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Sequoia Partners - Developer of Paradise Ranch Resort in Grants Pass, Oregon - Files for Bankruptcy Protection

This week, Sequoia Partners, LLC voluntarily [filed for bankruptcy protection](#) in the District of Oregon bankruptcy court. The company owns and is developing the [Paradise Ranch Resort](#) located in Grants Pass, Oregon. The project is scheduled to include 100 rental rooms, 200 single-family homes, and an 18-hole championship golf course designed by Jack Nicklaus. Paradise Ranch is also expected to include convention space and retail shops.

In addition to the [bankruptcy petition](#), Sequoia Partners also quickly filed an [adversary complaint](#) against Rogue River Mortgage, LLC (described in court filings as a "self-styled arranger of creative financing"), Paradise Ranch Land Development, LLC, and an individual who is identified as a member of both defendant companies and a loan originator working for Rogue River Mortgage. In the complaint, Sequoia Partners reports that it purchased the location for the Paradise Ranch Resort in November 2003 and retained Carling of America, Ltd. to act as construction manager and general contractor for the development. Sequoia received financing for the development projects from Rogue River Mortgage in January 2004 and November 2006. The company later received \$4.6 million in additional financing from Home Valley Bank in February 2008. That debt has since been assigned to South Valley Bank and Trust. Between February and August of 2008, Rogue River also provided additional financing, although amounts are not disclosed in the adversary complaint.

Subsequently, Rogue River, Sequoia and Carling of America entered into an Operating Agreement for Construction Loan and Security on September 2, 2008. Pursuant to that agreement, Rogue River committed to provide Sequoia with up to \$25 million in secured financing to complete certain projects, including "resort structures, overnight villas, sewer treatment facilities, golf course, roads and utilities infrastructure, including remedial work in a public right-of-way of Josephine County." Sequoia was required to provide Josephine County (where the project is located) with financial assurances to guaranty completion of the development before it could begin selling the single family homes. As security for the obligations, Sequoia provided Rogue River with a blanket deed of trust.

In the [bankruptcy court complaint](#), Sequoia claims that "[d]espite its obligation to do so, RRM failed and refused to loan Sequoia funds necessary to complete the Specific Projects, failed to deposit funds into trust accounts established under the Operating Agreement to pay for enumerated construction items, and further failed to provide funds sufficient to pay Carling for work performed on the Project." These alleged failures caused Sequoia "extreme economic distress" and placed the development of the Paradise Ranch Resort "in peril." Finally, Sequoia alleges that Rogue River also "threatened Sequoia with foreclosure and used its secured position to demand and ultimately obtain additional security from Sequoia . . . in bad faith."

Therefore, Sequoia is asking the bankruptcy court to provide a declaratory judgment against Rogue River Mortgage and Paradise Ranch Land Development that, among other things, a



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later Standstill Agreement between the parties "is void and all transfers pursuant to it invalid" and determining that all of Sequoia's remaining obligations under the Operating Agreement and Standstill Agreement are "excused and discharged" as a result of Rogue River's breaches of such agreements. The [complaint](#) also seeks a court judgment that:

- Rogue River Mortgage "breached the Operating Agreement and Standstill Agreement by failing to loan funds and failing to deposit funds in the trust accounts to pay for construction and development of the Project."
- Rogue River breached implied covenants of good faith and fair dealing with respect to the Operating Agreement and Standstill Agreement.
- Sequoia "executed the Standstill Agreement as a result of the wrongful threats and interference, at a time when it was in extreme financial distress and had no reasonable alternatives."
- Sequoia is entitled to damages from Rogue River Mortgage and Paradise Ranch Land Development for "(1) out-of-pocket losses; (2) the loss of benefit of the bargains measured by the difference between the value of the Project as developed and its present value; and (3) its consequential damage" based on the theory of promissory estoppel.
- Sequoia's delivery of the blanket deed of trust in September 2008 to Rogue River is avoidable as a fraudulent transfer under sections 544(a) and/or 544(b) of the Bankruptcy Code.
- That the individual plaintiff tortiously interfered.

[Sequoia Partners](#) is represented in the bankruptcy case by the law firm of [Farleigh Wada Witt](#).

Key court filings to date include (click on the title of any document for more information or to purchase):

- [Chapter 11 Voluntary Petition](#)
- [Complaint by Sequoia Partners, LLC against Lynn Costantino, Paradise Ranch Land Development, LLC, Rogue River Mortgage, LLC](#)
- [Application to Employ Farleigh Wada Witt and Supporting Documents](#)
- [Corporate Ownership Statement](#)

For access to all major pleadings filed in this case, please visit
http://www.chapter11cases.com/Sequoia-Partners-LLCdba-Paradise-Ranch-Resort-Grants-Pass-Oregon_c_16589.html#axzz19ITB526S