

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

MONTHLY OPERATING REPORT
CHAPTER 11

Form 2-A
COVER SHEET

For Period Ending 1/31/2012

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: 2/14/12 **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: 1/1/12 to 1/31/12

CASH RECEIPTS DETAIL
(attach additional sheets as necessary)

Account No:

Date	Payer	Description	Amount
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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: 1/1/12 to 1/31/12

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 Smryna, LLC Document Page 5 of 12 CASE NO: 11-35246

Form 2-C
COMPARATIVE BALANCE SHEET
For Period Ended: 1/31/2012

	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>	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
TOTAL ASSETS	<u>\$ 5,808,000.00</u>	<u>\$ 5,808,000.00</u>
LIABILITIES		
Post-petition Accounts Payable (from Form 2-E)	\$ 7,234.67	\$ 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): <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>\$ 679,238.57</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>
TOTAL LIABILITIES	<u>\$ 5,677,327.19</u>	<u>\$ 4,998,088.62</u>
OWNERS' EQUITY		
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	-44,002.57	0.00
TOTAL OWNERS' EQUITY	<u>\$ 130,672.81</u>	<u>\$ 809,911.38</u>
TOTAL LIABILITIES AND OWNERS' EQUITY	<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 1/1/2012 to 1/31/2012

	<u>Current Month</u>	<u>Accumulated Total (1)</u>
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	220.00	506.67
Rents and Leases	-	-
Depreciation, Depletion and Amortization	-	-
Other (list): <u>Property Tax</u>	-	14,095.90
	<u>-</u>	<u>-</u>
Total Operating Expenses	\$ 220.00	\$ 14,602.57
Operating Income (Loss)	\$ (220.00)	\$ (14,602.57)
Non-Operating Income and Expenses		
Other Non-Operating Expenses	\$ -	\$ -
Gains (Losses) on Sale of Assets	-	-
Interest Income	-	-
Interest Expense	-	(29,400.00)
Other Non-Operating Income	-	-
Net Non-Operating Income or (Expenses)	\$ -	\$ (29,400.00)
Reorganization Expenses		
Legal and Professional Fees	\$ -	\$ -
Other Reorganization Expense	-	-
Total Reorganization Expenses	\$ -	\$ -
Net Income (Loss) Before Income Taxes	\$ (220.00)	\$ (44,002.57)
Federal and State Income Tax Expense (Benefit)	-	-
NET INCOME (LOSS)	\$ (220.00)	\$ (44,002.57)

(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: 1/1/2012 to 1/31/2012**

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 \$	<u>0 \$</u>	<u>0 \$</u>	<u>0</u>			<u>0</u>

(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 1/1/2012 to 1/31/2012

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	\$ 7,234.67
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	\$ 7,234.67

* 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 Smryna, LLC

CASE NO: 11-35246

**Form 2-F
QUARTERLY FEE SUMMARY ***
For the Month Ended: 1/31/2012

<u>Month</u>	<u>Year</u>	<u>Cash Disbursements **</u>	<u>Quarterly Fee Due</u>	<u>Check No.</u>	<u>Date Paid</u>
January	<u>2012</u>	\$ 0			
February	<u> </u>	0			
March	<u> </u>	0			
TOTAL 1st Quarter	\$	<u>0 \$</u>			
April	<u> </u>	0			
May	<u> </u>	0			
June	<u> </u>	0			
TOTAL 2nd Quarter	\$	<u>0 \$</u>			
July	<u> </u>	0			
August	<u> </u>	0			
September	<u> </u>	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 Smyrna, LLC

CASE NO: 11-35246

Form 2-G
NARRATIVE

For Period Ending: 1/31/2012

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.

<p>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.</p>
<p>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.</p>
<p>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.</p>
<p>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.</p>
<p>January's AP activity has only a stock transfer quarterly fee that has been cancelled for future reports unless specifically requested.</p>

2:48 PM
02/15/12
Accrual Basis

Castle Arch Smyrna, LLC
Balance Sheet
As of January 31, 2012

	<u>Jan 31, 12</u>
ASSETS	
Other Assets	
17100 · Properties Held for Investment	
17103 · Smyrna, TN	5,808,000.00
Total 17100 · Properties Held for Investment	<u>5,808,000.00</u>
Total Other Assets	<u>5,808,000.00</u>
TOTAL ASSETS	<u>5,808,000.00</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts Payable	26,768.67
Total Accounts Payable	<u>26,768.67</u>
Other Current Liabilities	
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	
25051 · CAOPI	100,000.00
25056 · CAREIC	2,741,185.83
25200 · Accrued Interest	<u>2,917.81</u>
Total 25050 · Intercompany Notes	<u>2,844,103.64</u>
Total Other Current Liabilities	<u>3,049,270.76</u>
Total Current Liabilities	3,076,039.43
Long Term Liabilities	
23600 · Preferred Dividend Payable	<u>2,601,287.76</u>
Total Long Term Liabilities	<u>2,601,287.76</u>
Total Liabilities	5,677,327.19
Equity	
30000 · Preferred Units Round A	4,143,000.00
30001 · Preferred Units Round B	394,400.00
30100 · Common Units	
30102 · CU Consulting	10.94
30103 · CU Referral Fees	<u>77,999.10</u>
Total 30100 · Common Units	78,010.04
38000 · Contributed Capital	6,000.00
39000 · Retained Earnings	-1,674,073.87
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	<u>-2,310.13</u>
Total 39100 · Equity Adjustments	-2,816,443.36
Net Income	<u>-220.00</u>
Total Equity	<u>130,672.81</u>
TOTAL LIABILITIES & EQUITY	<u>5,808,000.00</u>

2:50 PM
02/15/12
Accrual Basis

Castle Arch Smyrna, LLC
Profit & Loss
January 2012

	<u>Jan 12</u>
Ordinary Income/Expense	
Expense	
60680 · Professional Outside Services	220.00
Total Expense	<u>220.00</u>
Net Ordinary Income	<u>-220.00</u>
Net Income	<u><u>-220.00</u></u>