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**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, the Castle Arch Opportunity Partners I,
LLC Liquidating Trust, and the Castle Arch
Opportunity Partners II, LLC Liquidating
Trust,

Plaintiff,

v.

KEITH GREEN, an individual,

Defendant.

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 Castle Arch Opportunity Partners I, LLC Liquidating Trust and the Castle Arch Opportunity Partners II, LLC Liquidating Trust (collectively, the “Trusts”), hereby files this Complaint against Defendant Keith Green (“Defendant”), 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 petition seeking relief under Chapter 11 of the Bankruptcy Code, 11 U.S.C. § 101 *et seq.* (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Utah (the “Court”), thus commencing the above-captioned bankruptcy case.

2. On October 20, 2011, relevant 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 (“CAOP II”) (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”).

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

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

5. 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.

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

PARTIES

7. Plaintiff is the post-confirmation estate representative for each of the Debtors and is the duly appointed Liquidating Trustee for each of 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 relevant 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.

8. Upon information and belief, Defendant is an individual residing in the State of California who received funds from the Debtors for his solicitation of investors in the Debtors.

9. Upon information and belief, the Defendant is an insider of the Debtors.

FACTS

The Court's Consolidation Findings and Conclusions

10. On February 8, 2013, the Court entered an *Order Granting Chapter 11 Trustee's Motion to Substantively Consolidate* [Main Case Docket No. 590] (the "Consolidation Order") and *Findings of Fact and Conclusions of Law* in support of the Consolidation Order [Main Case Docket No. 591] (the "Consolidation Findings and Conclusions"), thus substantively consolidating CAOP Managers, CAK, CASDF, CAS and non-debtor Castle Arch Star Valley, LLC with CAREIC as of October 17, 2011.

The Debtors' Pre-Petition Business Scheme

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

12. The Legacy Debtors claimed to be in the business of investing in and developing raw land, and CAOP I and CAOP II were in the business of investing in distressed properties.

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

14. "[A] large portion of the Legacy Debtors' business focused on fundraising." Consolidation Findings and Conclusions ¶ 41; *see id.* ¶¶ 40-45.

15. Upon information and belief, approximately 25% of all funds raised by the Debtors were used for executive compensation and related expenses and fundraising expenses, such as finders' fees and commissions. *Id.* ¶ 42.

16. CAREIC caused each of the Debtors to be formed as “a vehicle by which to obtain additional investor funds[.]” Consolidation Findings and Conclusions ¶ 107(d). In particular, as cash was consumed and additional cash was needed, CAREIC caused new securities offerings to be made, initially through CAREIC alone, and then later through the other Debtors that CAREIC cause to be formed. Consolidation Findings and Conclusions ¶ 35 & Exhibits F-G.

17. 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.

18. The Private Placement Memoranda issued by the Debtors to investors stated that investments were being solicited through licensed brokers.

19. At all times relevant hereto, each of the Debtors were insolvent.

20. At all relevant times hereto, each of the Debtors had at least one unsecured creditor.

The Defendant's Role

21. The Defendant was employed by CAREIC as its Regional Vice President for Business Development (Western Region).

22. Upon information and belief, as early as October 2007, the Defendant regularly and actively solicited investors in the Debtors, routinely advised investors on the merits of investing in the Debtors, and regularly effected transactions in securities for the Debtors, for which he received transaction-based compensation, including but not limited to bonuses and incentive rewards.

Transfers to Defendant

23. Attached hereto as Exhibit 1 and Exhibit 2 are summaries prepared from the Debtors' books and records in the Trustee's custody and control of transfers of cash made by the Debtors to Defendant prior to the filing of the Bankruptcy Cases.

24. Upon information and belief, and as shown on the attached Exhibit 1, the Debtors made transfers to Defendant in the total amount of \$42,000.00 as compensation for soliciting investments in, referring investors to, or raising funds for the Debtors (the "Commission Transfers").

25. Upon information and belief, and as shown on the attached Exhibit 2, the Legacy Debtors paid Defendant additional compensation in the form of payroll in the total amount of \$289,341.67 for soliciting investments in, referring investors to, or raising funds for the Debtors (these salary transfers, together with the Commission Transfers, are collectively referred as the "Transfers").

26. Upon information and belief, the Transfers were made by the Debtors at a time when Defendant was not a licensed securities broker or dealer authorized to sell or solicit investments in securities.

27. Each of the Transfers is a transfer of an interest of the named Debtors in property.

28. Upon information and belief, the Transfers were made by the Debtors, or the obligations of the Debtors to make the Transfers to the Defendant, were made with actual intent to hinder, delay or defraud the Debtors' creditors and investors.

29. Upon information and belief, the Transfers were made by the Debtors, or the obligations of the Debtors to make the Transfers to the Defendants, were for services for which the Debtors received less than a reasonably equivalent value in exchange for such Transfers or obligations.

30. Upon information and belief, the Allowed Claims against the Debtors and their respective Trusts will not be paid in full.

FIRST CLAIM FOR RELIEF

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

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

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

33. 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 relevant Debtors' creditors.

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

SECOND CLAIM FOR RELIEF

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

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

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

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

38. 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.

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

THIRD CLAIM FOR RELIEF

(Avoidance of Transfers Under 11 U.S.C. § 544(b) and Utah Code Annotated §§ 25-6-5(1)(a) 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. At all times hereto, the relevant Debtors had at least one unsecured creditor.

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

43. The Transfers were made or were based on obligations incurred with actual intent to hinder, delay or defraud the relevant Debtors' creditors.

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

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

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

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

48. At the time the Transfers were made or the obligations were incurred, the relevant Debtors: (a) were engaged or were about to engage in a business or a transaction for which the remaining assets of the relevant Debtors were unreasonably small in relation to the 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.

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

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

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

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

53. The relevant Debtors 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.

54. 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)

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

56. The Transfers made within two years of the relevant Debtors' petition dates are avoidable under 11 U.S.C. § 548(a)(1)(A) and/or (B).

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

58. The Trustee may recover and preserve for the benefit of the relevant Trusts the avoided Transfers under 11 U.S.C. §§ 550 and 551.

SEVENTH CLAIM FOR RELIEF

(Constructive Trust)

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

60. The Transfers to Defendant were comprised of property of the relevant Debtors and were made by the Debtors improperly or are based on illegal obligations because any agreement to make payments to the Defendant was related to the unlicensed sale of securities.

61. Allowing Defendant to retain the Transfers would unjustly enrich Defendant and would be inequitable.

62. The Transfers can be traced to the wrongful behavior of the relevant Debtors, their officers, and/or Defendant.

63. An injustice would result if Defendant was allowed to keep the Transfers.

64. A constructive trust for the benefit of the respective Trusts must be imposed in the amount of the Transfers made to Defendant.

EIGHTH CLAIM FOR RELIEF
(Unjust Enrichment and Disgorgement)

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

66. The Transfers to Defendant were comprised of property of the relevant Debtors.

67. The Transfers conferred a benefit upon Defendant.

68. Upon information and belief, Defendant knowingly benefitted from the Transfers.

69. Allowing Defendant to retain the Transfers would unjustly enrich Defendant and would be inequitable.

70. Absent return of the Transfers, the respective Trusts will be damaged by Defendant's unjust enrichment and may have no adequate remedy at law.

71. Defendant must disgorge the amount of the Transfers for the benefit of the respective Trusts.

PRAYER FOR RELIEF

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

A. Pursuant to the Trustee's First Claim for Relief, judgment against Defendant avoiding the Transfers made 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 Defendant avoiding the Transfers made 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 Defendant 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 Defendant 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 Defendant 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 Defendant 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 Defendant imposing a constructive trust for the benefit of the respective Trusts on all Transfers made to Defendant.

H. Pursuant to the Trustee's Eighth Claim for Relief, judgment against Defendant 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.

EXHIBIT 1

LEGACY TRUST / CAOP I TRUST
Transfer Analysis (Keith Green)

<u>Trans Date</u>	<u>Clear Date</u>	<u>Reference</u>	<u>Payee/Payor</u>	<u>Amount</u>
Consolidated Legacy Debtor				
10/12/07	10/18/07	1040	Keith Green	\$ (5,000.00)
10/25/07	11/13/07	1046	Keith Green	(5,000.00)
11/26/07	12/05/07	7645	Green, Keith	(5,000.00)
12/27/07	01/07/08	7732	Green, Keith	(5,000.00)
01/28/08	02/04/08	1087	Keith Green	(5,000.00)
02/27/08	03/14/08	1128	Keith Green	(5,000.00)
			Total Legacy Debtor Transfers	\$ (30,000.00)
CAOP I				
10/13/09	10/19/09	82	Green, Keith	\$ (12,000.00)
			Total CAOP I Transfers	\$ (12,000.00)
			Total Transfers	\$ (42,000.00)

EXHIBIT 2

LEGACY TRUST
Transfer Analysis Based on Payroll Records (Keith Green)

<u>Trans Date</u>	<u>Reference</u>	<u>Payee/Payor</u>	<u>Amount</u>
04/01/08	1427	Green, Keith	\$ (8,400.00)
05/01/08	1455	Green, Keith	(10,000.00)
06/01/08	4	Green, Keith	(10,000.00)
07/01/08	32	Green, Keith	(10,000.00)
08/05/08	59	Green, Keith	(12,000.00)
09/04/08	96	Green, Keith	(12,000.00)
10/03/08	127	Green, Keith	(12,000.00)
11/05/08	158	Green, Keith	(12,000.00)
12/05/08	185	Green, Keith	(12,000.00)
01/13/09	212	Green, Keith	(12,000.00)
02/05/09	232	Green, Keith	(12,000.00)
03/06/09	279	Green, Keith	(12,000.00)
04/06/09	309	Green, Keith	(11,000.00)
05/05/09	348	Green, Keith	(11,000.00)
06/08/09	379	Green, Keith	(11,000.00)
10/20/09	DD	Green, Keith	(5,500.00)
11/05/09	DD	Green, Keith	(5,000.00)
11/20/09	DD	Green, Keith	(5,000.00)
12/04/09	DD	Green, Keith	(5,000.00)
12/18/09	DD	Green, Keith	(5,000.00)
01/05/10	DD	Green, Keith	(5,000.00)
01/20/10	DD	Green, Keith	(5,000.00)
02/05/10	DD	Green, Keith	(5,000.00)
02/19/10	DD	Green, Keith	(5,000.00)
03/05/10	DD	Green, Keith	(5,000.00)
03/19/10	DD	Green, Keith	(5,000.00)
04/05/10	DD	Green, Keith	(5,000.00)
04/20/10	DD	Green, Keith	(4,250.00)
05/05/10	DD	Green, Keith	(4,250.00)
05/20/10	DD	Green, Keith	(4,250.00)
06/04/10	DD	Green, Keith	(4,250.00)
06/18/10	DD	Green, Keith	(4,250.00)
07/02/10	DD	Green, Keith	(4,250.00)
07/20/10	DD	Green, Keith	(4,250.00)
08/05/10	DD	Green, Keith	(4,250.00)
08/20/10	DD	Green, Keith	(4,250.00)
09/03/10	DD	Green, Keith	(640.00)
09/20/10	DD	Green, Keith	(640.00)
10/05/10	DD	Green, Keith	(640.00)
10/20/10	DD	Green, Keith	(693.36)
11/05/10	DD	Green, Keith	(640.00)
11/19/10	DD	Green, Keith	(640.00)
12/03/10	DD	Green, Keith	(640.00)
12/20/10	DD	Green, Keith	(640.00)
01/05/11	DD	Green, Keith	(640.00)
01/20/11	DD	Green, Keith	(640.00)
02/04/11	DD	Green, Keith	(640.00)
02/18/11	DD	Green, Keith	(640.00)
03/04/11	DD	Green, Keith	(2,208.33)

Trans Date	Reference	Payee/Payor	Amount
03/18/11	DD	Green, Keith	(2,208.33)
04/05/11	DD	Green, Keith	(2,208.33)
04/20/11	DD	Green, Keith	(2,208.33)
05/05/11	DD	Green, Keith	(2,208.33)
05/20/11	DD	Green, Keith	(2,208.33)
06/03/11	DD	Green, Keith	(2,208.33)
Total Transfers			\$ (289,341.67)