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Attorneys for D. Ray Strong, Chapter 11 Trustee for Castle Arch Real Estate Investment Company, LLC and Substantively Consolidated Debtors

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

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

DECLARATION OF D. RAY STRONG IN SUPPORT OF CHAPTER 11 TRUSTEE'S MOTION FOR ORDER APPROVING SETTLEMENT AGREEMENT WITH DAVID S. HUNT, P.C., THE HUNT LAW CORPORATION, P.C. AND DAVID HUNT UNDER FEDERAL RULE OF BANKRUPTCY PROCEDURE 9019

D. Ray Strong, as Chapter 11 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 for 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”), being of lawful age, hereby declares, verifies and states as follows:

1. I am the duly appointed Chapter 11 Trustee for the Legacy Debtors, and in that capacity serve as manager of the CAOP Debtors.

2. This Declaration is based upon my personal knowledge of the facts set forth herein. I submit this Declaration in support of the *Chapter 11 Trustee’s Motion for Order Approving Settlement Agreement with David S. Hunt, P.C., The Hunt Law Corporation, P.C. and David Hunt Under Federal Rule of Bankruptcy Procedure 9019* (the “Motion”). Unless otherwise stated, all capitalized terms used herein have the meanings ascribed to such terms in the Motion.

3. Pursuant to the Motion, I seek entry of an Order approving the Settlement Agreement, attached as Exhibit A to the Motion (the “Settlement Agreement”), that I entered into with David Hunt (“Hunt”), David S. Hunt, P.C. (“Hunt P.C.”), doing business as The Hunt Law Corporation, P.C. (the “Hunt Firm” and, collectively with Hunt and Hunt P.C., the “Hunt Parties”). The Hunt Parties and I are referred to collectively herein as the “Parties.”

4. The Hunt Parties have informed me that they intend to assert an administrative expense claim against the Debtors’ estates (the “Alleged Administrative Claim”).

5. Since my appointment, I have engaged in an investigation of the Debtors' respective estates, which has included an analysis of the extent and validity of the claims made by the Hunt Firm in the POC and the Alleged Administrative Claim. Additionally, I have investigated and analyzed potential claims that may exist against the Hunt Parties. Based on this investigation, I have determined that the claims asserted by the Hunt Parties in their POC are subject to dispute, the Alleged Administrative Claim to be asserted by the Hunt Parties is without merit, and the Debtors' estates may have claims against the Hunt Parties.

6. The Hunt Parties and I have entered into arms'-length and good-faith negotiations to avoid the costs, expenses and uncertainty of litigation and collection relating to the disputes existing amongst us.

7. Although I believe that I may be successful in obtaining an Order disallowing the claims asserted by the Hunt Parties and in obtaining judgment against the Hunt Parties, I have determined, in the exercise of my business judgment, that resolution of all disputes amongst the Parties through settlement is appropriate and in the best interests of creditors and the Debtors' respective estates given (a) the inherent risk that I may not be successful in disallowing claims, obtaining judgment and/or collecting a judgment against the Hunt Parties; (b) the time and costs associated with litigating the disputes, especially given the complexity and factual nature of the disputes; (c) the entire disallowance of the POC asserted against the Legacy Debtors and the release afforded preventing any claim based on the Alleged Administrative Claim or otherwise; and (d) the relatively quick resolution of the disputes through settlement, which allows me to focus the estate's resources on confirming and implementing the proposed Plan of Liquidation.

8. Based on my investigation, I believe that even if I were successful in obtaining a judgment against the Hunt Parties, collection of that judgment may be difficult given the Hunt

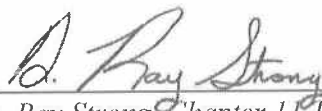
Parties' financial standing. This factor has weighed heavily in my decision to enter into the Settlement Agreement.

9. Given the complex and factual nature of the various disputes amongst the Parties, litigation of all disputes likely would be lengthy and expensive. By entering into the Settlement Agreement, I believe that I have obtained a favorable and fair result for the Debtors' estates relating to the Hunt Parties without incurring expensive and unnecessary litigation costs.

10. In my business judgment, settlement of all the disputes amongst the Parties pursuant to the terms of the Settlement Agreement is in the best interests of creditors and the Debtors' respective estates. By engaging in good-faith and arms'-length negotiations with the Hunt Parties, I have avoided the costly delays and expenses associated with litigating the disputes amongst the Parties, thereby preserving the existing assets of the Debtors for distribution to creditors and, possibly, investors under the proposed Plan of Liquidation.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

DATED this 17th day of May, 2013.



*D. Ray Strong, Chapter 11 Trustee for
Castle Arch Real Estate Investment
Company, LLC and Substantively
Consolidated Debtors, and in that capacity
as Manager of the CAOP Debtors*

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

I hereby certify that on May 23, 2013, I electronically filed the foregoing **DECLARATION OF D. RAY STRONG IN SUPPORT OF CHAPTER 11 TRUSTEE'S MOTION FOR ORDER APPROVING SETTLEMENT AGREEMENT WITH DAVID S. HUNT, P.C., THE HUNT LAW CORPORATION, P.C. AND DAVID HUNT UNDER FEDERAL RULE OF BANKRUPTCY PROCEDURE 9019** 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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/s/ Nathan S. Seim