4 (“KBCA”). A true and correct copy of the lease agreement for the Kent Premises (the “Kent
5 Lease”), is attached hereto as Exhibit A.

6 6. The Kent Lease has a term of two years, and commences after I provide KBCA with
7 notice that the Kent Premises are ready for possession by the estate. For the first year of the lease,
8 the base rent amount is \$5,000, less than half the current monthly base amount of rent owed under
9 the Federal Way Lease. The base rent owed under the Kent Lease increases to \$5,500 on July 1,
10 2017. The Kent Lease also provides that the estate will be responsible for its share of operating
11 expenses associated with the Kent Premises. In addition, as part of the lease terms, KBCA has
12 agreed to reimburse the estate for up to \$20,000 in tenant improvements made to the Kent Premises.
13 The terms and conditions of KBCA’s reimbursement obligation are set forth as an exhibit to the
14 Kent Lease. I have obtained bids for tenant improvements to divide the space into segregated
15 offices and to make the space suitable for the needs of the Debtor. The total estimated cost of tenant
16 improvements is Twenty-Five Thousand Dollars (\$25,000).

17 7. The Kent Lease was negotiated with KBCA at arms-length and without any fraud,
18 collusion, or bad faith. To my knowledge, KBCA has no relationship with the Debtor or Ross
19 Hansen. I believe the terms of the Kent Lease are reasonable, as they were negotiated after I
20 investigated the marketplace, consulted with a commercial real estate broker, and examined various
21 other commercial properties in the area.

22 8. Over the course of a four-week period, my staff and I looked at three different
23 properties, and reviewed approximately a dozen listings for commercial properties. The Kent
24 Premises requires minimal tenant improvements, has the space the estate needs, and is available at
25 the right time. Moreover, the Kent Lease includes an allowance that covered the vast majority of the

DECLARATION OF MARK CALVERT IN
SUPPORT OF TRUSTEE’S MOTION FOR
AUTHORITY TO ENTER INTO KENT LEASE
AND REJECT FEDERAL WAY LEASE- 3

K:\2070561\00001\22732_BTP\22732P21Z7

K&L GATES LLP
925 FOURTH AVENUE
SUITE 2900
SEATTLE, WASHINGTON 98104-1158
TELEPHONE: (206) 623-7580
FACSIMILE: (206) 623-7022

1 cost of necessary tenant improvements. After approximately a month of searching for the right
2 location, we spent another month finding a construction firm to provide the necessary tenant
3 improvements and negotiating the final terms of the Kent Lease. The Kent Lease results in net
4 savings of approximately 60% over the current corporate lease in Federal Way.

5 9. I believe that execution of the Kent Lease and rejection of the Federal Way Lease are
6 in the best interests of the estate as it will result in substantial cost savings for the estate. I request
7 that the Court authorize me to enter into the Kent Lease and reject the Federal Way Lease after I
8 have moved into the Kent Premises. I hope to obtain court authorization as quickly as possible so
9 that I can conduct tenant improvements to the Kent Premises. In particular, I wish to hire
10 contractors to add additional walls creating multiple offices and a conference room. Should the
11 Court authorize me to enter into the Kent Lease, the Federal Way Lease will no longer be of any
12 benefit to the estate after operations are moved into the new space. Accordingly, I would like
13 authority to reject the Federal Way lease on seven (7) days notice to the Federal Way landlord.

14 I declare under penalty of perjury that the foregoing is true and correct.

15 EXECUTED this 25th day of July, 2016, at Seattle, Washington.

16
17 /s/ Mark Calvert

18 Mark Calvert

19
20
21
22
23
24
25

DECLARATION OF MARK CALVERT IN
SUPPORT OF TRUSTEE'S MOTION FOR
AUTHORITY TO ENTER INTO KENT LEASE
AND REJECT FEDERAL WAY LEASE- 4

K:\2070561\00001\22732_BTP\22732P21Z7

K&L GATES LLP
925 FOURTH AVENUE
SUITE 2900
SEATTLE, WASHINGTON 98104-1158
TELEPHONE: (206) 623-7580
FACSIMILE: (206) 623-7022

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF SERVICE

The undersigned declares as follows:

That she is a practice assistant in the law firm of K&L Gates LLP, and on July 25, 2016, she caused the foregoing document to be filed electronically through the CM/ECF system which caused Registered Participants to be served by electronic means, as fully reflected on the Notice of Electronic Filing.

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

Executed on the 25th day of July, 2016 at Seattle, Washington.

/s/ Denise A. Evans
Denise A. Evans

DECLARATION OF MARK CALVERT IN
SUPPORT OF TRUSTEE'S MOTION FOR
AUTHORITY TO ENTER INTO KENT LEASE
AND REJECT FEDERAL WAY LEASE- 5

K:\2070561\00001\22732_BTP\22732P21Z7

K&L GATES LLP
925 FOURTH AVENUE
SUITE 2900
SEATTLE, WASHINGTON 98104-1158
TELEPHONE: (206) 623-7580
FACSIMILE: (206) 623-7022