

DEBTOR: Castle Arch Opportunity Partners II, LLC

**MONTHLY OPERATING REPORT
CHAPTER 11**

CASE NUMBER: 11-35241

**Form 2-A
COVER SHEET**

For Period Ending 12/31/2011

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 checked="" type="checkbox"/>	<input type="checkbox"/>	7. Bank Statements for All Bank Accounts IMPORTANT: Redact account numbers and remove check images
<input checked="" 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: 1/14/12

Print Name: Glen Martinsen

Signature: 

Title: Principal Accounting Officer

DEBTOR: Castle Arch Opportunity Partners II, LLC **CASE NO:** 11-35241

Form 2-B
CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 12/1/11 to 12/31/11

CASH FLOW SUMMARY

	Current Month	Accumulated
1. Beginning Cash Balance	\$ <u>1,385,581.15</u> (1)	\$ <u>1,334,322.19</u> (1)
2. Cash Receipts		
Operations	367,160.35	418,419.31
Sale of Assets	-	-
Loans/advances	-	-
Other	-	-
Total Cash Receipts	\$ <u>367,160.35</u>	\$ <u>418,419.31</u>
3. Cash Disbursements		
Operations	-	-
Debt Service/Secured loan payment	-	-
Professional fees/U.S. Trustee fees	-	-
Other	-	-
Total Cash Disbursements	\$ <u>-</u>	\$ <u>-</u>
4. Net Cash Flow (Total Cash Receipts less Total Cash Disbursements)	<u>367,160.35</u>	<u>418,419.31</u>
5 Ending Cash Balance (to Form 2-C)	\$ <u>1,752,741.50</u> (2)	\$ <u>1,752,741.50</u> (2)

CASH BALANCE SUMMARY

	<u>Financial Institution</u>	Book Balance
Petty Cash		\$ -
DIP Operating Account	Zions Bank - DIP	1,752,741.46
DIP State Tax Account		-
DIP Payroll Account		-
Other Operating Account	TD Ameritrade	0.04
Other Interest-bearing Account		-
TOTAL (must agree with Ending Cash Balance above)		\$ <u>1,752,741.50</u> (2)

(1) *Accumulated beginning cash balance is the cash available at the commencement of the case. Current month beginning cash balance should equal the previous month's ending balance.*
(2) *All cash balances should be the same.*

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

**Form 2-B
CASH RECEIPTS AND DISBURSEMENTS STATEMENT**

For Period: 12/1/11 to 12/31/11

CASH RECEIPTS DETAIL
(attach additional sheets as necessary)

Account No:

Date	Payer	Description	Amount
12/6/2011	Conix	Return of P&I First Maryland	\$ 13,481.96
12/6/2011	Rill Note	Interest on Note	1,468.89
12/23/2011	Conix	Proceeds from Sale	352,209.50

Total Cash Receipts \$ 367,160.35 (1)

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

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-B
CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 12/1/11 to 12/31/11

CASH DISBURSEMENTS DETAIL
(attach additional sheets as necessary)

Account No:

Date	Check No.	Payee	Description (Purpose)	Amount
None				\$ -

Total Cash Disbursements \$ - (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: 12/31/2011

ASSETS	Current Month	Petition Date (1)
Current Assets:		
Cash (from Form 2-B, line 5)	\$ 1,752,741.50	\$ 1,334,322.19
Accounts Receivable (from Form 2-E)	-	-
Receivable from Officers, Employees, Affiliates	-	-
Inventory	1,908,144.93	2,339,748.24
Other Current Assets :(List)	9,040.00	9,040.00
	<u>42,000.00</u>	<u>42,000.00</u>
Total Current Assets	\$ <u>3,711,926.43</u>	\$ <u>3,725,110.43</u>
Fixed Assets:		
Land	\$ -	\$ -
Building	-	-
Equipment, Furniture and Fixtures	-	-
Total Fixed Assets	<u>-</u>	<u>-</u>
Less: Accumulated Depreciation	(-)	(-)
Net Fixed Assets	\$ <u>-</u>	\$ <u>-</u>
Other Assets (List):	-	-
	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>3,711,926.43</u>	\$ <u>3,725,110.43</u>
LIABILITIES		
Post-petition Accounts Payable (from Form 2-E)	\$ 441.67	\$ -
Post-petition Accrued Professional Fees (from Form 2-E)	-	-
Post-petition Taxes Payable (from Form 2-E)	-	-
Post-petition Notes Payable	-	-
Other Post-petition Payable(List):	35,960.01	-
	<u>653,036.33</u>	<u>-</u>
Total Post Petition Liabilities	\$ <u>689,438.01</u>	\$ <u>-</u>
Pre Petition Liabilities:		
Secured Debt	-	-
Priority Debt	-	-
Unsecured Debt	637,964.06	637,964.06
Total Pre Petition Liabilities	\$ <u>637,964.06</u>	\$ <u>637,964.06</u>
TOTAL LIABILITIES	\$ <u>1,327,402.07</u>	\$ <u>637,964.06</u>
OWNERS' EQUITY		
Owner's/Stockholder's Equity	\$ 2,748,937.44	\$ 3,401,973.77
Retained Earnings - Prepetition	(314,827.40)	(314,827.40)
Retained Earnings - Post-petition	(49,585.68)	-
TOTAL OWNERS' EQUITY	\$ <u>2,384,524.36</u>	\$ <u>3,087,146.37</u>
TOTAL LIABILITIES AND OWNERS' EQUITY	\$ <u>3,711,926.43</u>	\$ <u>3,725,110.43</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.
 See attached Quickbooks Balance Sheet for more detail.

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-D
PROFIT AND LOSS STATEMENT
For Period 12/1/2011 to 12/31/2011

	<u>Current Month</u>	<u>Accumulated Total (1)</u>
Gross Operating Revenue	\$ 241,613.09	\$ 247,768.33
Less: Discounts, Returns and Allowances	(-)	(-)
Net Operating Revenue	\$ 241,613.09	\$ 247,768.33
Cost of Goods Sold	<u>261,023.07</u>	<u>261,023.07</u>
Gross Profit	\$ (19,409.98)	\$ (13,254.74)
Operating Expenses		
Officer Compensation	\$ -	\$ -
Selling, General and Administrative	15,252.74	16,901.73
Rents and Leases	-	-
Depreciation, Depletion and Amortization	-	-
Other (list): _____	-	19,499.94
	<u>-</u>	<u>-</u>
Total Operating Expenses	\$ 15,252.74	\$ 36,401.67
Operating Income (Loss)	\$ (34,662.72)	\$ (49,656.41)
Non-Operating Income and Expenses		
Other Non-Operating Expenses	\$ -	\$ -
Gains (Losses) on Sale of Assets	-	-
Interest Income	-	70.73
Interest Expense	<u>-</u>	<u>-</u>
Other Non-Operating Income	<u>-</u>	<u>-</u>
Net Non-Operating Income or (Expenses)	\$ -	\$ 70.73
Reorganization Expenses		
Legal and Professional Fees	\$ -	\$ -
Other Reorganization Expense	<u>-</u>	<u>-</u>
Total Reorganization Expenses	\$ -	\$ -
Net Income (Loss) Before Income Taxes	\$ (34,662.72)	\$ (49,585.68)
Federal and State Income Tax Expense (Benefit)	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	\$ (34,662.72)	\$ (49,585.68)

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

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

**Form 2-E
SUPPORTING SCHEDULES
For Period: 12/1/2011 to 12/31/2011**

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	\$ -	\$ -	\$ -			\$ -
State	-	-	-			-
FICA Tax Withheld	-	-	-			-
Employer's FICA Tax	-	-	-			-
Unemployment Tax						
Federal	-	-	-			-
State	-	-	-			-
Sales, Use & Excise Taxes	-	-	-			-
Property Taxes	-	-	-			-
Accrued Income Tax:						
Federal	-	-	-			-
State	-	-	-			-
Other: _____	-	-	-			-
TOTALS	\$ -	\$ -	\$ -			\$ -

(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	None	\$ -	\$	
General Liability	Travelers	\$ 2,000,000	10/18/2012	\$ 10/18/2012
Property (Fire, Theft)	Travelers	\$ 25,000	10/27/2012	\$ 10/27/2012
Vehicle	None	\$ -	\$	
Other (list): D&O	HUB Intl	\$ 5,000,000	1/20/2012	\$ 1/20/2012
		\$		

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

**Form 2-E
SUPPORTING SCHEDULES**

For Period 12/1/2011 to 12/31/2011

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	\$ 441.67
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	\$ 441.67

* 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 Opportunity Partners II, LLC

CASE NO: 11-35241

**Form 2-F
QUARTERLY FEE SUMMARY ***
For the Month Ended: 12/31/2011

<u>Month</u>	<u>Year</u>	<u>Cash Disbursements **</u>	<u>Quarterly Fee Due</u>	<u>Check No.</u>	<u>Date Paid</u>
January	_____	\$ -			
February	_____	-			
March	_____	-			
TOTAL 1st Quarter		\$ <u> -</u>			
April	_____	\$ -			
May	_____	-			
June	_____	-			
TOTAL 2nd Quarter		\$ <u> -</u>			
July	_____	\$ -			
August	_____	-			
September	_____	-			
TOTAL 3rd Quarter		\$ <u> -</u>			
October	<u>2011</u>	\$ -			
November	<u>2011</u>	500.00			
December	<u>2011</u>	-			
TOTAL 4th Quarter		\$ <u> 500.00</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 Opportunity Partners II, LLC

CASE NO: 11-35241

**Form 2-G
NARRATIVE**

For Period Ending: 12/31/2011

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.

Preferred Dividends Payable were accrued for all of 2011. This is a contra-equity account that reduces the overall equity but does not affect profitability as it was not actually paid out.
In December, the Debtor retained separate counsel for certain affiliates. Also, the Debtor attended 341 meetings and prepared for a continued 341 meeting. The Debtor also prepared and filed amended schedules and statements.

Castle Arch Opportunity Partners II LLC**Profit & Loss**

December 2011

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Accrual Basis

	<u>Dec 11</u>
Ordinary Income/Expense	
Income	
41200 · Sales	
CREO114	240,144.20
Interest - Notes Receivable	1,468.89
Total 41200 · Sales	<u>241,613.09</u>
Total Income	241,613.09
Cost of Goods Sold	
50000 · Cost of goods sold	
CREO114	261,023.07
Total 50000 · Cost of goods sold	<u>261,023.07</u>
Total COGS	<u>261,023.07</u>
Gross Profit	-19,409.98
Expense	
60580 · Legal Fees	300.00
60680 · Professional Outside Servic...	141.67
68000 · Management Fee	14,811.07
Total Expense	<u>15,252.74</u>
Net Ordinary Income	<u>-34,662.72</u>
Net Income	<u><u>-34,662.72</u></u>

Castle Arch Opportunity Partners II LLC**Balance Sheet**

As of December 31, 2011

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01/15/12

Accrual Basis

	<u>Dec 31, 11</u>
ASSETS	
Current Assets	
Checking/Savings	
10001 · TD Ameritrade - CAOP II	0.04
10002 · Zions - 003174935	1,752,741.46
Total Checking/Savings	<u>1,752,741.50</u>
Other Current Assets	
Loan Receivable	42,000.00
16000 · Prepaid Expense	9,040.00
16500 · Properties Held for Sale	
17103 · Western Showcase	554,624.38
17895 · CREO114, LLC	1,353,520.55
Total 16500 · Properties Held for Sale	<u>1,908,144.93</u>
Total Other Current Assets	<u>1,959,184.93</u>
Total Current Assets	<u>3,711,926.43</u>
TOTAL ASSETS	<u>3,711,926.43</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts Payable	441.67
Total Accounts Payable	<u>441.67</u>
Other Current Liabilities	
25050 · Intercompany Notes	
25056 · CAREIC	139,338.42
25200 · Accrued Interest	-558.08
Total 25050 · Intercompany Notes	<u>138,780.34</u>
Total Other Current Liabilities	<u>138,780.34</u>
Total Current Liabilities	139,222.01
Long Term Liabilities	
23600 · Preferred Dividend Payable	1,188,180.06
Total Long Term Liabilities	<u>1,188,180.06</u>
Total Liabilities	1,327,402.07

Castle Arch Opportunity Partners II LLC**Balance Sheet**

As of December 31, 2011

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01/15/12

Accrual Basis

	<u>Dec 31, 11</u>
Equity	
30000 · Preferred Units Round A	
30010 · Preferred Redemptions Round A	-50,000.00
30000 · Preferred Units Round A - Other	4,401,900.00
	<hr/>
Total 30000 · Preferred Units Round A	4,351,900.00
39000 · Retained Earnings	-757,878.28
39100 · Equity Adjustments	
39101 · Preferred Dividends Accrued	-1,188,180.06
39107 · Cash Commissions	-414,782.50
	<hr/>
Total 39100 · Equity Adjustments	-1,602,962.56
Net Income	393,465.20
	<hr/>
Total Equity	2,384,524.36
	<hr/>
TOTAL LIABILITIES & EQUITY	3,711,926.43
	<hr/> <hr/>

Castle Arch Opportunity Partners II LLC

A/P Aging Summary

As of December 31, 2011

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01/15/12

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>
Colonial Stock Transfer	141.67	0.00	0.00	0.00	0.00	141.67
Martinsen, Glen	0.00	300.00	0.00	0.00	0.00	300.00
TOTAL	<u>141.67</u>	<u>300.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>441.67</u>

Castle Arch Opportunity Partners II LLC**Reconciliation Summary**

10002 · Zions - 003174935, Period Ending 12/30/2011

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01/06/12

	<u>Dec 30, 11</u>
Beginning Balance	1,385,581.11
Cleared Transactions	
Deposits and Credits - 3 items	367,160.35
Total Cleared Transactions	<u>367,160.35</u>
Cleared Balance	<u>1,752,741.46</u>
Register Balance as of 12/30/2011	1,752,741.46
New Transactions	
Deposits and Credits - 1 item	1,468.89
Total New Transactions	<u>1,468.89</u>
Ending Balance	<u><u>1,754,210.35</u></u>

Castle Arch Opportunity Partners II LLC

Reconciliation Detail

10002 · Zions ██████████ 4935, Period Ending 12/30/2011

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01/06/12

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						1,385,581.11
Cleared Transactions						
Deposits and Credits - 3 items						
Deposit	12/6/2011			X	1,468.89	1,468.89
Deposit	12/6/2011			X	13,481.96	14,950.85
Deposit	12/23/2011			X	352,209.50	367,160.35
Total Deposits and Credits					367,160.35	367,160.35
Total Cleared Transactions					367,160.35	367,160.35
Cleared Balance					367,160.35	1,752,741.46
Register Balance as of 12/30/2011					367,160.35	1,752,741.46
New Transactions						
Deposits and Credits - 1 item						
Deposit	1/4/2012				1,468.89	1,468.89
Total Deposits and Credits					1,468.89	1,468.89
Total New Transactions					1,468.89	1,468.89
Ending Balance					368,629.24	1,754,210.35

P.O. Box 30709, Salt Lake City, UT 84130-0709

Primary Account [REDACTED] 4935

0124506 1765-06-0200-ZFN-PG0023-00002
 CASTLE ARCH OPPORTUNITY PARTNERS II
 TRENT JACK WADDOUPS
 DEBTOR IN POSSESSION
 8 E BROADWAY STE 510
 SALT LAKE CITY UT 84111-2291

For 24-hour account information, please contact:

1-800-789-BANK (2265)

zionsbank.com

WE HAVEN'T FORGOTTEN WHO KEEPS US IN BUSINESS. ®

Effective February 4, 2012 the Expedited Payments fee in Bill Pay will increase to \$12.95 for an expedited electronic payment and \$15.95 for an overnight check.

SUMMARY OF ACCOUNT BALANCE

<i>Account Type</i>	<i>Account Number</i>	<i>Checking/Savings Ending Balance</i>	<i>Outstanding Balances Owed</i>
Free Business Checking	[REDACTED] 4935	\$1,752,741.46	

FREE BUSINESS CHECKING 003174935

107 2

<i>Previous Balance</i>	<i>Deposits/Credits</i>	<i>Charges/Debits</i>	<i>Checks Processed</i>	<i>Ending Balance</i>
1,385,581.11	367,160.35	0.00	0.00	1,752,741.46

3 DEPOSITS/CREDITS

<i>Date</i>	<i>Amount</i>	<i>Description</i>
12/06	13,481.96	DEPOSIT 9494671275
12/07	1,468.89	FCI LOAN PMT. ***** REF # 011341005388080 1101969550
12/23	352,209.50	DEPOSIT 9494670769

0 CHARGES/DEBITS

There were no transactions this period.

0 CHECKS PROCESSED

There were no transactions this period.

AGGREGATE OVERDRAFT AND RETURNED ITEM FEES

	<i>Total for This Period</i>	<i>Total Year-to-Date</i>
Total Overdraft Fees	\$0.00	\$0.00
Total Returned Item Fees	\$0.00	\$0.00

To learn more about our other products and services that may lower the cost of managing account overdrafts or to discuss removing overdraft coverage from your account, please contact Customer Service or visit your local branch.



ZIONS BANK

Document

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December 30, 2011

CASTLE ARCH OPPORTUNITY PARTNERS II

P.O. Box 30709, Salt Lake City, UT 84130-0709

4935

.....
DAILY BALANCES

Date.....Balance
12/06 1,399,063.07

Date.....Balance
12/07 1,400,531.96

Date.....Balance
12/23 1,752,741.46



MEMBER FDIC