

"CAS"  
**DEBTOR:** Castle Arch Smryna, LLC  
**CASE NUMBER** 11-35246

**MONTHLY OPERATING REPORT**  
**CHAPTER 11**

**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 Smryna, LLC **CASE NO:** 11-35246

**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>
<b>1. Beginning Cash Balance</b>	\$ <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>
<b>5 Ending Cash Balance (to Form 2-C)</b>	\$ <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.*  
(2) *All cash balances should be the same.*

DEBTOR: Castle Arch Smryna, LLC CASE NO: 11-35246

**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
------	-------	-------------	--------

None

\$

**Total Cash Receipts** \$ 0 (1)

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

DEBTOR: Castle Arch Smryna, LLC

CASE NO: 11-35246

**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** \$ 0 (1)

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

DEBTOR: Castle Arch Smryna, LLC Document Page 5 of 14 CASE NO: 11-35246

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

	Current Month	Petition Date (1)
<b>ASSETS</b>		
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>	5,808,000.00	5,808,000.00
	0.00	0.00
Total Current Assets	<u>\$ 5,808,000.00</u>	<u>\$ 5,808,000.00</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
<b>TOTAL ASSETS</b>	<u>\$ 5,808,000.00</u>	<u>\$ 5,808,000.00</u>
<b>LIABILITIES</b>		
Post-petition Accounts Payable (from Form 2-E)	\$ 7,014.67	\$ 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>Interest Payable: Notes</u>	29,400.00	0.00
<u>Inter-Company Account</u>	7,367.90	0.00
<u>Preferred Dividends Payable</u>	635,236.00	0.00
Total Post Petition Liabilities	<u>\$ 679,018.57</u>	<u>\$ 0.00</u>
Pre Petition Liabilities:		
Secured Debt	0.00	0.00
Priority Debt	19,534.00	19,534.00
Unsecured Debt	4,978,554.62	4,978,554.62
Total Pre Petition Liabilities	<u>\$ 4,998,088.62</u>	<u>\$ 4,998,088.62</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 5,677,107.19</u>	<u>\$ 4,998,088.62</u>
<b>OWNERS' EQUITY</b>		
Owner's/Stockholder's Equity	\$ 1,804,966.68	\$ 2,440,202.68
Retained Earnings - Prepetition	-1,630,291.30	-1,630,291.30
Retained Earnings - Post-petition	-43,782.57	0.00
<b>TOTAL OWNERS' EQUITY</b>	<u>\$ 130,892.81</u>	<u>\$ 809,911.38</u>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<u>\$ 5,808,000.00</u>	<u>\$ 5,808,000.00</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 Sheets for more detail.

DEBTOR: Castle Arch Smryna, LLC

CASE NO: 11-35246

**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	( - )	( - )
<b>Net Operating Revenue</b>	<b>\$ -</b>	<b>\$ -</b>
Cost of Goods Sold	-	-
<b>Gross Profit</b>	<b>\$ -</b>	<b>\$ -</b>
Operating Expenses		
Officer Compensation	\$ -	\$ -
Selling, General and Administrative	286.67	286.67
Rents and Leases	-	-
Depreciation, Depletion and Amortization	-	-
Other (list): <u>Property Tax</u>	14,095.90	14,095.90
	-	-
<b>Total Operating Expenses</b>	<b>\$ 14,382.57</b>	<b>\$ 14,382.57</b>
<b>Operating Income (Loss)</b>	<b>\$ (14,382.57)</b>	<b>\$ (14,382.57)</b>
Non-Operating Income and Expenses		
Other Non-Operating Expenses	\$ -	\$ -
Gains (Losses) on Sale of Assets	-	-
Interest Income	-	-
Interest Expense	(29,400.00)	(29,400.00)
Other Non-Operating Income	-	-
<b>Net Non-Operating Income or (Expenses)</b>	<b>\$ (29,400.00)</b>	<b>\$ (29,400.00)</b>
Reorganization Expenses		
Legal and Professional Fees	\$ -	\$ -
Other Reorganization Expense	-	-
<b>Total Reorganization Expenses</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Income (Loss) Before Income Taxes</b>	<b>\$ (43,782.57)</b>	<b>\$ (43,782.57)</b>
Federal and State Income Tax Expense (Benefit)	-	-
<b>NET INCOME (LOSS)</b>	<b>\$ (43,782.57)</b>	<b>\$ (43,782.57)</b>

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

**DEBTOR:** Castle Arch Smryna, LLC

**CASE NO:** 11-35246

**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
<b>TOTALS</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>0</b>			<b>\$ 0</b>

(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	10/17/2012	\$ 10/17/2012
Property (Fire, Theft)		\$		\$
Vehicle		\$		\$
Other (list): D&O	HUB Intl	\$ 5,000,000	12/20/2011	\$ 12/20/2011
		\$		\$

DEBTOR: Castle Arch Smryna, LLC

CASE NO: 11-35246

**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	\$ 7,014.67
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
<b>Total Post Petition</b>	0.00	
<b>Pre Petition Amounts</b>	0.00	
Total Accounts Receivable	\$ 0.00	
Less: Bad Debt Reserve	0.00	
<b>Net Accounts Receivable (to Form 2-C)</b>	\$ 0.00	
	<b>Total Post Petition Accounts Payable</b>	<b>\$ 7,014.67</b>

\* 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
<b>Total</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>		<b>\$ 0</b>

\*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 Smryna, LLC

CASE NO: 11-35246

**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.....	<b>\$325</b>	\$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 Smyrna, LLC

CASE NO: 11-35246

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.

Castle Arch Smyrna does not currently have any bank accounts resulting in all pre-petition cash activity occurring in the parent company, Castle Arch Real Estate Investment Company, LLC. However a bank account will be added as there is expected to be income related to a timber contract that was signed by Trent Waddoups pre-petition on 10/20/11. Future monthly reports beginning in January 2012 are expected to have income and disbursements. Other than the timber contract the raw land is sitting vacant and unused due to the change in economic climate. The project is currently on hold pending funding and an improvement in the economic state.

The property tax accrued for 2011 has been recorded in Accounts Payable to conform with the accounting software and is not reflected in Form 2E as it would duplicate the liability.

The inter-company entry was to reconcile a property tax payment that was on Castle Arch Real Estate Investment Company, LLC's books. The expense is higher than the A/P accrual as there was a credit for property tax due to the loss of the 147 acre parcel.

The decrease to Equity was due to the accrual of Preferred Dividends being debited as a contra equity account. The amount was for all of 2011 and not just a December expense.

7:29 PM  
01/15/12  
Accrual Basis

**Castle Arch Smyrna, LLC**  
**Profit & Loss**  
December 2011

	Dec 11
Ordinary Income/Expense	
Expense	
60140 · Interest Expense	29,400.00
Loan Interest	
Total 60140 · Interest Expense	29,400.00
60675 · Property Tax	14,095.90
60680 · Professional Outside Services	286.67
Total Expense	43,782.57
Net Ordinary Income	-43,782.57
Net Income	<u>-43,782.57</u>

7:17 PM  
01/15/12  
Accrual Basis

**Castle Arch Smyrna, LLC**  
**Balance Sheet**  
As of December 31, 2011

	Dec 31, 11
<b>ASSETS</b>	
Other Assets	
17100 · Properties Held for Investment	5,808,000.00
17103 · Smyrna, TN	5,808,000.00
Total 17100 · Properties Held for Investment	5,808,000.00
Total Other Assets	5,808,000.00
<b>TOTAL ASSETS</b>	<b>5,808,000.00</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	26,548.67
20000 · Accounts Payable	26,548.67
Total Accounts Payable	26,548.67
<b>Other Current Liabilities</b>	
23201 · Interest Payable - RP	53,967.12
24500 · Debt Issuance Costs Payable	11,200.00
25001 · Notes Payable - RP	140,000.00
25050 · Intercompany Notes	100,000.00
25051 · CAOPI	2,741,185.83
25056 · CAREIC	2,917.81
25200 · Accrued Interest	2,844,103.64
Total 25050 · Intercompany Notes	3,049,270.76
Total Other Current Liabilities	3,075,819.43
Total Current Liabilities	3,102,368.10
<b>Long Term Liabilities</b>	
23600 · Preferred Dividend Payable	2,601,287.76
Total Long Term Liabilities	2,601,287.76
Total Liabilities	5,677,107.19
<b>Equity</b>	
30000 · Preferred Units Round A	4,143,000.00
30001 · Preferred Units Round B	394,400.00
30100 · Common Units	10.94
30102 · CU Consulting	77,999.10
30103 · CU Referral Fees	78,010.04
Total 30100 · Common Units	78,010.04
38000 · Contributed Capital	6,000.00
39000 · Retained Earnings	-1,814,426.29

7:17 PM  
 01/15/12  
 Accrual Basis

**Castle Arch Smyrna, LLC**  
**Balance Sheet**  
 As of December 31, 2011

	Dec 31, 11
39100 · Equity Adjustments	
39101 · Preferred Dividends Accrued	-2,601,287.76
39103 · CU Referral Fees	-77,999.10
39106 · Cash Referral Fees	-134,846.37
39107 · Cash Commissions	-2,310.13
Total 39100 · Equity Adjustments	-2,816,443.36
Net Income	140,352.42
Total Equity	130,892.81
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>5,808,000.00</u></b>

7:38 PM  
01/15/12

**Castle Arch Smyrna, LLC**  
**A/P Aging Summary**  
As of January 15, 2012

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Colonial Stock Transfer	220.00	286.67	0.00	0.00	0.00	506.67
Rutherford County Trustee	0.00	6,728.00	0.00	0.00	19,534.00	26,262.00
<b>TOTAL</b>	<b>220.00</b>	<b>7,014.67</b>	<b>0.00</b>	<b>0.00</b>	<b>19,534.00</b>	<b>26,768.67</b>