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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 KINGMAN, LLC; CASTLE ARCH SECURED DEVELOPMENT FUND, LLC; CASTLE ARCH SMYRNA, LLC; CASTLE ARCH STAR VALLEY, LLC; *and*

CASTLE ARCH OPPORTUNITY PARTNERS I, LLC; CASTLE ARCH OPPORTUNITY PARTNERS II, LLC,

Debtors.

Case Nos. 11-35082, 11-35237, 11-35243, 11-35242 and 11-35246  
(Substantively Consolidated)

Case Nos. 11-35241 and 11-35240  
(Jointly Administered)

(Chapter 11)  
The Honorable Joel T. Marker

- Affects All Debtors
- Affects Only the Substantively Consolidated Debtors
- Affects only Castle Arch Opportunity Partners I, LLC
- Affects only Castle Arch Opportunity Partners II, LLC

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

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D. Ray Strong, the duly appointed Chapter 11 Trustee ("Trustee") for the consolidated bankruptcy estates of Castle Arch Real Estate Investment Company, LLC ("CAREIC"), CAOP Managers, LLC, Castle Arch Kingman, LLC, Castle Arch Smyrna, LLC, Castle Arch Secured Development Fund, LLC and Castle Arch Star Valley, LLC (collectively, the "Legacy Debtors"), and in that capacity as manager of Castle Arch Opportunity Partners I, LLC and Castle Arch Opportunity Partners II, LLC (together, the "CAOP Debtors" and, collectively with the Legacy Debtors, the "Debtors"), hereby moves this Court *ex parte* for an Order authorizing the Trustee to continue using the Debtors' cash pursuant to prior cash management orders. In support hereof, the Trustee states as follows:

**JURISDICTION AND VENUE**

1. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

**BACKGROUND**

*General*

2. On October 17, 2011, CAREIC filed a petition seeking relief under Chapter 11 of the Bankruptcy Code, and on October 20, 2011, the CAOP Debtors filed their respective Chapter 11 cases.

3. On May 3, 2012, the Court entered an Order appointing the Trustee as the Chapter 11 Trustee for CAREIC.

4. On February 8, 2013, the Court entered an Order substantively consolidating the Legacy Debtors [Docket No. 590] (the “Consolidation Order”). The CAOP Debtors’ respective cases are being jointly administered with the consolidated Legacy Debtors’ case.

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

5. 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].

6. 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”).

7. 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”).

8. 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].

9. On December 31, 2012, the Court entered the *Order Granting Chapter 11 Trustee's Ex Parte Motion for Authorization to Continue to Use the Debtors' Cash Pursuant to Prior Cash Management Orders* [Docket No. 540], pursuant to which the Court authorized the Trustee to continue to use the Debtors' cash pursuant to the Cash Plan until the earlier of (a) the time the Court entered Orders on any substantive consolidation motion and any plan of liquidation; or (b) April 1, 2013.

10. As a result of the Consolidation Order, issues related to the Cash Plan as between the Legacy Debtors are now moot. However, the use of cash as provided for in the Cash Plan remains to be relevant as between the consolidated Legacy Debtors' estate and each of the CAOP Debtors' estates.

*The Disclosure Statement and Plan*

11. On February 25, 2013, the Trustee filed the *Disclosure Statement for Chapter 11 Trustee's Plan of Liquidation Dated February 25, 2013* [Docket No. 621] (the "Disclosure Statement"), as well as the *Chapter 11 Trustee's Plan of Liquidation Dated February 25, 2013* [Docket No. 622] (the "Plan").

12. A final hearing on the adequacy of information contained in the Disclosure Statement was held on March 21, 2013, at which time the Court approved the Disclosure Statement pursuant to 11 U.S.C. §1125. A hearing on the confirmation of the proposed Plan is scheduled to commence on May 30, 2013 (the "Confirmation Hearing").

13. The Trustee believes that allocations of cash for the Trustee's management of the CAOP Debtors as set forth in the Cash Plan have been insufficient to compensate the consolidated Legacy Debtors' 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 Disclosure Statement and Plan. Thus, the Plan provides treatment for dealing with these issues and, if confirmed, a “true up” of amounts owed to the consolidated Legacy Debtors by each of the CAOP Debtors will be afforded as part of the procedures provided for in the Plan. *See* Disclosure Statement, Part IV, Section G; Plan, Article VI, Section 6.5.3.

14. Also, if the Plan is confirmed, the use of cash as between the estates will no longer be relevant inasmuch as each post-confirmation entity will be separately managed and funded.

**RELIEF REQUESTED**

15. Because the Plan provides for treatment of the Debtors’ cash management issues and resulting claims, the Trustee does not believe it would be an efficient use of the Debtors’ assets or the Court’s resources to address these cash management issues at this time. Rather, the Trustee requests that he continue to be authorized to use cash as provided for in the Cash Plan relevant to the CAOP Debtors until either the Effective Date of a confirmed Plan, or if the Plan is not confirmed, until thirty days following the conclusion of the Confirmation Hearing.

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 Effective Date of the Trustee’s Plan. Alternatively, in the event that the Plan is not confirmed, the Trustee requests that he be authorized to use cash pursuant to the approved Cash Plan until thirty days after the conclusion of the Confirmation Hearing.

DATED this 26th day of March, 2013.

**DORSEY & WHITNEY LLP**

/s/ Peggy Hunt  
Peggy Hunt  
Nathan S. Seim  
*Attorneys for D. Ray Strong, Chapter 11  
Trustee*

DATED this 26th day of March, 2013.

**DURHAM JONES & PINEGAR, PC**

/s/ Penrod W. Keith  
Penrod W. Keith  
*Attorney for Castle Arch Opportunity  
Partners II, LLC*

DATED this 26th day of March, 2013.

**McKAY, BURTON & THURMAN**

/s/ Gregory J. Adams  
Gregory J. Adams  
*Attorney for Castle Arch Opportunity  
Partners I, LLC*

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

I hereby certify that on March 26, 2013, I electronically filed the foregoing CHAPTER 11 TRUSTEE'S *EX PARTE* MOTION FOR AUTHORIZATION TO CONTINUE TO USE THE DEBTORS' CASH PURSUANT TO PRIOR CASH MANAGEMENT ORDERS 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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