

Peggy Hunt (Utah State Bar No. 6060)  
Nathan S. Seim (Utah State Bar No. 12654)  
**DORSEY & WHITNEY LLP**  
136 South Main Street, Suite 1000  
Salt Lake City, UT 84101-1685  
Telephone: (801) 933-7360  
Email: [hunt.peggy@dorsey.com](mailto:hunt.peggy@dorsey.com)  
[seim.nathan@dorsey.com](mailto:seim.nathan@dorsey.com)

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

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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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**LIQUIDATING TRUSTEE'S STATUS REPORT AND *EX PARTE* MOTION TO  
EXTEND DEADLINE TO OBJECT TO A LIMITED GROUP OF CLAIMS UNDER  
CONFIRMED PLAN**

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D. Ray Strong, in his capacity as estate representative and Liquidating Trustee (the  
“Trustee”) of the Consolidated Legacy Debtors Liquidating Trust (the “Legacy Trust”), hereby

files this status report and *ex parte* Motion, seeking a Court Order extending the deadline under the *Second Amended Chapter 11 Trustee's Plan of Liquidation Dated February 25, 2013* [Docket No. 701] (the "Confirmed Plan") to (1) object to the filed Proofs of Claim of insiders Jeff Austin, Douglas Child, William Grundy and, to the extent necessary, William Davidson and Robert Geringer (collectively, the "Insiders"); and (2) object to the filed Proofs of Claim of Bierwolf & Nilson PLLC ("Bierwolf") and Snell & Wilmer LLP ("S&W"). In support hereof, the Trustee states as follows.

## **BACKGROUND**

### *General*

1. On October 17, 2011, Castle Arch Real Estate Investment Company, LLC ("CAREIC") filed a petition for relief under Chapter 11 of the Bankruptcy Code.
2. On October 20, 2011, CAOP Managers, LLC, Castle Arch Kingman, LLC, Castle Arch Secured Development Fund, LLC, and Castle Arch Smyrna, LLC (collectively with CAREIC, the "Legacy Debtors"), as well as Castle Arch Opportunity Partners I, LLC and Castle Arch Opportunity Partners II, LLC also filed petitions under Chapter 11 of the Bankruptcy Code.
3. On May 3, 2012, the Bankruptcy Court entered an Order appointing the Trustee as the Chapter 11 trustee for CAREIC [Docket No. 215], and in that capacity, the Trustee managed each of the other Debtors.
4. On June 7, 2013, the Bankruptcy Court entered an *Order Confirming Chapter 11 Trustee's First Amended Plan of Liquidation Dated February 25, 2013 as Modified* [Docket No. 705] (the "Confirmation Order"), thus confirming the Confirmed Plan.

5. As part of the Confirmation Order, the Bankruptcy Court: (a) designated the Trustee as the estate representative for each of the Debtors; (b) approved the Liquidating Trust Agreement for the Legacy Trust; and (c) appointed the Trustee as Liquidating Trustee for the Legacy Trust.

6. Pursuant to Art. X of the Confirmed Plan, the Court retains jurisdiction relating to the matters set forth herein.

*Deadline for Filing Claim Objections*

7. Section 6.9 of the Confirmed Plan states that the Trustee, on behalf of the Debtors or the Legacy Trust, as the case may be, “may commence, prosecute, defend against, recover on account of, and settle all . . . Claims . . . in accordance with the best interests, and for the benefit of, the . . . Liquidating Trusts.”

8. Pursuant to Section 7.1 of the Confirmed Plan, the original deadline to object to Proofs of Claim was 90 days after the Confirmed Plan’s Effective Date, or October 21, 2013.<sup>1</sup>

9. On October 21, 2013, the Trustee filed the *Liquidating Trustee’s Ex Parte Motion to Extend Deadline to Object to Priority Tax Claims, Secured Tax Claims, Secured Claims, Priority Unsecured Claims, General Unsecured Claims and Equity Interests Under Confirmed Plan* [Docket No. 836], which the Court granted on October 22, 2013 [Docket No. 838], pursuant to which the Trustee’s deadline for objecting to filed Proofs of Claim was extended to November 20, 2013.

10. On November 19, 2013, the Trustee filed the *Liquidating Trustee’s Ex Parte Motion to Extend Deadline to Object to a Limited Group of Proofs of Claim Under Confirmed*

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<sup>1</sup> The Effective Date of the Confirmed Plan was July 22, 2013. See Notice of Effective Date [Docket No. 712].

Plan [Docket No. 848] (the “Second Extension Motion”), pursuant to which the Trustee sought an extension to object to the following Proofs of Claim filed by the Insiders against CAREIC (collectively, the “Insider Claims”):

<b>Name of Insider</b>	<b>Claim No.</b>
Jeff Austin	38
Jeff Austin	39
Jeff Austin	40
Douglas Child	36
William Grundy <sup>2</sup>	9
William Davidson <sup>3</sup>	26
Robert Geringer <sup>4</sup>	27

11. The Second Extension Motion also requested an extension for the Trustee to object to the following Proofs of Claim asserted against CAREIC (collectively, the “Non-Insider Claims”): (a) Claim No. 28, filed by Bierwolf & Nilson PLLC (the “Bierwolf Claim”); (b) Claim

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<sup>2</sup> Grundy actually filed five different claims against CAREIC, designated on CAREIC’s claims docket as Claim Nos. 7–11. However, all of Grundy’s claims, other than Claim No. 9, have been disallowed pursuant to the Court’s *Order on Omnibus Objection to Claims* [Docket No. 236].

<sup>3</sup> Davidson actually filed two additional Proofs of Claim against various Debtors as follows: Proof of Claim No. 2 against Castle Arch Opportunity Partners II, LLC (the “CAOP II Claim”) and Proof of Claim No. 2 against Castle Arch Smyrna, LLC (the “CAS Claim”). Pursuant to the Court’s Order entered on November 13, 2012 [Docket No. 441] (the “Davidson Order”), the Court disallowed the CAOP II Claim and the CAS Claim in their entirety. While the Davidson Order does allow Davidson an allowed general unsecured claim against CAREIC in the amount of \$103,243.29 (the “Davidson Claim”), the allowance of such claim is subject to the Trustee’s reservation of rights to (1) file an adversary proceeding against Davidson, including an action to recover payments from Davidson; (2) offset any amounts allowed under the Davidson Claim with claims the Debtors may have against Davidson; and (3) seek subordination of any amounts allowed under the Davidson Claim. Thus, out of an abundance of caution, the Trustee files this Motion so as to prevent the expiration of the Claims Objection Deadline from precluding the Trustee from asserting any rights that he may have against Davidson or related to the Davidson Claim in any lawsuit he may file in the future.

<sup>4</sup> Pursuant to the Court’s Order entered on April 15, 2013 [Docket No. 666], Geringer has a general unsecured claim against CAREIC in the amount of \$243,146.13 (the “Geringer Claim”). Thus, out of an abundance of caution, the Trustee files this Motion so as to prevent the expiration of the Claims Objection Deadline from precluding the Trustee from asserting any rights that he may have against Geringer or related to the Geringer Claim in any lawsuit he may file in the future.

No. 6, filed by Snell & Wilmer LLP (the “S&W Claim”); and (c) Claim No. 37, filed by Ryan, Inc. (the “Ryan Claim”).

12. On November 20, 2014, the Court entered an Order granting the Second Extension Motion [Docket No. 853], thereby extending the deadline for the Trustee to object to the Insider Proofs of Claim and the Non-Insider Proofs of Claim until April 15, 2014 (the “Claims Objection Deadline”).

*Status of Insider Claims and Request for Extension of Claims Objection Deadline*

13. The Trustee has analyzed claims and causes of action that the Debtors may have against the Insiders, and the Trustee has provided the Insiders with a Draft Complaint that he intends to file against them if a settlement cannot be reached, which complaint includes, among other causes of action, objections to the Insider Claims, as well as requests for subordination of the Insider Claims, to the extent the Court determines that the Insider Claims are allowed Claims against the Legacy Trust.

14. On February 21, 2014, the Trustee participated in a mediation with all former management of the Debtors, including the Insiders, but a settlement was not reached.

15. At this time, each of the Insiders has entered into a Tolling Agreement with the Trustee to toll any statutes of limitations or other time bars until May 31, 2014.

16. Although the Trustee believes that the Tolling Agreements toll any applicable deadlines for filing objections to the Insider Claims, out of an abundance of caution, and to prevent the filing of potentially unnecessary objections to the Insider Claims, the Trustee requests that the Court enter an Order further extending the Claims Objection Deadline with regard to the Insider Claims for another 45 days, through May 31, 2014—the date the Tolling

Agreements expire and the date the Trustee must file his Complaint against the Insiders to the extent settlements cannot be reached.

*Status of Non-Insider Claims and Request for Extension of Claims Objection Deadline*

17. On January 29, 2014, the Trustee filed a *Notice of Stipulation* relating to the Ryan Claim [Docket No. 888], stipulating that the Ryan Claim will be allowed as a Class A4 Allowed General Unsecured Claim under the Confirmed Plan in the reduced amount of \$19,034.89.

18. The Bierwolf Claim asserts a general unsecured claim against the Legacy Trust in the amount of \$31,230.71 for “SEC audit and review services performed.” The Trustee is in the process of analyzing the Bierwolf Claim, as well as analyzing whether an adversary proceeding should be commenced against Bierwolf related to negligence or malpractice. Therefore, the Trustee also requests an Order extending the deadline for him to file an objection to the Bierwolf Claim through May 31, 2014.

19. The S&W Claim asserts a general unsecured claim against the Legacy Trust in the amount of \$59,228.17. However, CAREIC’s Schedules—drafted and filed by the Debtors’ former management—list a claim against S&W. The Trustee recently contacted S&W about attempting to work out an agreement relating to the S&W Claim, but no agreement has been reached to date. The Trustee would prefer to attempt to settle this matter prior to filing an objection to the S&W Claim. Therefore, the Trustee also requests an Order extending the deadline for him to file an objection to the S&W Claim through May 31, 2014.

**CONCLUSION**

Wherefore, the Trustee seeks entry of an Order extending the Claims Objection Deadline through May 31, 2014 to (1) object to the Insider Claims, filed by Jeff Austin, Douglas Child,

William Grundy and, to the extent necessary, William Davidson and Robert Geringer; and (2) object to the filed Proofs of Claim of Bierwolf & Nilson PLLC and Snell & Wilmer LLP, as discussed above.

DATED this 15<sup>th</sup> day of April, 2014.

**DORSEY & WHITNEY LLP**

*/s/ Peggy Hunt*

Peggy Hunt

Nathan S. Seim

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