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IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF UTAH
CENTRAL DIVISION

| | |
|--------------------------------------|-------------------------------------|
| In re: | : |
| | : |
| CASTLE ARCH REAL ESTATE | : Bankruptcy No. 11-35082 |
| INVESTMENT COMPANY, LLC; | : Bankruptcy No. 11-35237 |
| CASTLE ARCH OPPORTUNITY | : Bankruptcy No. 11-35240 |
| PARTNERS I, LLC; CASTLE ARCH | : Bankruptcy No. 11-35241 |
| OPPORTUNITY PARTNERS II, LLC; | : Bankruptcy No. 11-35242 |
| CASTLE ARCH KINGMAN, LLC; | : Bankruptcy No. 11-35243 |
| CASTLE ARCH SECURED | : Bankruptcy No. 11-35246 |
| DEVELOPMENT FUND, LLC; AND | : (Jointly Administered Chapter 11) |
| CASTLE ARCH SMYRNA, LLC, | : |
| | : Honorable Joel T. Marker |
| Debtor(s). | : |

**MOTION FOR AN ORDER APPROVING REAL PROPERTY
EXCHANGE WITH TRANSFERRED PROPERTY TO BE FREE
AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND
INTERESTS**

D. Ray Strong, as Chapter 11 Trustee for Castle Arch Real Estate Investment Company, LLC and manager of affiliated entities (the "Trustee" and "Manager"), including Castle Arch Opportunity Partners, I, LLC, herein moves the Court for an order approving the Property Exchange Agreement attached hereto as Exhibit 1. To the extent this motion is inconsistent with the Property Exchange Agreement, the terms of the Property Exchange Agreement shall control.

In sum, the Trustee proposes to transfer fee simple title, free and clear of liens, of the “CAOPI Property” (as defined in the attached Property Exchange Agreement and more specifically defined herein) to Questar Gas Company (“Questar Gas”) in exchange for fee simple title, free and clear of liens of the “Tooele Property” (as defined in the Property Exchange Agreement). ANB Venture, LLC, a creditor in the above-captioned bankruptcy proceeding possesses a properly secured lien against the CAOPI Property. The Trustee proposes to remove ANB Venture’s lien from the CAOPI Property and transfer said lien to the Tooele Property. The Tooele County Treasurer has a lien against the CAOPI Property. Pursuant to the terms in the Property Exchange Agreement, the Trustee/Manager shall satisfy the claim of the Tooele County Treasurer related to the CAOPI Property at closing, estimated to be \$197. The Trustee/Manager makes this motion pursuant to Sections 363 and 724 of the Bankruptcy Code and Bankruptcy Rule 6004. In support of this motion, the Trustee/Manager respectfully states as follows:

Jurisdiction

1. This Court has jurisdiction to consider this motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper pursuant to 28 U.S.C. § 1408.

Case Information

2. On October 17, 2011, Castle Arch Real Estate Investment Company, LLC (“CAREIC”) filed a petition seeking relief under Chapter 11 of the Bankruptcy Code.

3. On October 20, 2011, each of the other debtors also filed petitions seeking relief under Chapter 11 of the Bankruptcy Code (together with CAREIC, these entities are referred to herein as the “Debtors”). This October 20, 2011 petition date, together with CAREIC’s October 17, 2011 petition date, are referred to herein as the “Petition Date”.

4. The Debtors' respective Chapter 11 cases are being jointly administered.
5. On May 3, 2012, the Trustee/Manager was appointed the Chapter 11 Trustee of CAREIC.
6. Among other assets, Castle Arch Opportunity Partners, I, LLC owns real property located in Tooele County, Utah more particularly described as follows:

A parcel of land, lying and situate in the Northeast Quarter of Section 15, Township 3 South, Range 4 West, Salt Lake Base and Meridian, Tooele County, Utah. Parcel being more particularly described as follows:

COMMENCING at the East Quarter corner of Section 15, Township 3 South, Range 4 West, Salt Lake Base and Meridian, thence South 89°47'28" West along the East/West midsection line a distance of 33.00 feet to the POINT OF BEGINNING; thence South 89°47'28" West along the East/West midsection line 150.00 feet; thence North 00°21'19" West 110.00 feet; thence North 89°47'28" East 150.00 feet to a point on the West right-of-way line of Droubay Road; thence South 00°21'19" East 110.00 feet along a line that is more or less parallel and 33.00 West of the East line of Section 15 to the POINT OF BEGINNING. (contains 16,500 sq. ft. more or less, approx. .28 acres (the "CAOPI Property").

7. The Trustee/Manager proposes the transfer of the CAOPI Property to Questar Gas Company in exchange for the following property, pursuant to the terms set forth in the Property Exchange Agreement:

Beginning 12.74 chains South and 50 links West of the Northeast Corner of Section 15, Township 3 South, Range 4 West; thence South 3.02 chains; thence West 3.25 chains; thence North 3.02 chains; thence East 3.25 chains to the point of beginning (contains 0.98 acres) (the "Tooele Property")

Terms of Proposed Exchange

8. Identification of Exchange Party. Questar Gas Company.
9. Property to be Transferred to Questar Gas. The CAOPI Property as more particularly defined above.

10. Property to be Received from Questar. The Tooele Property as more specifically defined herein.

11. Closing. The Property Exchange Agreement sets forth the specific terms of the exchange. In sum, the closing is to occur on or before April 30, 2013 with Questar Gas to pay all ordinary and reasonable closing costs associated with the Property Exchange Agreement.

12. Arms-Length Transaction. The Property Exchange Agreement has been negotiated at arms length and in good faith by the Trustee/Manager and Questar Gas. The Trustee/Manager reasonably believes and therefore alleges that Questar Gas is a good faith purchaser within the meaning of 11 U.S.C. § 363 and that the sale price is not and will not be controlled by an agreement prohibited by 11 U.S.C. § 363(n).

13. Liens. The CAOPI Property is to be transferred free and clear of any and all liens, claims, encumbrances and interests. The Lien of Tooele County will be paid at closing. The remaining liens on the CAOPI Property, believed to consist solely of a lien in favor of ANB Venture, LLC, will attach to the Tooele Property, prior to any and all other liens at closing.

14. Distribution of Sale Proceeds. The Trustee/Manager intends to close this transaction at U. S. Title Insurance Co. No sale proceeds are expected from the sale. Costs of the transaction to be paid as follows:

- A. Broker/agent commission of 3% of \$60,000, or \$1,800, payable to the CAOPI broker/agent shall be paid as provided in the court approved order employing Commerce Real Estate Solutions in the Cast Arch Real Estate Investment Company, LLC bankruptcy estate.

- B. Property taxes, estimated to be \$197 to be paid by the Trustee/Manager from the unencumbered funds of Castle Arch Opportunity, I, LLC;
- C. Title insurance and other miscellaneous closing costs required at closing to be paid by Questar Gas.

15. Request for Waiver of Stay. To enable the parties to close on the Property earlier, if desired, the Trustee/Manager requests that the Court order that the 14 day stay of Bankruptcy Rule 6004(h) be waived and that the order approving the sale be effective upon entry.

16. Trustee/Manager's Business Judgment. As set forth in the attached Property Exchange Agreement, Questar Gas desires to construct certain natural gas facilities in Tooele County and the CAOPI Property is the most desirable location for Questar Gas. The building of the natural gas facilities will likely be beneficial to future development of this area, wherein the Debtors own other real property. Additionally the Tooele Property received in exchange for the CAOPI Property increases the Debtors' frontage on currently existing roads, increases the total acreage of the Debtors' real property and likely increases the value of Debtors' real property.

WHEREFORE, the Trustee respectfully requests that the Court enter an order granting the relief requested herein.

DATED this 19th day of March, 2013.

McKAY, BURTON & THURMAN

By: _____ /S/
Jeremy C. Sink
Attorneys for CAOP I, LLC

EXHIBIT 1

PROPERTY EXCHANGE AGREEMENT

This Property Exchange Agreement (“Agreement”), dated this 18th day of March, 2013, is entered into between CASTLE ARCH OPPORTUNITY PARTNERS I, LLC, a Nevada limited liability company (“CAOPI”) through D. Ray Strong as Chapter 11 Trustee of Castle Arch Real Estate Investment Company, LLC and in his capacity as Manager of CAOP Managers, LLC, manager of CAOPI and QUESTAR GAS COMPANY, a Utah corporation (“Questar Gas”). CAOPI and Questar Gas may be referred to individually as a “Party” or jointly as the “Parties” all as governed by the context in which such words are used.

Recitals

A. Questar Gas is currently in the process of purchasing property owned by Tooele County more particularly described as follows:

Beginning 12.74 chains South and 50 links West of the Northeast Corner of Section 15, Township 3 South, Range 4 West; thence South 3.02 chains; thence West 3.25 chains; thence North 3.02 chains; thence East 3.25 chains to the point of beginning (contains 0.98 acres) (the “Tooele Property”).

B. CAOPI is the current owner on title of a large parcel of property located in Tooele County.

C. The portion of CAOPI’s property relevant to this transaction is more particularly described as follows:

A parcel of land, lying and situate in the Northeast Quarter of Section 15, Township 3 South, Range 4 West, Salt Lake Base and Meridian, Tooele County, Utah. Parcel being more particularly described as follows:

COMMENCING at the East Quarter corner of Section 15, Township 3 South, Range 4 West, Salt Lake Base and Meridian, thence South 89°47’28” West along the East/West midsection line a distance of 33.00 feet to the **POINT OF BEGINNING**; thence South 89°47’28” West along the East/West midsection line 150.00 feet; thence North 00°21’19” West 110.00 feet; thence North 89°47’28” East 150.00 feet to a point on the West right-of-way line of Droubay Road; thence South 00°21’19” East 110.00 feet along a line that is more or less parallel and 33.00 West of the East line of Section 15 to the **POINT OF BEGINNING**. (contains 16,500 sq.ft. more or less, approx .38 acres) (the “CAOPI Property”).

D. Questar Gas desires to construct certain natural gas facilities in Tooele County. The CAOPI Property is the most desirable location for Questar Gas.

E. CAOPI is the debtor in a Chapter 11 Bankruptcy Case No. 11-35240 currently pending in the Central District of Utah ("Bankruptcy Case").

F. The Parties understand there are certain liens on the CAOPI Property held by Tooele County Treasurer for real property taxes and ANB Venture, LLC, a Delaware limited liability company or its successor in interest ("ANB Venture").

G. In order to facilitate the construction of Questar Gas' natural gas facilities on the CAOPI Property, the Parties desire to exchange the Tooele Property and the CAOPI Property according to the terms of this Agreement.

Terms

NOW, THEREFORE, in exchange of the mutual promises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to the following terms and conditions:

1. **Property Exchange.** Subject to the provisions of this Agreement, CAOPI agrees to transfer the CAOPI Property to Questar Gas in exchange for the Tooele Property which Questar Gas agrees to transfer to CAOPI (the "Property Exchange"). No cash payment shall be made as part of the Property Exchange. Questar Gas' obligations to move forward are expressly conditioned on Questar Gas' ability, prior to closing, to (i) obtain ownership of the Tooele Property (as defined below), and (ii) obtain approvals necessary to effect or carry out construction of its facilities on the CAOPI Property as defined herein. CAOPI's obligations to move forward are expressly conditioned on CAOPI's ability to (i) obtain agreement of ANB Venture for the release of its lien on the CAOPI Property with such lien to immediately attach to the Tooele Property upon transfer and/or (ii) obtaining bankruptcy court approval of the exchange and lien release as described above in its Bankruptcy Case.

2. **No Water Rights Exchanged.** The Parties understand and agree that this exchange does not include any water rights and/or water shares.

3. **Subject to Bankruptcy Court Approval.** The Parties understand and agree that the exchange is expressly subject to notice and approval by the U.S. Bankruptcy Court for the District of Utah in the Bankruptcy Case.

4. **Tooele Property Purchase.** Based upon the representations and promises set forth herein, Questar Gas will move forward and complete the purchase of the Tooele Property.

5. **Title Transfer.**

5.1. CAOPI. Castle Arch agrees to furnish good and marketable title, acceptable to Questar Gas, which is free and clear of all liens, encumbrances, leasehold interests, property taxes, mortgages, clouds of title, easements unacceptable to Questar Gas, and to make final conveyance by Special Warranty Deed in a form acceptable to Questar Gas (the "Castle Arch Special Warranty Deed"). The parties understand that this term is contingent upon ANB Venture voluntarily releasing its lien on the CAOPI Property upon closing with the lien to immediately attach to the Tooele Property or upon a Bankruptcy Court Order providing for such.

5.2. Questar Gas. Questar Gas agrees to furnish good and marketable title, acceptable to CAOPI, which is free and clear of all liens, encumbrances, leasehold interests, property taxes, mortgages and clouds of title, and to make final conveyance by Special Warranty Deed, subject to easements of record and applicable ordinances, in a form acceptable to Castle Arch (the "Questar Gas Special Warranty Deed").

5.3. Property Taxes.

5.3.1. CAOPI shall pay all property taxes for 2012, and earlier years, at or before exchange of the CAOPI Property or shall provide for the release of lien for such taxes on the CAOPI Property with such lien to immediately attach to the Tooele Property upon transfer. Property taxes for the CAOPI Property for 2013 shall be prorated between the Parties at closing.

5.3.2. The Tooele Property is currently owned by Tooele County and no property taxes have been assessed prior to Questar Gas' purchase. Any property taxes on the Tooele Property for 2013 shall be prorated between the Parties at closing.

5.4. Closing. For purposes of this Agreement "Closing" shall mean the closing and consummation of the Property Exchange as evidenced by the delivery of any required funds and documents and the recording of the Special Warranty Deeds required by this Agreement.

5.5. Time and Place. The Closing of the Property Exchange shall take place in the offices of U.S. Title Insurance Co., 14884 West Heritagecrest Way, Bluffdale, Utah 84065 ("Title Agent") on or before April 30, 2013 ("Closing Date").

5.6. CAOPI's Closing Deliveries. At Closing, CAOPI shall deliver, or cause to be delivered to the Title Agent and Questar Gas, as applicable:

5.6.1. The CAOPI Special Warranty Deed, as described above;

5.6.2. Such other funds, instruments and documents as may be reasonably requested by Questar Gas or Title Agent or reasonably necessary to effect or carry out the purposes of this Agreement (which funds, instruments and documents shall be subject to Questar Gas' prior approval thereof, which approval shall not be unreasonably withheld).

5.7. Questar Gas' Closing Deliveries. At Closing, Questar Gas shall deliver, or cause to be delivered to the Title Agent and Castle Arch, as applicable:

5.7.1. The Questar Gas Special Warranty Deed, as described above;

5.7.2. Such other funds, instruments and documents as may be reasonably requested by CAOPI or Title Agent or reasonably necessary to effect or carry out the purposes of this Agreement (which funds, instruments, and documents shall be subject to CAOPI's prior approval thereof, which approval shall not be unreasonably withheld).

5.8. Closing Costs. Questar Gas shall pay all ordinary and reasonable closing costs associated with the Property Exchange.

5.9. Reasonable Cooperation. CAOPI agrees to reasonably cooperate with Questar Gas in completing the Property Exchange. Reasonable cooperation shall include, but may not be limited to (i) coordinating with third-parties to ensure removal of liens, encumbrances or other clouds of title, and (ii) cooperating with any process for approvals from Tooele County for the completion of the Property Exchange.

6. **Real Property Exchanged in "As Is" Condition.** Other than the covenants expressly stated herein, the real property which is the subject of this agreement will be exchanged in an "as is" condition that shall exist as of the date of Questar Gas's inspection thereof and CAOPI shall not and does not warrant the condition of the real property which is the subject of this agreement.

7. **Real Estate Commissions.** The real estate commission payable to the CAOPI broker/agent shall be paid as provided in the court approved order employing Commerce Real Estate Solutions in the Castle Arch Real Estate Investment Company, LLC bankruptcy case. Questar Gas is not represented by a broker/agent and therefore no commission shall be paid to Questar Gas. Nothing in this Agreement shall obligate Questar Gas to pay any commission to the broker/agent for CAOPI.

8. **Fencing and Aesthetics.** Questar Gas agrees to install zero lot line fencing with gravel site around the perimeter of the entire CAOPI Property at Questar Gas's expense within 4 (four) months of the transfer of title of the CAOPI Property to Questar Gas. Such fencing materials and design shall be subject to the sole, but reasonable prior approval of CAOPI which Questar Gas agrees to obtain prior to beginning construction of such improvements on the CAOPI Property.

9. **Notices.** Except as otherwise required by law, any notice, demand or request given in connection with this Agreement shall be in writing and shall be given by personal delivery, overnight courier service, facsimile, or United States certified mail, return receipt requested, postage or other delivery charge prepaid, addressed to Questar Gas or Castle Arch at the following addresses (or at such other address as the Party may designate in writing given in accordance with this Section):

Questar Gas Company
Attn: Rick Hellstrom
P.O. Box 45360, Right-of-Way
Salt Lake City, Utah 84145-0360

Castle Arch Opportunity Partners I, LLC
Attn: D. Ray Strong
201 South Main, Suite 450
Salt Lake City, Utah 84111

Notice shall be deemed to have been given on the date on which notice is delivered, if notice is given by personal delivery or facsimile, on the date of delivery to the overnight courier service, if such a service is used, and on the date of deposit in the mail, if mailed. Notice shall be deemed to have been received on the date on which the notice is actually received or delivery is refused.

10. **Miscellaneous.**

10.1. Attorneys' Fees. If there is any litigation between CAOPI and Questar Gas to enforce or interpret any provisions or rights under this Agreement, the unsuccessful Party in such litigation, as determined by the court, shall pay to the prevailing Party, as determined by the court, all costs and expenses, including but not limited to reasonable attorneys' fees, incurred by the prevailing Party, such fees to be determined by the court sitting without a jury.

10.2. Additional Acts. The Parties agree to promptly execute and deliver such other documents and perform such other acts as may be reasonably necessary to carry out the purposes and the intent of this Agreement.

10.3. Governing Law; Jurisdiction. This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of Utah in the Third Judicial District Court.

10.4. Business Days. For purposes of this Agreement a "Business Day" is a day other than a Saturday, Sunday or day on which banking institutions in Utah are authorized or

required by law or executive order to be closed. If this Agreement requires any act to be done or action to be taken on a date which is not a Business Day, such act or action shall be deemed to have been validly done or taken if done or taken on the next succeeding Business Day.

10.5. Waiver. The waiver by any Party hereto of any right granted to it hereunder shall not be deemed to be a waiver of any other right granted hereunder, nor shall the same be deemed to be a waiver of a subsequent right obtained by reason of the continuation of any matter previously waived.

10.6. Due Authorization. The individuals executing this Agreement each represents and warrants (i) that he or she is authorized to do so on behalf of the respective Party hereto, (ii) that he or she has full legal power and authority to bind the respective Party hereto, and if necessary, has obtained all required consents or delegations of such power and authority (whether from any partner, owners, spouse, shareholder, director, member, manager, creditor, investor, developer, governmental authority, judicial or administrative body, association or other person or entity), and (iii) that the execution, delivery and performance by the respective Parties hereto of this Agreement will not constitute a default under any agreement to which it, he, she, or they, are a Party.

10.7. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same document and agreement.

10.8. Entire Agreement/Amendment. This Agreement sets forth the entire understanding of the Parties with respect to the matters set forth herein as of the date hereof, and supersedes all prior oral and written agreements, discussions and understandings of the Parties hereto as to the matters set forth herein, and cannot be altered or amended except pursuant to an instrument in writing signed by both Parties.

10.9. Construction. This Agreement is the result of negotiations between the Parties, neither of whom has acted under any duress or compulsion, whether legal, economic or otherwise. Accordingly, the terms and provisions hereof shall be construed in accordance with their usual and customary meanings. Each Party hereby waives the application of any rule of law which otherwise would be applicable in connection with the construction of this Agreement that provides in effect that ambiguous or conflicting terms or provisions should be construed against the Party who (or whose attorney) prepared the executed Agreement or any earlier draft of the same.

10.10. Interpretation. If there is any specific and direct conflict between, or any ambiguity resulting from, the terms and provisions of this Agreement and the terms and provisions of any document, instrument or other agreement executed in connection herewith or

in furtherance hereof, including any exhibits hereto, the same shall be consistently interpreted in such manner as to give effect to the general purposes and intentions as expressed in this Agreement, which shall be deemed to prevail and control.

10.11. Headings. The headings in this Agreement are for reference only and shall not limit or define the meaning of any provision of this Agreement.


10.12. No Third Party Beneficiary. No term or provision of this Agreement or the Exhibits hereto is intended to be, nor shall any such term or provision be construed to be, for the benefit of any person, firm, corporation or other entity not a Party hereto (including, without limitation, any broker), and no such other person, firm, corporation or entity shall have any right or cause of action hereunder.

10.13. Severability. If any provision of this Agreement or any portion of any provision of this Agreement shall be deemed to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not alter the remaining portion of such provision, or any other provision hereof, as each provision of this Agreement shall be deemed severable from all other provisions hereof so long as removing the severed portion does not materially alter the overall intent of this Agreement.

10.14. Time is of the Essence. With respect to all dates and time periods set forth in this Agreement, time is of the essence and such dates and time periods shall be strictly adhered to and enforced.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

Castle Arch Opportunity Partners I, LLC



By: D. Ray Strong, Trustee Castle Arch
Real Estate Investment Company, LLC
Manager of CAOPI

Questar Gas Company



By: Craig C. Wagstaff,
Executive V.P. and COO