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*Attorneys for D. Ray Strong, Liquidating Trustee
of the Consolidated Legacy Trust*

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

Debtors.

D. RAY STRONG, as Trustee of the
Consolidated Legacy Debtors Liquidating
Trust,

Plaintiff,

v.
MESA, INC., MESA RESEARCH GROUP,
and/or MESA DEVELOPMENT,

Defendants.

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

Adversary Proceeding No. _____

COMPLAINT

Plaintiff D. Ray Strong, in his capacity as Liquidating Trustee (the “Trustee” or “Plaintiff”) of the Consolidated Legacy Debtors Liquidating Trust (the “Legacy Trust”) and the Castle Arch Opportunity Partners I, LLC Liquidating Trust (the “CAOP I Trust” and, collectively with the Legacy Trust, the “Trusts”), hereby files this Complaint for or on behalf of the Consolidated Legacy Debtors (defined below) and CAOP I (defined below) against Defendants Mesa, Inc., Mesa Research Group, and/or Mesa Development (collectively, the “Defendants”), and states, alleges and avers as follows:

JURISDICTION AND VENUE

1. On October 17, 2011, Debtor Castle Arch Real Estate Investment Company, LLC (“CAREIC”) filed a Chapter 11 bankruptcy petition with the United States Bankruptcy Court for the District of Utah (the “Court”), thus commencing Bankruptcy Case No. 11-35082 noted in the above caption. On October 20, 2011, Debtors CAOP Managers, LLC (“CAOP Managers”), Castle Arch Kingman, LLC (“CAK”), Castle Arch Secured Development Fund, LLC (“CASDF”), Castle Arch Smyrna, LLC (“CAS”), Castle Arch Opportunity Partners I, LLC (“CAOP I”) and Castle Arch Opportunity Partners II, LLC (collectively, the “CAREIC Affiliates” and together with CAREIC, the “Debtors”) also filed petitions seeking relief under Chapter 11 of the Bankruptcy Code in the Court, thus commencing the other bankruptcy cases noted in the caption above, which cases are being jointly administered and/or have been substantively consolidated with CAREIC’s bankruptcy case (CAREIC’s bankruptcy case, along with bankruptcy cases of the CAREIC Affiliates, are referred to herein collectively as the “Bankruptcy Case”).

2. The Court has subject matter jurisdiction of this proceeding pursuant to 28 U.S.C. §§ 157(a) and 1334(b).

3. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

4. On June 7, 2013, the Bankruptcy Court entered, among other things, an *Order Confirming Chapter 11 Trustee's First Amended Plan of Liquidation Dated February 25, 2013 as Modified* [Main Case Docket No. 705] (the "Confirmation Order"), thus confirming the Chapter 11 plan styled as *Second Amended Chapter 11 Trustee's Plan of Liquidation Dated February 25, 2013* [Main Case Docket No. 701] (the "Confirmed Plan"), pursuant to which the Bankruptcy Court retains jurisdiction over this proceeding, which arises under the Bankruptcy Code and arises in and is related to the Bankruptcy Case. Confirmed Plan, Art. X; *Findings of Fact and Conclusions of Law in Support of Confirmation Order* [Main Case Docket No. 704] (the "Findings and Conclusions"), ¶ R.

5. Venue is proper in this Court pursuant to 28 U.S.C. § 1409.

PARTIES

6. Plaintiff is the post-confirmation estate representative for each of the Debtors and is the duly appointed Trustee for the Trusts, and in that capacity may bring proceedings for and on behalf of the Trusts, including all of the Debtors' Claims and Causes of Action that have been transferred to the Trusts under the Confirmed Plan. Confirmed Plan, Art. VI; Confirmation Order ¶¶ 2, 4-6; Findings and Conclusions ¶¶ I, L-M; Trust Agreements [Main Case Docket No. 677], Arts. 1-2.

7. Upon information and belief, Defendant Mesa, Inc. is an entity organized under the laws of the State of California, of which the President and controlling equity holder is former CAREIC director, William Davidson (“Davidson”).

8. To the extent Defendants Mesa Development and Mesa Research Group are not the same as Mesa, Inc., then upon information and belief, Mesa Development and Mesa Research Group are entities organized under the laws of the State of California, of which Davidson is the President and controlling equity holder.

FACTS

The Court’s Consolidation Findings and Conclusions

9. On February 8, 2013, the Court entered an *Order Granting Chapter 11 Trustee’s Motion to Substantively Consolidate* CAOP Managers, CAK, CASDF, CAS and non-debtor Castle Arch Star Valley, LLC with CAREIC as of October 17, 2011 [Main Case Docket No. 590] (the “Consolidation Order”), and these entities, as consolidated, have hereinafter been referred to as the “Consolidated Legacy Debtors.”

10. Also on February 8, 2013, the Court entered its *Findings of Fact and Conclusions of Law in Support of the Consolidation Order* [Main Case Docket No. 591] (the “Consolidation Findings and Conclusions”).

The Debtors’ Pre-Petition Business Scheme

11. Prior to the filing of the Bankruptcy Cases, CAREIC managed, either directly or indirectly, all of the CAREIC Affiliates through a single paid management team. Consolidation Findings and Conclusions ¶¶ 17 & 107(c).

12. The Consolidated Legacy Debtors claimed to be in the business of investing in and developing raw land.

13. The Debtors raised a total of \$73,593,717.00 (as reported in the Debtors' Master Tracking Sheet maintained to track investor funds), net of redemptions, from investors during the period of May 2004 through the filing of the Bankruptcy Cases. Consolidation Findings and Conclusions ¶ 34 & Exhibit F.

14. Cash raised from investors was "used indiscriminately by the Debtors to fund whatever entity was in need of cash at any given time." Consolidation Findings and Conclusions ¶ 25; *see also id.* ¶¶ 46-59 & 107(b). Cash was used "as if part of one big 'piggy bank,' with funds from the account of whichever entity had cash on deposit being transferred, commingled, and used by the entity in need of cash at any given time." *Id.* ¶ 58.

15. At all times relevant hereto, the Consolidated Legacy Debtors were insolvent.

16. At all relevant times hereto, the Consolidated Legacy Debtors had at least one unsecured creditor.

Transfers to Defendants

17. Upon information and belief, Defendants are "insiders" of CAREIC and CAOP I based on their relation to, or affiliation with former CAREIC director, Davidson.

18. Attached hereto as Exhibit 1 is a summary prepared from the Debtors' books and records in the Trustee's custody and control of prepetition transfers of cash made by the Debtors noted thereon to the Defendants prior to the filing of the Bankruptcy Cases (the "Transfers").

19. Upon information and belief, Defendants provided no value or services to the Debtors in exchange for the Transfers.

FIRST CLAIM FOR RELIEF

(Avoidance of Fraudulent Transfers Under 11 U.S.C. § 548(a)(1)(A))

20. The Trustee re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

21. The Transfers were transfers of an interest of the Consolidated Legacy Debtors and CAOP I in property.

22. The Transfers or any obligation of the Debtors to make the Transfers were made or incurred with actual intent to hinder, delay or defraud the creditors of the Consolidated Legacy Debtors and CAOP I.

23. The Trustee is able to avoid all Transfers made within two years of the relevant Debtors' petition dates under 11 U.S.C. § 548(a)(1)(A).

SECOND CLAIM FOR RELIEF

(Avoidance of Fraudulent Transfers Under 11 U.S.C. § 548(a)(1)(B))

24. The Trustee re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

25. The Transfers were transfers of an interest of the relevant Debtors in property.

26. The relevant Debtors did not receive reasonably equivalent value in exchange for the Transfers or any obligation of the Debtors to make the Transfers.

27. At the time the Transfers were made or the obligations were incurred, the relevant Debtors: (a) were insolvent or became insolvent as a result of the Transfers or the obligations incurred; (b) were engaged in a business or transaction, or were about to engage in a business or transaction for which any property remaining with the Debtors was unreasonably small capital;

or (c) intended to incur, or believed that they would incur, debts that would be beyond their ability to pay as such debts matured.

28. The Trustee is able to avoid all Transfers made within two years of the relevant Debtors' petition dates under 11 U.S.C. § 548(a)(1)(B).

THIRD CLAIM FOR RELIEF

(Avoidance of Fraudulent Transfers Under 11 U.S.C. § 544(b) and Utah Code Annotated §§ 25-6-5(1)(a) and 25-6-8)

29. The Trustee re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

30. The Transfers were transfers of an interest of the relevant Debtors in property.

31. At all relevant times hereto, the Consolidated Legacy Debtors and CAOP I had at least one unsecured creditor.

32. Upon information and belief, the Transfers were made or were based on obligations incurred with actual intent to hinder, delay or defraud the creditors of the Consolidated Legacy Debtors and CAOP I.

33. The Transfers are avoidable by the Trustee under 11 U.S.C. § 544(b) and Utah Code Ann. §§ 25-6-5(1)(a) and 25-6-8.

FOURTH CLAIM FOR RELIEF

(Avoidance of Fraudulent Transfers Under 11 U.S.C. § 544(b) and Utah Code Annotated §§ 25-6-5(1)(b) and 25-6-8)

34. The Trustee re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

35. The Transfers were transfers of an interest of the relevant Debtors in property.

36. At all relevant times hereto, the Consolidated Legacy Debtors and CAOP I had at least one unsecured creditor.

37. Upon information and belief, the Consolidated Legacy Debtors and CAOP I did not receive reasonably equivalent value in exchange for the Transfers or any obligation of such Debtors to make the Transfers.

38. At the time the Transfers were made or the obligations were incurred to any of the Defendants, the Consolidated Legacy Debtors and CAOP I: (a) were engaged or were about to engage in a business or a transaction for which the remaining assets of such Debtors were unreasonably small in relation to their business or transaction; or (b) intended to incur, or believed or reasonably should have believed that they would incur debts beyond their ability to pay as they became due.

39. The Transfers are avoidable by the Trustee under 11 U.S.C. § 544(b) and Utah Code Ann. §§ 25-6-5(1)(b) and 25-6-8.

FIFTH CLAIM FOR RELIEF

(Avoidance of Fraudulent Transfers Under 11 U.S.C. §544(b) and Utah Code Ann. §§ 25-6-6(1) and 25-6-8)

40. The Trustee re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

41. The Transfers were transfers of an interest of the Consolidated Legacy Debtors and CAOP I in property.

42. At all relevant times hereto, the relevant Debtors had at least one unsecured creditor.

43. Upon information and belief, the Consolidated Legacy Debtors and CAOP I did not receive reasonably equivalent value in exchange for the Transfers or any obligation of such Debtors to make the Transfers.

44. The Consolidated Legacy Debtors and CAOP I were insolvent at the time the Transfers or any obligations to make the Transfers were made, or became insolvent as a result of the Transfers.

45. The Transfers are avoidable by the Trustee under 11 U.S.C. § 544(b) and Utah Code Ann. §§ 25-6-6(1) and 25-6-8.

SIXTH CLAIM FOR RELIEF

(Recovery of Avoided Transfers Under 11 U.S.C. §§ 550 and 551)

46. The Trustee re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

47. The Transfers are avoidable under 11 U.S.C. § 544(b) and Utah Code Ann. §§ 25-6-5, 25-6-6, and 25-6-8.

48. The Trustee may recover and preserve for the benefit of the Legacy Trust the Transfers under 11 U.S.C. §§ 550 and 551.

SEVENTH CLAIM FOR RELIEF

(Constructive Trust)

49. The Trustee re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

50. The Transfers to Defendants were comprised of property of the Consolidated Legacy Debtors and CAOP I and, upon information and belief, were made by such Debtors improperly.

51. Allowing Defendants to retain the Transfers would unjustly enrich the Defendants and would be inequitable.

52. Upon information and belief, the Transfers can be traced to the wrongful behavior of the Consolidated Legacy Debtors and their management, including director Davidson, CAOP I, and/or the Defendants.

53. An injustice would result if the Defendants were allowed to keep the Transfers.

54. A constructive trust for the benefit of the Legacy Trust must be imposed in the amount of the Transfers made to Defendants.

EIGHTH CLAIM FOR RELIEF
(Unjust Enrichment and Disgorgement)

55. The Trustee re-alleges and incorporates herein by reference each of the preceding allegations as if set forth completely herein.

56. The Transfers to the Defendants were comprised of property of the Consolidated Legacy Debtors and CAOP I.

57. The Transfers conferred a benefit upon Defendants.

58. Upon information and belief, Defendants knowingly benefitted from the Transfers.

59. Upon information and belief, allowing Defendants to retain the Transfers would unjustly enrich Defendants and would be inequitable.

60. Absent return of the Transfers, the Legacy Trust and CAOP I Trust will be damaged by Defendants' unjust enrichment and may have no adequate remedy at law.

61. Defendants must disgorge the amount of the Transfers for the benefit of the Legacy Trust and CAOP I Trust.

PRAYER FOR RELIEF

WHEREFORE, the Trustee prays for Judgment against Defendants as follows:

A. Pursuant to the Trustee's First Claim for Relief, judgment against Defendants avoiding the Transfers made on or within two years of the relevant Debtors' petition dates under 11 U.S.C. § 548(a)(1)(A).

B. Pursuant to the Trustee's Second Claim for Relief, judgment against Defendants avoiding the Transfers made on or within two years of the relevant Debtors' petition dates under 11 U.S.C. § 548(a)(1)(B).

C. Pursuant to the Trustee's Third Claim for Relief, judgment against Defendants avoiding the Transfers under 11 U.S.C. § 544(b) and Utah Code Ann. §§ 25-6-5(1)(a) and 25-6-8.

D. Pursuant to the Trustee's Fourth Claim for Relief, judgment against Defendants avoiding the Transfers under 11 U.S.C. § 544(b) and Utah Code Ann. §§ 25-6-5(1)(b) and 25-6-8.

E. Pursuant to the Trustee's Fifth Claim for Relief, judgment against Defendants avoiding the Transfers under 11 U.S.C. § 544(b) and Utah Code Ann. §§ 25-6-6(1) and 25-6-8.

F. Pursuant to the Trustee's Sixth Claim for Relief, judgment against Defendants recovering and preserving for the benefit of the respective Trusts all avoided Transfers under 11 U.S.C. §§ 550 and 551.

G. Pursuant to the Trustee's Seventh Claim for Relief, judgment against Defendants imposing a constructive trust for the benefit of the Trusts on all Transfers made to Defendants.

H. Pursuant to the Trustee's Eighth Claim for Relief, judgment against Defendants for unjust enrichment in the amount of the Transfers.

I. Judgment for pre-judgment interest, costs, and fees, including reasonable attorneys' fees, as may be allowed by law.

J. For such other and further relief as the Court deems just and proper.

DATED this 14th day of April, 2014.

DORSEY & WHITNEY LLP

 /s/ Peggy Hunt
Peggy Hunt
Milo Steven Marsden
Nathan S. Seim

EXHIBIT A

LEGACY TRUST / CAOP I TRUST
Transfer Analysis (Mesa Inc. / Mesa Research)

<u>Trans Date</u>	<u>Clear Date</u>	<u>Reference</u>	<u>Payee/Payor</u>	<u>Amount</u>
Consolidated Legacy Debtor				
02/01/08	02/11/08	7804	Mesa Inc.	\$ (5,301.50)
02/21/08	03/03/08	7848	Mesa Inc.	(599.04)
09/29/08	10/06/08	8052	Mesa Inc.	(4,904.00)
10/13/09	10/16/09	8776	Mesa Research	(661.06)
Total Legacy Debtor Transfers				\$ (11,465.60)
CAOP I				
02/08/10	02/17/10	117	Mesa, Inc.	\$ (1,151.86)
03/03/10	03/10/10	125	Mesa, Inc.	(1,142.14)
Total CAOP I Transfers				\$ (2,294.00)
Total Transfers				\$ (13,759.60)