

DEBTOR: Castle Arch Secure Development Fund, LLC

**MONTHLY OPERATING REPORT
CHAPTER 11**

CASE NUMBER 11-35243

**Form 2-A
COVER SHEET**

For Period Ending 11/30/2011

Accounting Method: Accrual Basis Cash Basis

THIS REPORT IS DUE 14 DAYS AFTER THE END OF THE MONTH

Mark One Box for Each
Required Document:

Debtor must attach each of the following reports/documents unless the U. S. Trustee has waived the requirement in writing. File the original with the Clerk of Court. Submit a duplicate, with original signature, to the U. S. Trustee.

| Report/Document Attached | Previously Waived | REQUIRED REPORTS/DOCUMENTS |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. Cash Receipts and Disbursements Statement (Form 2-B) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. Balance Sheet (Form 2-C) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. Profit and Loss Statement (Form 2-D) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. Supporting Schedules (Form 2-E) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. Quarterly Fee Summary (Form 2-F) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. Narrative (Form 2-G) |
| <input type="checkbox"/> | <input type="checkbox"/> | 7. Bank Statements for All Bank Accounts IMPORTANT: Redact account numbers and remove check images |
| <input type="checkbox"/> | <input type="checkbox"/> | 8. Bank Statement Reconciliations for all Bank Accounts |

I declare under penalty of perjury that the following Monthly Operating Report, and any attachments thereto are true, accurate and correct to the best of my knowledge and belief.

Executed on: 12/27/2011

Print Name: Glen A Martinsen

Signature: 

Title: Principal Accounting Officer

DEBTOR: Castle Arch Secure Development Fund, LLC CASE NO: 11-35243

Form 2-B
CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 11/1/11 to 11/30/11

CASH RECEIPTS DETAIL
(attach additional sheets as necessary)

Account No:

| Date | Payer | Description | Amount |
|------|-------|-------------|--------|
| | | | \$ |

Total Cash Receipts \$ (1)

(1) Total for all accounts should agree with total cash receipts listed on Form 2-B, page 1

DEBTOR: Castle Arch Secure Development Fund, LLC

CASE NO: 11-35243

Form 2-B
CASH RECEIPTS AND DISBURSEMENTS STATEMENT
For Period: 11/1/11 to 11/30/11

CASH DISBURSEMENTS DETAIL
(attach additional sheets as necessary)

Account No:

| Date | Check No. | Payee | Description (Purpose) | Amount |
|------|-----------|-------|-----------------------|--------|
| | | | | \$ |

Total Cash Disbursements \$ 0 (1)

(1) Total for all accounts should agree with total cash disbursements listed on Form 2-B, page 1

Form 2-C
COMPARATIVE BALANCE SHEET
 For Period Ended: 11/30/2011

| | Current Month | Petition Date (1) |
|--|--------------------------------|--------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash (from Form 2-B, line 5) | \$ 0.00 | \$ 0.00 |
| Accounts Receivable (from Form 2-E) | 0.00 | 0.00 |
| Receivable from Officers, Employees, Affiliates | 0.00 | 0.00 |
| Inventory | 0.00 | 0.00 |
| Other Current Assets :(List) | | |
| <u>Land</u> | 2,216,669.87 | 2,216,669.87 |
| <u>I/C Notes Receivable</u> | 10,714,959.14 | 10,714,959.14 |
| Total Current Assets | <u>\$ 12,931,629.01</u> | <u>\$ 12,931,629.01</u> |
| Fixed Assets: | | |
| Land | \$ 0.00 | \$ 0.00 |
| Building | 0.00 | 0.00 |
| Equipment, Furniture and Fixtures | 0.00 | 0.00 |
| Total Fixed Assets | <u>0.00</u> | <u>0.00</u> |
| Less: Accumulated Depreciation | (0.00) | (0.00) |
| Net Fixed Assets | <u>\$ 0.00</u> | <u>\$ 0.00</u> |
| Other Assets (List): | 0.00 | 0.00 |
| | 0.00 | 0.00 |
| TOTAL ASSETS | <u><u>\$ 12,931,629.01</u></u> | <u><u>\$ 12,931,629.01</u></u> |
| LIABILITIES | | |
| Post-petition Accounts Payable (from Form 2-E) | \$ 0.00 | \$ 0.00 |
| Post-petition Accrued Profesional Fees (from Form 2-E) | 0.00 | 0.00 |
| Post-petition Taxes Payable (from Form 2-E) | 0.00 | 0.00 |
| Post-petition Notes Payable | 0.00 | 0.00 |
| Other Post-petition Payable(List): | 0.00 | 0.00 |
| | 0.00 | 0.00 |
| Total Post Petition Liabilities | <u>\$ 0.00</u> | <u>\$ 0.00</u> |
| Pre Petition Liabilities: | | |
| Secured Debt | 0.00 | 0.00 |
| Priority Debt | 0.00 | 0.00 |
| Unsecured Debt | 2,926,198.20 | 2,926,198.20 |
| Total Pre Petition Liabilities | <u>2,926,198.20</u> | <u>\$ 2,926,198.20</u> |
| TOTAL LIABILITIES | <u><u>\$ 2,926,198.20</u></u> | <u><u>\$ 2,926,198.20</u></u> |
| OWNERS' EQUITY | | |
| Owner's/Stockholder's Equity | \$ 7,723,417.42 | \$ 7,723,417.42 |
| Retained Earnings - Prepetition | 2,282,013.39 | 2,282,013.39 |
| Retained Earnings - Post-petition | 0.00 | 0.00 |
| TOTAL OWNERS' EQUITY | <u><u>\$ 10,005,430.81</u></u> | <u><u>\$ 10,005,430.81</u></u> |
| TOTAL LIABILITIES AND OWNERS' EQUITY | <u><u>\$ 12,931,629.01</u></u> | <u><u>\$ 12,931,629.01</u></u> |

(1) Petition date values are taken from the Debtor's balance sheet as of the petition date or are the values listed on the Debtor's schedules.

DEBTOR: Castle Arch Secure Development Fund, LLC

CASE NO: 11-35243

Form 2-D
PROFIT AND LOSS STATEMENT
For Period 11/1/2011 to 11/30/2011

| | Current Month | Accumulated Total (1) |
|--|------------------|--------------------------|
| Gross Operating Revenue | \$ 0 | \$ 0 |
| Less: Discounts, Returns and Allowances | (0) | (0) |
| Net Operating Revenue | \$ 0 | \$ 0 |
| Cost of Goods Sold | 0 | 0 |
| Gross Profit | \$ 0 | \$ 0 |
| Operating Expenses | | |
| Officer Compensation | \$ 0 | \$ 0 |
| Selling, General and Administrative | 0 | 0 |
| Rents and Leases | 0 | 0 |
| Depreciation, Depletion and Amortization | 0 | 0 |
| Other (list): _____ | 0 | 0 |
| _____ | 0 | 0 |
| Total Operating Expenses | \$ 0 | \$ 0 |
| Operating Income (Loss) | \$ 0 | \$ 0 |
| Non-Operating Income and Expenses | | |
| Other Non-Operating Expenses | \$ 0 | \$ 0 |
| Gains (Losses) on Sale of Assets | 0 | 0 |
| Interest Income | 0 | 0 |
| Interest Expense | 0 | 0 |
| Other Non-Operating Income | 0 | 0 |
| Net Non-Operating Income or (Expenses) | \$ 0 | \$ 0 |
| Reorganization Expenses | | |
| Legal and Professional Fees | \$ 0 | \$ 0 |
| Other Reorganization Expense | 0 | 0 |
| Total Reorganization Expenses | \$ 0 | \$ 0 |
| Net Income (Loss) Before Income Taxes | \$ 0 | \$ 0 |
| Federal and State Income Tax Expense (Benefit) | 0 | 0 |
| NET INCOME (LOSS) | \$ 0 | \$ 0 |

(1) Accumulated Totals include all revenue and expenses since the petition date.

DEBTOR: Castle Arch Secure Development Fund, LLC

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**Form 2-E
SUPPORTING SCHEDULES
For Period: 11/1/2011 to 11/30/2011**

POST PETITION TAXES PAYABLE SCHEDULE

| | <u>Beginning Balance (1)</u> | <u>Amount Accrued</u> | <u>Amount Paid</u> | <u>Date Paid</u> | <u>Check Number</u> | <u>Ending Balance</u> |
|------------------------------|----------------------------------|---------------------------|------------------------|----------------------|-------------------------|---------------------------|
| Income Tax Withheld: | | | | | | |
| Federal | \$ 0 | \$ 0 | \$ 0 | | | \$ 0 |
| State | 0 | 0 | 0 | | | 0 |
| FICA Tax Withheld | 0 | 0 | 0 | | | 0 |
| Employer's FICA Tax | 0 | 0 | 0 | | | 0 |
| Unemployment Tax | | | | | | |
| Federal | 0 | 0 | 0 | | | 0 |
| State | 0 | 0 | 0 | | | 0 |
| Sales, Use & Excise Taxes | 0 | 0 | 0 | | | 0 |
| Property Taxes | 0 | 0 | 0 | | | 0 |
| Accrued Income Tax: | | | | | | |
| Federal | 0 | 0 | 0 | | | 0 |
| State | 0 | 0 | 0 | | | 0 |
| Other: _____ | 0 | 0 | 0 | | | 0 |
| TOTALS | \$ 0 | \$ 0 | \$ 0 | | | \$ 0 |

(1) For first report, Beginning Balance will be \$0; thereafter, Beginning Balance will be Ending Balance from prior report.

INSURANCE SCHEDULE

| | <u>Carrier</u> | <u>Amount of Coverage</u> | <u>Expiration Date</u> | <u>Premium Paid Through</u> |
|------------------------|----------------|-------------------------------|----------------------------|-------------------------------------|
| Workers' Compensation | | \$ | | \$ |
| General Liability | Travelers | \$ 2,000,000 | 10/20/2012 | \$ 10/20/2012 |
| Property (Fire, Theft) | | \$ | | \$ |
| Vehicle | | \$ | | \$ |
| Other (list): D&O | HUB Intl | \$ 5,000,000 | 12/20/2011 | \$ 12/20/2011 |
| | | \$ | | \$ |

DEBTOR: Castle Arch Secure Development Fund, LLC

CASE NO: 11-35243

**Form 2-E
SUPPORTING SCHEDULES**

For Period 11/1/2011 to 11/30/2011

ACCOUNTS RECEIVABLE AND POST PETITION PAYABLE AGING

| <u>Due</u> | <u>Accounts Receivable</u> | <u>Post Petition Accounts Payable</u> |
|--|---|---------------------------------------|
| Under 30 days | \$ 0.00 | \$ 0.00 |
| 30 to 60 days | 0.00 | 0.00 |
| 61 to 90 days | 0.00 | 0.00 |
| 91 to 120 days | 0.00 | 0.00 |
| Over 120 days | 0.00 | 0.00 |
| Total Post Petition | 0.00 | |
| Pre Petition Amounts | 0.00 | |
| Total Accounts Receivable | \$ 0.00 | |
| Less: Bad Debt Reserve | 0.00 | |
| Net Accounts Receivable (to Form 2-C) | \$ 0.00 | |
| | Total Post Petition Accounts Payable | \$ 0.00 |

* Attach a detail listing of accounts receivable and post-petition accounts payable

SCHEDULE OF PAYMENTS TO ATTORNEYS AND OTHER PROFESSIONALS

| | <u>Month-end Retainer Balance</u> | <u>Current Month's Accrual</u> | <u>Paid in Current Month</u> | <u>Date of Court Approval</u> | <u>Month-end Balance Due *</u> |
|--|-----------------------------------|--------------------------------|------------------------------|-------------------------------|--------------------------------|
| Debtor's Counsel | \$ 0 | \$ 0 | \$ 0 | | \$ 0 |
| Counsel for Unsecured Creditors' Committee | 0 | 0 | 0 | | 0 |
| Trustee's Counsel | 0 | 0 | 0 | | 0 |
| Accountant | 0 | 0 | 0 | | 0 |
| Other: | 0 | 0 | 0 | | 0 |
| Total | \$ 0 | \$ 0 | \$ 0 | | \$ 0 |

*Balance due to include fees and expenses incurred but not yet paid.

SCHEDULE OF PAYMENTS AND TRANSFERS TO PRINCIPALS/EXECUTIVES**

| <u>Payee Name</u> | <u>Position</u> | <u>Nature of Payment</u> | <u>Amount</u> |
|-------------------|-----------------|--------------------------|---------------|
| _____ | _____ | _____ | \$ _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

**List payments and transfers of any kind and in any form made to or for the benefit of any proprietor, owner, partner, shareholder, officer or director.

DEBTOR: Castle Arch Secure Development Fund, LLC

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**Form 2-F
QUARTERLY FEE SUMMARY ***
For the Month Ended: 11/30/2011

| <u>Month</u> | <u>Year</u> | <u>Cash Disbursements **</u> | <u>Quarterly Fee Due</u> | <u>Check No.</u> | <u>Date Paid</u> |
|-------------------|-------------|------------------------------|--------------------------|------------------|------------------|
| January | _____ | \$ 0 | | | |
| February | _____ | 0 | | | |
| March | _____ | 0 | | | |
| TOTAL 1st Quarter | | \$ <u>0</u> | | | |
| April | _____ | \$ 0 | | | |
| May | _____ | 0 | | | |
| June | _____ | 0 | | | |
| TOTAL 2nd Quarter | | \$ <u>0</u> | | | |
| July | _____ | \$ 0 | | | |
| August | _____ | 0 | | | |
| September | _____ | 0 | | | |
| TOTAL 3rd Quarter | | \$ <u>0</u> | | | |
| October | <u>2011</u> | \$ 0 | | | |
| November | <u>2011</u> | 0 | | | |
| December | _____ | 0 | | | |
| TOTAL 4th Quarter | | \$ <u>0</u> | | | |

FEE SCHEDULE (as of JANUARY 1, 2008)

Subject to changes that may occur to 28 U.S.C. §1930(a)(6)

| <u>Quarterly Disbursements</u> | <u>Fee</u> | <u>Quarterly Disbursements</u> | <u>Fee</u> |
|--------------------------------|------------|-----------------------------------|------------|
| \$0 to \$14,999..... | \$325 | \$1,000,000 to \$1,999,999..... | \$6,500 |
| \$15,000 to \$74,999..... | \$650 | \$2,000,000 to \$2,999,999..... | \$9,750 |
| \$75,000 to \$149,999..... | \$975 | \$3,000,000 to \$4,999,999..... | \$10,400 |
| \$150,000 to \$224,999..... | \$1,625 | \$5,000,000 to \$14,999,999 | \$13,000 |
| \$225,000 to \$299,999..... | \$1,950 | \$15,000,000 to \$29,999,999.... | \$20,000 |
| \$300,000 to \$999,999..... | \$4,875 | \$30,000,000 or more | \$30,000 |

* This summary is to reflect the current calendar year's information cumulative to the end of the reporting period

** Should agree with line 3, Form 2-B. Disbursements are net of transfers to other debtor in possession bank accounts

Failure to pay the quarterly fee is cause for conversion or dismissal of the chapter 11 case. [11 U.S.C. Sec. 1112(b)(10)]

In addition, unpaid fees are considered a debt owed to the United States and will be assessed interest under 31 U.S.C. §3717

DEBTOR: Castle Arch Secure Development Fund, LLC

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**Form 2-G
NARRATIVE**

For Period Ending: 11/30/2011

Please provide a brief description of any significant business and legal actions taken by the debtor, its creditors, or the court during the reporting period, any unusual or non-recurring accounting transactions that are reported in the financial statements, and any significant changes in the financial condition of the debtor which have occurred subsequent to the report date.

For consolidation purposes the intercompany receivable has historically been located in the Other Current Liabilities section of the balance sheet so that upon consolidation the associated entities would net to zero to prove the accuracy of the intercompany accounts. For better clarity of Castle Arch Secure Development Fund, LLC as a stand alone the intercompany receivable has been relocated as an asset on these schedules but the attached QuickBook schedule will reflect the historical location. CASDF has no bank account and thus no activity in the receipts or disbursements.

Castle Arch Secured Development Fund, LLC**Balance Sheet**

As of November 30, 2011

3:29 PM

12/27/11

Accrual Basis

| | <u>Nov 30, 11</u> |
|--|-----------------------------------|
| ASSETS | |
| Other Assets | |
| 17100 · Properties held for investment | |
| 17101 · Kingman, AZ | 2,216,669.87 |
| Total 17100 · Properties held for investment | <u>2,216,669.87</u> |
| Total Other Assets | <u>2,216,669.87</u> |
| TOTAL ASSETS | <u><u>2,216,669.87</u></u> |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Other Current Liabilities | |
| 23200 · Interest Payable | 1,965,943.46 |
| 23300 · Accrued Commissions | 50,712.32 |
| 23500 · Intercompany payable | |
| 23501 · Kingman, AZ N12 | -1,280,000.00 |
| 23502 · Kingman, AZ N13 | -3,200,000.00 |
| 23503 · Kingman, AZ N20 | -3,325,892.81 |
| 23506 · Kingman, AZ N12 Interest | -423,346.85 |
| 23507 · Kingman, AZ N13 Interest | -959,095.89 |
| 23508 · Kingman, AZ N20 Interest | -912,328.95 |
| 23511 · Kingman, AZ Debt Issue Fees Rec | -614,294.64 |
| Total 23500 · Intercompany payable | <u>-10,714,959.14</u> |
| 25050 · Intercompany Notes | |
| 25056 · CAREIC | 909,542.42 |
| Total 25050 · Intercompany Notes | <u>909,542.42</u> |
| Total Other Current Liabilities | <u>-7,788,760.94</u> |
| Total Current Liabilities | <u>-7,788,760.94</u> |
| Total Liabilities | <u>-7,788,760.94</u> |
| Equity | |
| 30000 · Preferred Units Round A | |
| 30010 · Preferred Redemptions Round A | -671,600.00 |
| 30000 · Preferred Units Round A - Other | 8,395,017.42 |
| Total 30000 · Preferred Units Round A | <u>7,723,417.42</u> |
| 39000 · Retained Earnings | -154,329.29 |
| Net Income | 2,436,342.68 |
| Total Equity | <u>10,005,430.81</u> |
| TOTAL LIABILITIES & EQUITY | <u><u>2,216,669.87</u></u> |