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

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

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

**CHAPTER 11 TRUSTEE'S *EX PARTE* MOTION FOR AUTHORIZATION TO
CONTINUE TO USE THE DEBTORS' CASH PURSUANT TO PRIOR CASH
MANAGEMENT ORDERS**

D. Ray Strong, the Chapter 11 Trustee (the "Trustee") for Castle Arch Real Estate Investment Company, LLC ("CAREIC"), and in that capacity as Manager, either directly or indirectly of the other above-captioned Debtors (collectively with CAREIC, the "Debtors"),

hereby files this Motion seeking authorization of the Trustee's continued use of the Debtors' cash as previously authorized by this Court. 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 in CAREIC's Chapter 11 case on May 3, 2012.

Prior Orders relating to the Trustee's Use of the Debtors' Cash

4. On May 14, 2012, the Trustee filed the *Emergency Motion by D. Ray Strong, Chapter 11 Trustee for Castle Arch Real Estate Investment Company, LLC, Seeking Approval of Proposed Use of Cash On an Interim Basis* [Docket No. 219], which the Court granted on May 21, 2012 [Docket No. 233].

5. On June 5, 2012, the Trustee filed the *Motion by D. Ray Strong, Chapter 11 Trustee for Castle Arch Real Estate Investment Company, LLC, Seeking Approval of Proposed Cash Management Plan* [Docket No. 240] (the "Cash Management Motion"), which the Court granted on June 29, 2012 [Docket No. 258] (the "Cash Management Order").

6. Pursuant to the Cash Management Order, the Court authorized the Trustee to use the Debtors' cash pursuant to the Trustee's cash management plan, as set forth in the Cash Management Motion (the "Cash Plan").

7. On October 1, 2012, the Trustee and the Debtors filed the *Ex Parte Joint Motion to Approve Stipulation Relating to Chapter 11 Trustee's Cash Management Plan and Authorizing Use of Cash* [Docket No. 340], which the Court granted on October 2, 2012 [Docket No. 343] (the "Continued Use of Cash Order").

8. Pursuant to the Continued Use of Cash Order, the Trustee was authorized to use cash of the Debtors pursuant to the Cash Plan until the earlier of (a) the effective date of any confirmed plan; or (b) December 31, 2012.

Trustee's Plan of Liquidation and Substantive Consolidation Motion

9. On September 29, 2012, the Trustee filed the *Disclosure Statement for Chapter 11 Trustee's Plan of Liquidation Dated September 29, 2012* [Docket No. 337], as well as the *Chapter 11 Trustee's Plan of Liquidation Dated September 29, 2012* [Docket No. 338] (the "Plan").

10. Additionally, on even date herewith, the Trustee filed a motion to substantively consolidate Debtors CAREIC, CAOP Managers, LLC, Castle Arch Kingman, LLC, Castle Arch Secured Development Fund, LLC, and Castle Arch Smyrna, LLC, along with a non-debtor affiliate of CAREIC (collectively, the "Legacy Debtors"). Accordingly, issues related to the Cash Plan as affecting the Legacy Debtors may be moot, and it would not be an efficient use of the Debtors' assets to revisit issues related thereto at this time.

11. Furthermore, although the allocations of cash for the Trustee's management of Castle Arch Opportunity Partners I, LLC and Castle Arch Opportunity Partners II, LLC (together, the "CAOP Debtors"), as set forth in the Cash Plan, may be insufficient to compensate CAREIC's estate in light of the time and expense the Trustee has incurred on behalf of the

CAOP Debtors as their manager in, among other things, investigating assets and formulating the Plan, such administrative expenses are dealt with in the Trustee's Plan, and it would not be an efficient use of the Debtors' assets to address these issues at this time. It is anticipated that such issues will be resolved through the Plan confirmation process.

WHEREFORE, given the facts set forth above, the Trustee requests authorization to continue to use the Debtors' cash pursuant to the Cash Plan until the earlier of (a) the time when the Court has entered orders relating to the Trustee's substantive consolidation motion and Plan; or (b) April 1, 2013, at which point the Trustee will either file another motion or schedule a hearing with the Court relating to the Trustee's continued use of the Debtors' cash.

DATED this 28th day of December, 2012.

DORSEY & WHITNEY LLP

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