IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No.

CMS INVESTMENT HOLDINGS, LLC,

Plaintiff,

v.

LAWRENCE E. CASTLE,
CAREN J. CASTLE,
LEO C. STAWIARSKI, JR.,
LEC HOLDINGS, LLC,
LCS COLORADO HOLDINGS, LLC

Defendants.

COMPLAINT AND JURY DEMAND

Plaintiff CMS Investment Holdings, LLC, by and through its undersigned attorneys, alleges as follows:

PARTIES

1. Plaintiff is a limited liability company organized under the laws of the State of Delaware. Its members are CMS Corporate Holdings, Inc., a corporation organized under the laws of the State of Delaware with its principal place of business in California; and CalPERS Corporate Partners, LLC, a limited liability company organized under the laws of Delaware. The member of CalPERS Corporate Partners, LLC is KMCP Advisors II, LLC, whose members are Timothy Kelleher and Douglas Meltzer, natural persons and citizens of California.

2. Lawrence E. Castle ("Castle") is a citizen of the State of Colorado. At relevant times, Castle was licensed to practice law by the State of Colorado; a principal and/or affiliate of various entities as herein alleged; and husband of Caren J. Castle ("Caren Castle"). Castle and Caren Castle are sometimes referred to herein as the Castles.

3. Caren Castle is a citizen of the State of Colorado. At all relevant times, Caren Castle was licensed to practice law by the State of Colorado; a principal and/or affiliate of various entities as herein alleged; and wife of Castle.

4. Leo C. Stawiarski, Jr. ("Stawiarski") is a citizen of the State of Colorado. At relevant times, Stawiarski was licensed to practice law by the State of Colorado and a principal of various entities as herein alleged.

5. LCS Colorado Holdings, LLC ("LCS Holdings") is a limited liability company organized under the laws of the State of Colorado. Its sole member is Stawiarski.

6. LEC Holdings, LLC is a limited liability company organized under the laws of the State of Colorado. Its members are Castle and Caren Castle.

JURISDICTION AND VENUE

7. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §1332 because the parties are of diverse citizenship and the amount in controversy exceeds $75,000 (exclusive of interest and costs).

8. The Court has personal jurisdiction over the defendants because the defendants reside, are found in, and/or transact business in this District, and/or engaged in wrongdoing within or that impacted the State of Colorado.

9. Venue is proper in this District because the defendants reside, are found in, and/or transact business here, and/or because the claims arose here and/or the injuries occurred here.

FACTUAL ALLEGATIONS

10. Beginning before 2007, Castle, Caren Castle, and Stawiarski owned, directed, controlled, and/or were affiliated with various law firms operating in Colorado, New Mexico, Arizona, Nevada, Wyoming, and Utah, including Castle Meinhold & Stawiarski, LLC (now known as The Castle Law Group); CMS Legal Services, LLC; Castle Meinhold & Stawiarski Legal Services, LLC; and Cooper Castle Law Firm, LLP, referred to herein as the "Castle Law Firms", whether collectively or individually. The Castle Law Firms provided legal services in connection with foreclosure, bankruptcy, and title processing, principally to mortgage lenders and mortgage servicing companies in connection with loans secured by residences or other real property.

11. Defendants and the Castle Law Firms also owned, managed, and/or operated entities that provided other, non-legal services to mortgage lenders and mortgage servicing companies on a fee basis (the "Castle Services Businesses") in connection with, among other things, mortgage defaults, foreclosure processing, title insurance and related services, title curative services, and real estate owned closing services. The Castle Services Businesses supported, and provided their services

principally to, the Castle Law Firms and their clients. In 2006-2007, defendants desired to find investors to help them capitalize the Castle Services Businesses for growth and to allow defendants to partially cash out.

12. FTV Capital believed the Castle Services Businesses presented an investment and growth opportunity. Plaintiff was organized and funded to make an investment. Plaintiff agreed to make a substantial investment after months of due diligence and negotiations with defendants.

13. An initial step in the investment transaction was the organization of CMS Holdings Group, LLC, later renamed RP Holdings Group, LLC (under whichever name, hereinafter "RPH"). Defendants sold the Castle Services Businesses to RPH in exchange for Class A Preferred Units, Class B Common Units, and promissory notes in RPH. Castle, Caren Castle, and Stawiarski controlled RPH.

14. On August 28, 2007, as a further step in the investment transaction, RPH, plaintiff, defendants, and others entered into a written Securities Purchase Agreement ("Castle SPA") and related transactional documents and closed plaintiff's investment. The entire transaction is referred to herein as the Castle Transaction. Plaintiff paid approximately $26.985 million to purchase Class A Preferred Units of RPH from defendants and become a majority owner of those Units. A substantial part of plaintiff's cash investment was paid or distributed, directly or indirectly, to defendants. After the closing, defendants owned Class B Common Units in RPH and certain promissory notes from RPH.

15. On the same date, to help finance the Castle Transaction, and on the strength of plaintiff's investment, RPH entered into a Credit Agreement with Freeport Financial LLC ("Freeport"), whereby RPH borrowed $22.5 million (ultimate principal sum). To secure the borrowing, RPH gave Freeport a security interest in certain Collateral, as defined, including all of RPH's operating assets (*i.e.,* initially including the Castle Services Businesses). A substantial part of the funds borrowed from Freeport was paid to defendants. The Credit Agreement, among other things, obligated RPH to make certain installment payments and a final balloon payment of more than $17 million by August 28, 2012. In the event of default, Freeport had the right to seize and sell the pledged Collateral to satisfy the remaining debt and related items. Defendants were well aware of the terms of the Credit Agreement and the potential consequence of any default by RPH.

16. Castle, Caren Castle, and Stawiarski intended to continue to own, manage, control, and be affiliated with the Castle Law Firms and to participate in the management and operations of RPH. The success of RPH, and plaintiff's investment in RPH, fundamentally depended on the Castle Law Firms continuing to use, support, and help develop the Castle Services Businesses, now owned by RPH, because defendants and their law firms were the principal clients and source of business of RPH. Any significant reduction in defendants' level of participation would harm RPH and plaintiff's investment.

17. Accordingly, the Castle SPA imposed non-compete and non-solicitation obligations on the defendants (the "Non-Compete"), found at Section 6.4. By these

obligations, defendants covenanted, both to RPH and directly to plaintiff, not to engage or participate in, directly or indirectly, any business competitive with RPH's business anywhere in North America, or to solicit RPH's customers or employees, for a period of five years beginning August 28, 2007 ("Non-Compete Period"), expiring August 27, 2012, unless extended. The Non-Compete expressly provided the five-year period would be extended by and for any breach thereof by defendants.

18. To further protect RPH and plaintiff, the Castle Law Firms entered into written Exclusive Services Agreements with RPH, dated August 28, 2007 (sometimes, "ESAs"). These Agreements provided for RPH to be the exclusive provider of non-legal services to these law firms at stated fee rates.

19. Plaintiff also entered into a "Side Agreement" with certain defendants, dated August 28, 2007, which created certain non-exclusive remedies for plaintiff in the event of, among other things, breach of the Non-Compete of the Castle SPA.

20. One concern of the Castle Transaction was to avoid the unauthorized practice of law or improper fee splitting. The concern arose because of the close relationship between the Castle Services Businesses and the law practices of the Castles, Stawiarski, and the Castle Law Firms. In preparation for the Castle Transaction, and before any closing thereof, plaintiff and defendants obtained a written legal opinion from Professor Geoffrey Hazard (the "Hazard Opinion"), dated August 25, 2007. The Hazard Opinion set forth the measures needed to be taken in the operation of RPH to avoid these and other concerns. Professor Hazard recommended the parties, among other things, separate the Castle Law Firms from the Castle Services

Businesses, in order to make sure that RPH's business plan complied with the lawyers' professional ethics obligations and avoided intertwining non-lawyers in the practice of law and improper fee-splitting with non-lawyers. The parties to the Castle Transaction understood and agreed to implement this separation and Professor Hazard's other recommendations.

21. Following the closing of the Castle Transaction, Castle, Caren Castle, and Stawiarski served as managers, officers, members, and board members of RPH. They had fiduciary duties to both RPH and plaintiff. Castle himself, for instance, was initially Chairman of the Board of Managers for RPH, and later became the Chief Executive Officer of the West Region of RPH, which was essentially the side of the business providing non-legal services to the Castle Law Firms. Caren Castle served as Chairman of RPH's Operating Board. Stawiarski was a member of the RPH Board of Managers.

22. In late 2007 and early 2008, RPH investigated and negotiated a transaction to purchase the services businesses associated with and serving lawyers Robert Wilson ("Wilson") and Jennifer Wilson-Harvey ("Wilson-Harvey") (Wilson's former wife) and their law practice, Wilson & Associates, P.L.L.C. ("Wilson Law Firm"). The Wilson Law Firm was principally located in Little Rock, Arkansas, with satellite offices located throughout the states of Arkansas and Tennessee, providing foreclosure, bankruptcy, and related legal services to mortgage lenders and mortgage servicing companies. Wilson, Wilson-Harvey, and the Wilson Law Firm also provided their clients with non-legal services, on a fee basis, in connection with mortgage defaults,

foreclosure processing, title insurance and related services, title curative services, and real estate owned closing services ("Wilson Services Businesses").

23. In April 2008, RPH purchased the Wilson Services Businesses ("Wilson Transaction"). The transaction was made possible by plaintiff's additional investment of $17.8 million into RPH. RPH also borrowed an additional $3.2 million from Freeport under the Credit Agreement to help fund the transaction. Defendants were aware of the Wilson Transaction.

24. After the Wilson Transaction, RPH formed a West Region for the Castle side of its business and a South Region for the Wilson side. The Castles and Stawiarski continued to provide legal services through the Castle Law Firms to mortgage lenders and services in their six-state region and were involved in the management of the West Region. The Wilson Law Firm continued to provide like services to its clientele in Arkansas and Tennessee. The South Region was managed by Wilson-Harvey and her associates.

25. From April 2008 through 2012, RPH's business was principally limited to providing services and support to the Castle Law Firms, Wilson Law Firm, and their clients.

26. During this same time period, housing prices collapsed throughout most of the United States, including in the states where the Castle Law Firms and Wilson Law Firm operated. Because of the housing and financial crises in those states, foreclosures and bankruptcies surged to record numbers. The Castle and Wilson Law Firms benefitted from a significant increase in the demand for their legal services; there

was also a similar spike in the demand for associated non-legal services such as those provided by RPH.

27. Through their management and control of RPH and the Castle Law Firms, however, Castle, Caren Castle, Stawiarski, and others frustrated efforts to separate the Castle and Wilson Services Businesses from the law firms as recommended by the Hazard Opinion. Castle, Caren Castle, and Stawiarski operated to benefit the Castle Law Firms at the expense of RPH.

28. Defendants caused the Castle Law Firms to underpay, slow pay, or to fail to pay RPH for non-legal services performed for the Castle Law Firms and their clients. Defendants also caused the Castle Law Firms to engage in unauthorized and improper fee-splitting. By these means, defendants diverted to and retained for the Castle Law Firms monies for the performance of non-legal services due RPH, thereby competing with RPH within the meaning of the Non-Compete and breaching and extending the obligation. Defendants improperly and wrongfully favored the Castle Law Firms over RPH. As a result, the Castle Law Firms were profitable; RPH was not.

29. Defendants' conduct in this regard also tolerated, encouraged, and failed to detect similar misconduct and favoritism by Wilson, Wilson-Harvey, and the Wilson Law Firm, who used the services of RPH but failed to pay for them in full.

30. RPH incurred and paid the costs of providing its services but was not timely and fully compensated by the Castle and Wilson Law Firms.

31. Defendants and others misled RPH and plaintiff that the ballooning accounts receivable resulted from slow payments from their law firm clients who were

charged for RPH's services. For example, on April 15, 2011 Castle told Ben Cukier, a fellow member of the RPH Board of Managers, that the rising accounts receivables were the result of problems with "cash collections from law firm clients".

32. As a consequence of defendants' business practices, RPH suffered increasing levels of unpaid accounts receivable and significantly reduced cash flow. These actions created a foreseeable cash and liquidity squeeze at RPH.

33. RPH's Board of Managers ultimately removed Castle as its Chairman and insisted on a new CEO at RPH to try to stop these practices, improve RPH's cash flow, reduce accounts receivable levels, and stabilize the business. Castle and other defendants frustrated these efforts and continued to undermine RPH, with the ultimate goals of intentionally starving RPH of cash to the benefit of the Castle Law Firms, and then taking advantage of RPH's failing finances ultimately to reacquire the Castle Services Businesses at distressed prices. By these actions, defendants breached, and extended the term of, the Non-Compete.

34. By late 2011, a new Chief Executive Officer at RPH advised that a refinancing or further investment was necessary in order to avoid a looming default on the Credit Agreement. The Castles, aided and abetted by others, blocked a recapitalization and refinancing proposal supported by the CEO of RPH and plaintiff.

35. No alternative refinancing or further investment for RPH was arranged. As a result, RPH did not have the resources to pay its senior lender and survive on its own from the resulting cash flow and earnings.

36. On information and belief, defendants made formal preparations to take advantage of the financial distress they created at RPH to reacquire the Castle Services Businesses, now the West Region of RPH, and exclude the other investors in RPH.

37. Defendants were aware that, at the same time, Wilson-Harvey and others were similarly planning to reacquire the Wilson Services Businesses, now the South Region of RPH.

38. These plans were intended to, and as executed foreseeably did, destroy RPH.

39. In 2012, as foreseeable consequences of defendants' breaches and other wrongdoing, RPH failed to make the balloon payment due in August 2012 and defaulted on its Credit Agreement with Freeport.

40. The Castles, Wilson-Harvey, and other management of RPH resigned from the Company in October 2012.

41. After resigning from RPH, the Castles continued to provide legal services through the Castle Law Firms (and at some point, the Castle Law Group) and to provide, or to arrange to provide, non-legal support services for their clients.

42. RPH ceased operations and was defunct.

43. Beginning at a date currently unknown to plaintiff, the Castles negotiated to buy back the Castle Services Businesses. These defendants were the only viable purchasers for these assets. In anticipation of this repurchase, the Castles organized Next Organization, LLC ("NextOrg") on August 27, 2012 to acquire the businesses. The

plan, however, was in the works prior to this date. The formation of NextOrg breached the Non-Compete, including as extended.

44. Freeport exercised its rights under the Credit Agreement against the Collateral (defined term) owned by RPH, claiming that approximately $20 million was past due from RPH. Freeport obtained the appointment of a receiver for the Collateral.

45. Through NextOrg, the Castles bought back at distressed prices the Castle Services Businesses and assets defendants had sold to RPH in 2007 by the Castle Transaction. NextOrg (Castles) was able to accomplish this favorable transaction because of defendants' breaches, wrongdoing, and mismanagement.

46. Wilson-Harvey and her affiliates likewise bought back at distressed prices the Wilson Services Businesses and related assets sold to RPH in 2008 by the Wilson Transaction. Wilson-Harvey and her affiliates were the only viable purchasers of those assets.

47. The sale of the Collateral through these two transactions paid back the entirety of Freeport's debt claim, but yielded nothing for plaintiff and others.

48. Plaintiff was the clear loser in all of this. It remains the owner of Class A units in the now defunct entity RPH, which has no operations or assets. Plaintiff's total investment of $44.785 million in RPH is essentially worthless.

CLAIMS

Count I
(Breach Of Contract -- Rescissory Relief For Material Breach)

49. Plaintiff incorporates by reference the allegations of paragraphs 1-48, as though fully set forth.

50. Any conditions precedent to defendants' obligations to perform their promises to plaintiff, including according to the Castle SPA and Section 6.4, were fulfilled, occurred, or were excused.

51. By their conduct, defendants materially breached the Non-Compete and other provisions of the Castle SPA and frustrated and defeated the essential purpose of the Castle Transaction and the Non-Compete.

52. Plaintiff would not have made its investment and entered into the Castle Transaction if plaintiff knew, or had reason to know, defendants were going to frustrate the business plan and breach their Non-Compete to continue to operate RPH and the Castle Services Businesses for their benefit and the benefit of the Castle Law Firms and to the detriment of RPH and other investors.

53. Defendants' breaches of the Non-Compete and other wrongdoing proximately, foreseeably, and significantly injured and damaged plaintiff.

54. Defendants' breaches were so substantial as to defeat the entire purpose of the transaction.

55. By their misconduct and breaches, defendants caused rescission of a material part of the Castle Transaction. Defendants continued to operate the Castle

Services Businesses; severely damaged RPH and made it defunct; and planned and used RPH's financial distress to reacquire, at distressed prices, the Castle Services Businesses. Defendants, though, have failed to return plaintiff's investment.

56. Plaintiff has no full, complete, and adequate remedy at law for defendants' breaches and wrongdoing.

57. Plaintiff is entitled to rescission of the Castle SPA and/or rescissory damages in amounts to be determined at trial.

Count II
(Breach Of Contract -- Damages At Law)

58. Plaintiff incorporates by reference the allegations of paragraphs 1-48 and 50-55 as though fully set forth.

59. In addition to the foregoing, defendants also breached the Non-Compete by acts of solicitation prohibited by the Castle SPA.

60. Defendants materially breached Section 6.4 of the Castle SPA.

61. Defendants' breaches foreseeably, proximately, and severely injured and damaged plaintiff.

62. Defendants' breaches extended the five-year Non-Compete Period, through and after the sale of the Castle Services Businesses to NextOrg.

63. Plaintiff suffered damages in ways and amounts that will be proven at trial.

Count III
(Side Agreement)

64. Plaintiff incorporates by reference the allegations of paragraphs 1-48, 50-55, and 59, as though fully set forth.

65. This claim is brought against Castle, Caren Castle, Stawiarski, and LCS Holdings (the Seller Affiliates) as obligors under the Side Agreement.

66. As alleged, the Castles independently, collectively, and by and through their conduct of the Castle Law Firms, breached, or caused the breach of, Section 6.4 of the Castle SPA. During relevant times, Stawiarski was an active participant with one or more of the Castle Law Firms, whose conduct as alleged herein was in violation of Section 1 of the Stawiarski Non-Compete provision.

67. As a result, plaintiff is entitled to exercise its rights and remedies under the Side Agreement.

68. All conditions precedent to plaintiff's right to enforce the Side Agreement have occurred, been performed, or been excused, including but not limited to the obligation to provide written notice.

69. Plaintiff is entitled to enforce its non-exclusive remedies under the Side Agreement.

70. Castle, Caren Castle, Stawiarski, and LCS Holdings have breached the Side Agreement by refusing to comply with its repurchase obligations.

71. Said breaches foreseeably, proximately, and significantly injured and damaged plaintiff.

72. Plaintiff has suffered loss and damage, and is entitled to the relief provided by the Side Agreement, in ways and amount to be proven at trial.

Count IV
(Breach Of Arbitration Agreement)

73. Plaintiff incorporates by reference the allegations of paragraphs 1-48 as though fully set forth.

74. The Castle SPA includes an agreement to arbitrate disputes in New York City before JAMS.

75. Plaintiff earlier commenced an arbitration proceeding before JAMS in New York City with respect to the disputes herein, in compliance with the arbitration agreement.

76. Plaintiff believes some or all of the defendants contest the obligation to arbitrate the claims asserted by plaintiff.

77. Defendants' refusal to arbitrate is in breach of their obligation to arbitrate.

78. Said breach has proximately injured plaintiff.

79. Defendant is entitled to relief in this Court in accordance with the Federal Arbitration Act to assist plaintiff in securing the right to arbitrate.

PRAYER

WHEREFORE, having complained of defendants, plaintiff seeks judgment in its favor on each claim for relief, against each defendant, as follows:

A. Staying this lawsuit pending arbitration in New York City, and/or such other relief under the Federal Arbitration Act as may be necessary and appropriate from this Court to obtain arbitration of some or all of the disputes herein;

B. Finding each defendant jointly and severally liable;

C. Awarding plaintiff rescissory damages;

D. Awarding plaintiff compensatory damages, as a supplemental and/or alternative remedy;

E. Awarding plaintiff relief as provided by the Side Agreement;

F. Awarding pre-judgment and post-judgment interest, as allowed by law;

G. Awarding plaintiff its attorneys' fees and costs; and

H. Awarding such other and further relief as is fair and just under the circumstances.

JURY DEMAND

Plaintiff demands a trial by jury on all issues so triable.

Dated: June 30, 2014

Respectfully submitted,

/s/ Bruce A. Featherstone

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