

"CASDF"

DEBTOR: Castle Arch Secure Development Fund, LLC

**MONTHLY OPERATING REPORT
CHAPTER 11**

CASE NUMBER 11-35243

**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 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: 1/14/12

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: 12/1/11 to 12/31/11

CASH FLOW SUMMARY

	<u>Current Month</u>	<u>Accumulated</u>
1. Beginning Cash Balance	\$ <u>0</u> (1)	\$ <u>0</u> (1)
2. Cash Receipts		
Operations	0	0
Sale of Assets	0	0
Loans/advances	0	0
Other	0	0
Total Cash Receipts	\$ <u>0</u>	\$ <u>0</u>
3. Cash Disbursements		
Operations	0	0
Debt Service/Secured loan payment	0	0
Professional fees/U.S. Trustee fees	0	0
Other	0	0
Total Cash Disbursements	\$ <u>0</u>	\$ <u>0</u>
4. Net Cash Flow (Total Cash Receipts less Total Cash Disbursements)	<u>0</u>	<u>0</u>
5 Ending Cash Balance (to Form 2-C)	\$ <u>0</u> (2)	\$ <u>0</u> (2)

CASH BALANCE SUMMARY

	<u>Financial Institution</u>	<u>Book Balance</u>
Petty Cash	_____	\$ 0
DIP Operating Account	_____	0
DIP State Tax Account	_____	0
DIP Payroll Account	_____	0
Other Operating Account	_____	0
Other Interest-bearing Account	_____	0
TOTAL (must agree with Ending Cash Balance above)		\$ <u>0</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.**
 This entity does not have any bank accounts at this time.

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

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
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None

\$

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: 12/1/11 to 12/31/11

CASH DISBURSEMENTS DETAIL
(attach additional sheets as necessary)

Account No:

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

None

Total Cash Disbursements \$ 0 (1)

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

DEBTOR: Castle Arch Secure Development Fund, LLC Document Page 5 of 13 CASE NO: 11-35243

Form 2-C
COMPARATIVE BALANCE SHEET
For Period Ended: 12/31/2011

	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)	11,790,069.49	10,714,959.14
<u>I/C Notes Receivable</u>		
<u>Capitalized Interest</u>	0.00	2,216,669.87
 Total Current Assets	 <u>\$ 11,790,069.49</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
	<u>0.00</u>	<u>0.00</u>
 TOTAL ASSETS	 <u>\$ 11,790,069.49</u>	 <u>\$ 12,931,629.01</u>
LIABILITIES		
Post-petition Accounts Payable (from Form 2-E)	\$ 211.67	\$ 0.00
Post-petition Accrued Professional 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): <u>Note Interest Payable</u>	1,228,502.12	0.00
	<u>0.00</u>	<u>0.00</u>
 Total Post Petition Liabilities	 <u>\$ 1,228,713.79</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>\$ 4,154,911.99</u>	 <u>\$ 2,926,198.20</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	-2,370,273.31	0.00
 Total Owners' Equity	 <u>\$ 7,635,157.50</u>	 <u>\$ 10,005,430.81</u>
 TOTAL LIABILITIES AND OWNERS' EQUITY	 <u>\$ 11,790,069.49</u>	 <u>\$ 12,931,629.01</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 12/1/2011 to 12/31/2011

	Current Month	Accumulated Total (1)
Gross Operating Revenue	\$ -	\$ -
Less: Discounts, Returns and Allowances	(-)	(-)
Net Operating Revenue	\$ -	\$ -
Cost of Goods Sold	-	-
Gross Profit	\$ -	\$ -
Operating Expenses		
Officer Compensation	\$ -	\$ -
Selling, General and Administrative	211.67	211.67
Rents and Leases	-	-
Depreciation, Depletion and Amortization	-	-
Other (list): _____	-	-
_____	-	-
_____	-	-
Total Operating Expenses	\$ 211.67	\$ 211.67
Operating Income (Loss)	\$ (211.67)	\$ (211.67)
Non-Operating Income and Expenses		
Other Non-Operating Expenses	\$ -	\$ -
Gains (Losses) on Sale of Assets	-	-
Interest Income	1,075,110.35	1,075,110.35
Interest Expense	(3,445,171.99)	(3,445,171.99)
Other Non-Operating Income	-	-
Net Non-Operating Income or (Expenses)	\$ (2,370,061.64)	\$ (2,370,061.64)
Reorganization Expenses		
Legal and Professional Fees	\$ -	\$ -
Other Reorganization Expense	-	-
Total Reorganization Expenses	\$ -	\$ -
Net Income (Loss) Before Income Taxes	\$ (2,370,273.31)	\$ (2,370,273.31)
Federal and State Income Tax Expense (Benefit)	-	-
NET INCOME (LOSS)	\$ (2,370,273.31)	\$ (2,370,273.31)

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

DEBTOR: Castle Arch Secure Development Fund, LLC

CASE NO: 11-35243

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	\$ 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

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**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	\$ 211.67
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	\$ 211.67

* 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 Secure Development Fund, LLC

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**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	_____	\$ 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	<u>2011</u>	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

CASE NO: 11-35243

**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.

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 and the attached QuickBook schedule will now reflect the same location.

CASDF has no bank account and thus no activity in the receipts or disbursements.

The previous financial statements reflected Properties held for investment: Kingman, AZ. This was capitalized interest related to land investment secured by liens against property and would be eliminated in consolidation. This has been written off to interest expense as the liens are represented by the notes receivable.

Interest Payable is related to interest due to investors for stated interest rate on principal.

With regards to the Profit & Loss statement: Interest income is from Notes Receivable from Castle Arch Kingman. Interest Expense is related to \$2,212,669.87 of a write off of capitalized interest and \$1,228,502.12 of interest due to investors for 2011.

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01/15/12
Accrual Basis

Castle Arch Secured Development Fund, LLC
Profit & Loss
December 2011

	Dec 11
Ordinary Income/Expense	
Expense	
60140 · Interest Expense	3,445,171.99
60680 · Professional Outside Services	211.67
Total Expense	3,445,383.66
Net Ordinary Income	-3,445,383.66
Other Income/Expense	
Other Income	
43000 · Interest Income	1,075,110.35
CAK	
Total 43000 · Interest Income	1,075,110.35
Total Other Income	1,075,110.35
Net Other Income	1,075,110.35
Net Income	-2,370,273.31

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Accrual Basis

Castle Arch Secured Development Fund, LLC
Balance Sheet
As of December 31, 2011

	Dec 31, 11
ASSETS	
Other Assets	
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	576,946.85
23507 · Kingman, AZ N13 Interest	1,343,095.89
23508 · Kingman, AZ N20 Interest	1,449,839.30
23511 · Kingman, AZ Debt Issue Fees Rec	614,294.64
Total Other Assets	11,790,069.49
TOTAL ASSETS	11,790,069.49
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	211.67
20000 · Accounts Payable	211.67
Total Accounts Payable	211.67
Other Current Liabilities	
23200 · Interest Payable	3,194,445.58
23300 · Accrued Commissions	50,712.32
25050 · Intercompany Notes	
25056 · CAREIC	909,542.42
Total 25050 · Intercompany Notes	909,542.42
Total Other Current Liabilities	4,154,700.32
Total Current Liabilities	4,154,911.99
Total Liabilities	4,154,911.99
Equity	
30000 · Preferred Units Round A	-671,600.00
30010 · Preferred Redemptions Round A	8,395,017.42
30000 · Preferred Units Round A - Other	7,723,417.42
Total 30000 · Preferred Units Round A	7,723,417.42
39000 · Retained Earnings	-154,329.29
Net Income	66,069.37
Total Equity	7,635,157.50
TOTAL LIABILITIES & EQUITY	11,790,069.49

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Castle Arch Secured Development Fund, LLC
A/P Aging Summary
As of January 15, 2012

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Colonial Stock Transfer	0.00	211.67	0.00	0.00	0.00	211.67
TOTAL	0.00	211.67	0.00	0.00	0.00	211.67