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*Attorneys for D. Ray Strong, Chapter 11 Trustee for Castle Arch  
Real Estate Investment Company, LLC*

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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF UTAH**

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In re:

CASTLE ARCH REAL ESTATE  
INVESTMENT COMPANY, LLC; CAOP  
MANAGERS, LLC; CASTLE ARCH  
OPPORTUNITY PARTNERS I, LLC;  
CASTLE ARCH OPPORTUNITY  
PARTNERS II, LLC; CASTLE ARCH  
KINGMAN, LLC; CASTLE ARCH  
SECURED DEVELOPMENT FUND, LLC;  
*and* CASTLE ARCH SMYRNA, LLC,

Debtors.

Bankruptcy Case No. 11-35082  
Bankruptcy Case No. 11-35237  
Bankruptcy Case No. 11-35240  
Bankruptcy Case No. 11-35242  
Bankruptcy Case No. 11-35243  
Bankruptcy Case No. 11-35246  
Bankruptcy Case No. 11-35241  
(Jointly Administered)

(Chapter 11)

The Honorable Joel T. Marker

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**STATUS REPORT RELATING TO DISCLOSURE STATEMENT FOR CHAPTER 11  
TRUSTEE'S PLAN OF LIQUIDATION DATED SEPTEMBER 29, 2012 AND REQUEST  
FOR PRELIMINARY HEARING**

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D. Ray Strong, the duly appointed Chapter 11 Trustee for Castle Arch Real Estate  
Investment Company, LLC ("CAREIC"), and in that capacity as manager, either directly or  
indirectly of CAOP Managers, LLC, Castle Arch Opportunity Partners I, LLC, Castle Arch

Opportunity Partners II, LLC, Castle Arch Kingman, LLC, Castle Arch Secured Development Fund, LLC, and Castle Arch Smyrna, LLC (collectively with CAREIC, the “Debtors”), hereby files this *Status Report Relating to Disclosure Statement for Chapter 11 Trustee’s Plan of Liquidation Dated September 29, 2012 and Request for Preliminary Hearing*. In support hereof, the Trustee states as follows:

### **BACKGROUND**

#### *General*

1. On October 17, 2011, CAREIC filed a petition seeking relief under Chapter 11 of the Bankruptcy Code, and on October 20, 2011, each of the other Debtors filed petitions seeking relief under Chapter 11 of the Bankruptcy Code.

2. The Debtors’ respective Chapter 11 cases are being jointly administered.

3. The Trustee was appointed as the Chapter 11 trustee for CAREIC on May 3, 2012.

#### *Disclosure Statement, Plan and Motion to Approve Disclosure Statement*

4. On September 29, 2012, the Trustee filed his *Disclosure Statement for Chapter 11 Trustee’s Plan of Liquidation Dated September 29, 2012* [Docket No. 337] (the “Disclosure Statement”), attached as **Exhibit A** to which is a proposed *Chapter 11 Trustee’s Plan of Liquidation Dated September 29, 2012* [Docket No. 338] (the “Plan”). The Disclosure Statement and Plan were served via the Court’s CM/ECF system upon all parties that receive electronic notice in the above-captioned, jointly administered bankruptcy case (the “Electronic Service”).

Parties”).<sup>1</sup> Additionally, the Disclosure Statement and Plan were served via hand delivery and email on the Securities & Exchange Commission.<sup>2</sup>

5. On October 11, 2012, the Trustee filed the *Chapter 11 Trustee’s Motion for Entry of an Order (I) Approving Disclosure Statement for Chapter 11 Trustee’s Plan of Liquidation, (II) Approving Solicitation Procedures, Including Form of Ballot and Manner of Notice, and (III) Fixing the Confirmation Hearing and the Deadline for Filing Objections to the Confirmation of the Plan* [Docket No. 368] (the “Disclosure Statement Motion”), pursuant to which the Trustee requested, among other things, that the Court approve the Disclosure Statement as containing adequate information pursuant to 11 U.S.C. § 1125. The Disclosure Statement Motion was served that same day via the Court’s CM/ECF system upon the Electronic Service Parties.<sup>3</sup>

6. On October 26, 2012, the Trustee filed the *Notice of Disclosure Statement Motion and Notice of Hearing* [Docket No. 388] (the “Notice of Disclosure Statement Motion”), which informed parties of, among other things (a) the deadline of November 26, 2012 for filing objections to the Disclosure Statement Motion; and (b) the hearing on the Disclosure Statement Motion scheduled for December 3, 2012 at 2:00 p.m. (the “Disclosure Statement Hearing”). The Notice of Disclosure Statement Motion was served that same day via the Court’s CM/ECF system upon the Electronic Service Parties. Also on October 26, 2012, the Notice of Disclosure Statement Motion was served via U.S. First Class Mail, postage prepaid, upon all parties in

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<sup>1</sup> See Docket No. 450 (Certificate of Service).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

interest in this case, including all persons and entities known to the Trustee that assert a claim against or equity interest in any of the Debtors.<sup>4</sup>

*Objections to Adequacy of Information in the Disclosure Statement*

7. Five objections to the Disclosure Statement were filed on or prior to the November 26, 2012 objection deadline by the following parties (collectively, the “Objecting Parties”): (a) Robert Geringer [Docket No. 467]; (b) Official Committee of Unsecured Creditors [Docket No. 468]; (c) The Hunt Law Corporation [Docket No. 469]; (d) Richard Dance, 1031 ECI, LLC, Kenneth Gneuhs, Bill Grundy, Naomi King Trust, Daniel Maga, Pearl Noreen, Fran Pistorio and Ziba Sabour [Docket No. 470]; and (e) Prince Yeates & Geldzahler [Docket No. 471] (all objections filed by the Objecting Parties are collectively referred to as the “Disclosure Statement Objections”).

*Trustee’s Proposed Response to the Disclosure Statement Objections and Request for Preliminary Hearing*

8. The Trustee has reviewed the Objecting Parties’ Disclosure Statement Objections and believes that many objections can be resolved by amendments to the Disclosure Statement and, where relevant, the Plan, but he will require additional time to do so.

9. Some revisions may require amendment to certain documents that the Trustee had intended to file in conjunction with the Disclosure Statement Hearing for approval prior to the solicitation of acceptances for the proposed Plan.

10. Accordingly, the Trustee requests that the Disclosure Statement Hearing currently scheduled for December 3, 2012 be treated as a preliminary hearing, and that the following

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<sup>4</sup> See Docket No. 388 (Certificate of Service attached to Notice of Disclosure Statement Motion).

documents be filed no later than five days prior to the scheduled final hearing: (a) a redlined, amended disclosure statement and proposed plan; (b) a reply to the Disclosure Statement Objections to the extent that such Objections are not resolved by agreement or amendment; and (c) any other documents that the Trustee is seeking approval of for solicitation of the proposed plan, including any ballots, solicitation letters, and exhibits to the amended disclosure statement.

WHEREFORE, the Trustee respectfully requests that (a) the Disclosure Statement Hearing be a preliminary hearing; (b) the Court schedule a date and time at the preliminary hearing for a final hearing on the adequacy of information contained in the Disclosure Statement as it may be amended prior to that time; and (c) the Court authorize the Trustee to file all documents described above no later than five days prior to the continued hearing.

DATED this 28th day of November, 2012.

**DORSEY & WHITNEY LLP**

/s/ Nathan S. Seim

Peggy Hunt

Nathan S. Seim

*Attorneys for D. Ray Strong, Chapter 11*

*Trustee for Castle Arch Real Estate*

*Investment Company, LLC*

**CERTIFICATE OF SERVICE – BY NOTICE OF ELECTRONIC FILING (CM/ECF)**

I hereby certify that on November 28, 2012, I electronically filed the foregoing STATUS REPORT RELATING TO DISCLOSURE STATEMENT FOR CHAPTER 11 TRUSTEE'S PLAN OF LIQUIDATION DATED SEPTEMBER 29, 2012 AND REQUEST FOR PRELIMINARY HEARING with the United States Bankruptcy Court for the District of Utah by using the CM/ECF system. I further certify that the parties of record in this case, as identified below, are registered CM/ECF users and will be served through the CM/ECF system.

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