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UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

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IN RE: )  
NORTHWEST TERRITORIAL MINT, LLC, )  
Debtor. ) 16-11767-CMA

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TRANSCRIPT OF THE DIGITALLY RECORDED PROCEEDINGS  
BEFORE THE HONORABLE CHRISTOPHER M. ALSTON  
FEBRUARY 3, 2017  
(RULING ONLY)

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PREPARED BY: SHARI L. WHEELER, CCR NO. 2396

**AhearnAndAssoc@comcast.net**

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APPEARANCES

FOR THE CHAPTER 11 TRUSTEE:

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FOR THE OFFICIAL UNSECURED CREDITORS COMMITTEE:

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ALSO PRESENT:

MARK CALVERT

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SEATTLE, WASHINGTON; FEBRUARY 3, 2017

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(Other proceedings took place.)

\* \* \* \* \*

THE COURT: All right. Let's see. Thank you both.

Mr. Gearin -- either one of you can answer. I understand the committee's position. Here are just a couple of reactions that I have. And you may not be surprised at this reaction, which is, Mr. Calvert is the trustee and is effectively the CEO. And at \$30,000 a month, that's about 360,000 a year. And this is a request to hire someone else, who is going to be effectively the CEO, at \$300,000 a year.

Notwithstanding that, economically, it may seem to work out, just as a visceral reaction, this is unusual, I think, given that there's no plan in sight. If the plan was before me and it was clear that there was about to be an emergence from Chapter 11, when Mr. Calvert isn't going to run the company thereafter, it might make some sense. And don't get me wrong. I'm not saying that this doesn't make any sense. But help me address that concern. I'm sure you probably anticipated I might have it.

MR. GEARIN: We did, Your Honor, so I understand. Well, I think that -- I don't think it is unusual, honestly, when you have a company of the size of this

1 company -- a 150-employee company with a manufacturing  
2 facility. I don't think it's unusual to have the executive  
3 staff of the company stay on board, even when a trustee gets  
4 appointed.

5 I think that the trustee comes in and steps in  
6 and takes over a management role, a supervisory role, which he  
7 will still continue to have. But what Mr. Atalla will do is  
8 the sort of day-to-day business operations. He'll try to  
9 drive the company through to profitability. So I think that  
10 it's not unusual.

11 I think it's also -- the issue about, do we do  
12 it before the plan or after the plan, we absolutely talked  
13 about that; and we discussed it with the committee as well.  
14 And what we think is we can't wait. We think we have a sales  
15 growth trajectory that needs to be achieved. And if we don't  
16 start to patch that up and start to move that trajectory in  
17 the right direction, we'll have a difficult time with the  
18 plan. But if we can move things in the right direction, we  
19 could have a very successful plan.

20 THE COURT: And he will be in Nevada, which  
21 helps, because that's where the primary operations are and  
22 will be for the foreseeable future.

23 MR. GEARIN: Right. Which has been an issue,  
24 with Mr. Calvert having to go down frequently -- you know, go  
25 down and visit Nevada all the time. So he will be full-time

1 in Nevada on-site. He's actually going to buy a house very  
2 close to the facility, which is going to give him access.

3 THE COURT: Okay. Normally, when the committee  
4 comes in, I would just say, Well, it's the unsecured's money;  
5 and if the committee is supporting it, who am I to say no?

6 The only concern I have is, as I see the  
7 administrative expenses in this case -- and I did see the  
8 monthly report -- I do have some concerns that if the  
9 litigation with Medallic doesn't go the way the parties  
10 hope -- or the way the parties in this room hope, might this  
11 case be administratively insolvent?

12 MR. GEARIN: Well, I don't think so even yet,  
13 Your Honor. I think we still have an operating business that  
14 can be sold through a 363 sale if things fall apart. So I  
15 think that would be the direction that we would choose to  
16 take. And there are also other hard assets still there.

17 THE COURT: All right.

18 MR. GEARIN: I acknowledge the growth of the  
19 administrative expenses. We're concerned about that, too.

20 THE COURT: I'm not being critical. It is what  
21 it is.

22 MR. GEARIN: I'm telling you, we understand it,  
23 and we know that it's an issue that has to be dealt with in  
24 the plan. You know, it has been a heavily litigated case with  
25 a lot of issues that have cropped up. That's why things have

1 grown to the level they have. We are appreciative of that.

2 But I will tell you, I don't think it's  
3 administratively insolvent. And I don't think Mr. Atalla's  
4 engagement -- he's got a compensation -- well, his severance  
5 package, as it vests over the course of the year -- you know,  
6 we think we should be emerging -- or we hope to emerge from  
7 bankruptcy this year. So it would be a relatively low number  
8 to grant him a severance if we could not go forward with a --  
9 you know, if we were going to sell the company or if some  
10 other development occurred.

11 THE COURT: All right. That's the only other  
12 issue I had, is that -- I have to be concerned about people  
13 that may hold administrative expenses if there's a  
14 possibility. I just wanted to hear that that's currently the  
15 plan, even if the Medallion litigation does not go well. I  
16 mean, the committee said it pretty well. If the Medallion  
17 litigation does not go well, there's probably not a  
18 reorganization. But even with a liquidation, you believe it's  
19 sufficient to pay all administrative expenses, including this  
20 additional \$300,000-plus expense.

21 MR. GEARIN: Well, I think we do, Your Honor.  
22 But I think the 300,000 -- he's an at-will employee.

23 THE COURT: Right. So if he's terminated, it's  
24 the severance that the estate might be --

25 MR. GEARIN: That was vested to that point,

1 correct.

2 THE COURT: And up to -- well, it's up to  
3 100,000. I did notice the change. I do think the new  
4 agreement is an improvement over the prior version and  
5 tightens things up.

6 So given what you've said, and given the  
7 committee's support, I will approve it.

8 To the extent the document that Mr. McMeel filed  
9 was intended to be an objection, it is overruled as not  
10 relevant, not with merit, not with sense. Your order can just  
11 say that all objections have been overruled.

12 MR. GEARIN: All right. Thank you, Your Honor.

13 THE COURT: All right. So do you just want to  
14 submit a received unsigned order?

15 MR. GEARIN: I think I will do that. And I will  
16 attach the additionally revised employment agreement to that.

17 THE COURT: Terrific.

18 MR. CALVERT: To close this out, can I make one  
19 comment?

20 THE COURT: Sure.

21 MR. CALVERT: Your Honor, I think the truth of  
22 the matter is, I don't have the skill set to grow a sales and  
23 marketing team; i.e., I can't hire somebody because I'm not  
24 going to be there permanently. He is the one that really  
25 needs to do that, and that's where it really needs to go to

1 make this happen.

2 THE COURT: Okay. Yet another reason to employ  
3 him, and I will approve that.

4

5 (Ruling concluded.)

6 (Other proceedings took place which are not part  
7 of the Court's ruling.

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CERTIFICATE

I, Shari L. Wheeler, court reporter and court-approved transcriber, certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter. Some editing changes may have been made at the request of the Court.

These pages constitute the original or a copy of the original transcript of the proceedings, to the best of my ability.

Signed and dated this 23rd day of February, 2017.

by /s/ Shari L. Wheeler

SHARI L. WHEELER, CCR NO. 2396