

Honorable Christopher M. Alston  
Chapter 11  
Hearing Date: February 3, 2017  
Hearing Time: 9:30 a.m.  
Response Date: January 27, 2017

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re  
NORTHWEST TERRITORIAL MINT, LLC,  
EIN: 30-0143641  
Debtor.

Case No. 16-11767-CMA  
RESPONSE OF THE OFFICIAL  
UNSECURED CREDITORS'  
COMMITTEE TO TRUSTEE'S MOTION  
TO APPROVE EMPLOYMENT OF  
CHIEF EXECUTIVE OFFICER

The official Unsecured Creditors Committee (the "Committee") responds as follows to the Trustee's Motion to Approve Employment of Chief Executive Officer (Dkt. #857; the "CEO Motion") and to the proposed terms of employment set forth in the letter (the "Offer Letter") attached as Exhibit A to the Declaration of Mark Calvert (Dkt. #859) filed in support of the CEO Motion:

1.) Background. The claims bar date in this case was September 1, 2016. The total amount of claims filed (by more than 3,800 creditors) was approximately \$85 million, the vast bulk of which are unsecured. Examination of the claims will likely identify duplications, errors and discrepancies that will ultimately reduce the total amount of allowed claims to an amount less than \$85 million—perhaps \$55-\$65 million.

1           2.)     The Chapter 11 Trustee was appointed shortly after the April 1, 2016 filing of this  
2 case (on April 11, 2016) and has operated the business of the Debtor’s bankruptcy estate since  
3 that time. Immediately after his appointment the Trustee terminated the Debtor’s prepetition  
4 bullion sales business but has continued to conduct the Debtor’s manufacturing and sale of non-  
5 bullion products.

6           3.)     The Committee and the Trustee have recognized that any meaningful recovery for  
7 creditors in this case must come from a reorganized and ongoing business operation that can  
8 generate payments to creditors for a period of years into the future. The Committee further  
9 recognizes that achieving this result will require the resolution of two issues currently before the  
10 Court: a.) the ownership of the Medallic Art Company LLC assets; and b.) the ownership and  
11 assumption of the Debtor’s Dayton, Nevada, lease (collectively, the “Medallic Litigation”). If  
12 the bankruptcy estate cannot obtain the Medallic assets and continue operations at the Debtor’s  
13 Dayton, Nevada, facility, it is possible—perhaps likely—that no viable reorganization will be  
14 possible. The Court has scheduled a trial of the Medallic Litigation for May 2-4, 2017.

15          4.)     The Trustee has formulated, on a preliminary basis, certain operating projections  
16 and structural components of the Trustee’s contemplated plan of reorganization. The Trustee’s  
17 plan and disclosure statement, however, have not yet been completely finalized and are not  
18 currently before the Court.

19          5.)     Proposed CEO Appointment. It is critical that the Debtor’s business operation  
20 survive pending resolution of the Medallic Litigation, the plan process, and beyond. To enhance  
21 the Debtor’s business operation through these stages, the Trustee is seeking the appointment of  
22 Mr. Bill Atalla as CEO. The CEO Motion correctly acknowledges that consistent with  
23 Bankruptcy Code §§363(b)(1) and 503(c)(3), the appointment of a CEO is a significant case  
24 event, outside the Debtor’s “ordinary course of business,” and therefore requires formal Court  
25 approval. *See, also*, Bankruptcy Code §363(c)(1) and, e.g., *In re Dant & Russell, Inc.*, 853 F.2d  
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1 700, 705 (9<sup>th</sup> Cir. 1988) (“Some transactions either by their size, nature or both are not within the  
2 day-to-day operations of a business and are therefore extraordinary.”).

3 6.) Following the filing of the CEO Motion on December 30, 2016, the Committee  
4 has devoted substantial time and effort to the consideration of the Trustee’s proposal.  
5 Committee members have interviewed Mr. Atalla in person; have analyzed the Trustee’s Offer  
6 Letter; and have solicited and received the opinion of an outside business advisor on the  
7 proposed CEO engagement. Based on these efforts, the Committee has concluded that the  
8 engagement of Mr. Atalla is warranted. The Committee recognizes the economic costs that the  
9 Atalla engagement will impose on the estate. The Committee has also concluded, however, that  
10 given the current fragile posture of the Debtor’s business, the upside potential of having a full-  
11 time, committed, sales-oriented, experienced CEO permanently on the ground in Dayton,  
12 Nevada, to manage and grow the Debtor’s business outweighs the economic costs of the  
13 engagement.

14 7.) The terms of the CEO’s proposed compensation, as set forth in the Offer Letter,  
15 are complex. Given the holidays, and notwithstanding its conclusion that the engagement of Mr.  
16 Atalla is both warranted and desirable, the Committee did not have the opportunity to examine  
17 and comment in detail on the terms of the Offer Letter in advance of the Trustee’s December 30  
18 filing of the CEO Motion. As a result, the Committee has been, and remains, engaged in  
19 working with the Trustee in an effort to recommend, refine, and reach a mutual agreement on the  
20 final terms of the Offer Letter. The Committee is hopeful that this process will be resolved prior  
21 to the February 3 hearing. In the meantime, the Committee reserves all of its rights to assess,  
22 evaluate, and advise the Court of the Committee’s position on the terms of the Offer Letter as it  
23 is revised prior to the February 3 hearing.

24 DATED this 27th day of January, 2017.  
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MILLER NASH GRAHAM & DUNN LLP

*/s/ Mark D. Northrup*  
Mark D. Northrup, WSB No. 16947  
mark.northrup@millernash.com  
Geoffrey Groshong, WSB No. 6124  
geoff.groshong@millernash.com  
John R. Knapp, Jr., P.C., WSB No. 29343  
john.knapp@millernash.com  
Attorneys for the Official Unsecured Creditors'  
Committee