

"CAREIC"

DEBTOR: Castle Arch Real Estate Investment Company, LLC. **MONTHLY OPERATING REPORT**
CHAPTER 11

CASE NUMBER: 11-35082

Form 2-A
COVER SHEET

For Period Ending 08/31/12

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: 10/03/2012 **Print Name:** D. Ray Strong

Signature: 

Title: Chapter 11 Trustee

DEBTOR: Castle Arch Real Estate Investment Company, LLC. **CASE NO:** 11-35082

Form 2-B
CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 8/1/12 to 8/31/12

CASH FLOW SUMMARY

	Current <u>Month</u>	<u>Accumulated</u>
1. Beginning Cash Balance	\$ <u>17,356.71</u> (1)	\$ <u>250,496.48</u> (1)
2. Cash Receipts		
Operations	33,000.00	164,216.42
Sale of Assets	-	500.00
Loans/advances	-	-
Other	-	1,172.98
Total Cash Receipts	\$ <u>33,000.00</u>	\$ <u>165,889.40</u>
3. Cash Disbursements		
Operations	11,336.65	371,664.71
Debt Service/Secured loan payment	-	-
Professional fees/U.S. Trustee fees	-	2,603.11
Other	-	3,098.00
Total Cash Disbursements	\$ <u>11,336.65</u>	\$ <u>377,365.82</u>
4. Net Cash Flow (Total Cash Receipts less Total Cash Disbursements)	<u>21,663.35</u>	<u>(211,476.42)</u>
5 Ending Cash Balance (to Form 2-C)	\$ <u>39,020.06</u> (2)	\$ <u>39,020.06</u> (2)

CASH BALANCE SUMMARY

	<u>Financial Institution</u>	<u>Book Balance</u>
Petty Cash	_____	\$ -
DIP Operating Account	<u>Zions Bank *****4950 (Closed)</u>	-
Trustee Operating Account	<u>Preferred Bank ***3333</u>	38,894.05
Trustee Payroll Account	<u>Preferred Bank ***4658</u>	126.01
Other Operating Account	_____	-
Other Interest-bearing Account	_____	-
TOTAL (must agree with Ending Cash Balance above)		\$ <u>39,020.06</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.
Note: Cash Receipts and Disbursements are net of account transfers.

DEBTOR: Castle Arch Real Estate Investment Company, LLC. CASE NO: 11-35082

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

For Period: 8/1/12 to 8/31/12

CASH RECEIPTS DETAIL

(attach additional sheets as necessary)

Account No: Preferred Bank-***3333

Date	Payer	Description	Amount
			\$
08/01/12	CAS	August Management Fee	7,000.00
08/01/12	CAOPI	August Management Fee	13,000.00
08/01/12	CAOPII	August Management Fee	13,000.00

CASH RECEIPTS DETAIL

(attach additional sheets as necessary)

Account No: Preferred Bank-PR-***4658

Date	Payer	Description	Amount
			\$

Total Cash Receipts \$ 33,000.00 (1)

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

DEBTOR: Castle Arch Real Estate Investment Company, LLC. CASE NO: 11-35082

Form 2-B
CASH RECEIPTS AND DISBURSEMENTS STATEMENT
 For Period: 8/1/12 to 8/31/12

CASH DISBURSEMENTS DETAIL
(attach additional sheets as necessary)

Account No: Preferred Bank-***3333

Date	Check No.	Payee	Description (Purpose)	Amount
08/28/12	327	Judge Building LLC	Rent & Parking - September	674.17
08/28/12	328	Paychex	Processing Fee	128.55
08/28/12	329	United Healthcare	Health Insurance - September	2,210.18

CASH DISBURSEMENTS DETAIL
(attach additional sheets as necessary)

Account No: Preferred Bank-PR-***4658

Date	Check No.	Payee	Description (Purpose)	Amount
08/31/12	EFT Pull	Paychex	Aug 2012 Payroll - Glen Martinsen	8,323.75

Total Cash Disbursements \$ 11,336.65 (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: 08/31/12

	Current Month (1)	Petition Date (2)
ASSETS		
Current Assets:		
Cash (from Form 2-B, line 5)	\$ 39,020.06	\$ 250,496.48
Accounts Receivable (from Form 2-E)	299,824.64	800.00
Receivable from Officers, Employees, Affiliates	-	-
Inventory	-	-
Other Current Assets :(List)	337,500.00	257,500.00
<u>Pre-Paid Legal</u>	99.09	-
<u>I/C Post Trustee-CAK Receivable</u>	424,347.95	442,497.95
<u>Notes Receivable</u>		
 Total Current Assets	 <u>\$ 1,100,791.74</u>	 <u>\$ 951,294.43</u>
Fixed Assets:		
Land	\$ -	\$ -
Building	-	-
Equipment, Furniture and Fixtures	16,381.24	16,381.24
 Total Fixed Assets	 <u>16,381.24</u>	 <u>16,381.24</u>
Less: Accumulated Depreciation	(9,539.16)	(6,262.88)
 Net Fixed Assets	 <u>\$ 6,842.08</u>	 <u>\$ 10,118.36</u>
Other Assets (List):		
<u>Star Valley Property</u>	400,000.00	401,730.95
<u>Land Deposits CAK, CAS</u>	13,500.00	13,500.00
 TOTAL ASSETS	 <u><u>\$ 1,521,133.82</u></u>	 <u><u>\$ 1,376,643.74</u></u>
LIABILITIES		
Post-petition Accounts Payable (from Form 2-E)	\$ 12,582.75	\$ -
Post-petition Accrued Professional Fees (from Form 2-E)	824,748.60	-
Post-petition Taxes Payable (from Form 2-E)	-	-
Post-petition Notes Payable	-	-
Other Post-petition Payable(List):	47,608.77	-
<u>Note Interest Payable</u>	137,048.56	-
<u>Accrued Payroll</u>	3,073,928.27	-
<u>Preferred Dividends Payable</u>		
 Total Post Petition Liabilities	 <u>\$ 4,095,916.95</u>	 <u>\$ -</u>
Pre Petition Liabilities:		
Secured Debt	343,380.71	343,380.71
Priority Debt	-	-
Unsecured Debt	9,823,985.63	9,829,378.69
 Total Pre Petition Liabilities	 <u>\$ 10,167,366.34</u>	 <u>\$ 10,172,759.40</u>
 TOTAL LIABILITIES	 <u><u>\$ 14,263,283.29</u></u>	 <u><u>\$ 10,172,759.40</u></u>
OWNERS' EQUITY		
Owner's/Stockholder's Equity	\$ 26,439,379.74	\$ 29,513,308.01
Retained Earnings - Prepetition	(38,309,423.67)	(38,309,423.67)
Retained Earnings - Post-petition	(872,105.54)	-
 TOTAL OWNERS' EQUITY	 <u><u>\$ (12,742,149.47)</u></u>	 <u><u>\$ (8,796,115.66)</u></u>
 TOTAL LIABILITIES AND OWNERS' EQUITY	 <u><u>\$ 1,521,133.82</u></u>	 <u><u>\$ 1,376,643.74</u></u>

(1) The Trustee has not conducted an detailed analysis of the historical accounting balances contained herein to determine the accuracy of the information presented.
 (2) 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 Real Estate Investment Company, LLC.

CASE NO: 11-35082

Form 2-D
PROFIT AND LOSS STATEMENT
 For Period 08/01/12 to 08/31/12

	<u>Current Month (1)</u>	<u>Accumulated Total (2)</u>
Gross Operating Revenue	\$ 59,000.00	\$ 408,601.64
Less: Discounts, Returns and Allowances	(-)	(-)
Net Operating Revenue	\$ 59,000.00	\$ 408,601.64
Cost of Goods Sold	-	1,730.95
Gross Profit	\$ 59,000.00	\$ 406,870.69
Operating Expenses		
Officer Compensation	\$ 8,073.75	\$ 301,831.99
Selling, General and Administrative	2,588.73	155,294.09
Rents and Leases	674.17	9,141.65
Depreciation, Depletion and Amortization	-	3,276.28
Other (list): _____	-	-
	-	-
Total Operating Expenses	\$ 11,336.65	\$ 469,544.01
Operating Income (Loss)	\$ 47,663.35	\$ (62,673.32)
Non-Operating Income and Expenses		
Other Non-Operating Expenses	\$ -	\$ (300.00)
Gains (Losses) on Sale of Assets	-	-
Interest Income	0.33	30,602.56
Interest Expense	-	-
Other Non-Operating Income	-	1,191.93
Net Non-Operating Income or (Expenses)	\$ 0.33	\$ 31,494.49
Reorganization Expenses		
Legal and Professional Fees	\$ 139,574.66	\$ 828,376.71
Other Reorganization Expense (Chapter 11 Trustee Bond)	-	12,550.00
Total Reorganization Expenses	\$ 139,574.66	\$ 840,926.71
Net Income (Loss) Before Income Taxes	\$ (91,910.98)	\$ (872,105.54)
Federal and State Income Tax Expense (Benefit)	-	-
NET INCOME (LOSS)	\$ (91,910.98)	\$ (872,105.54)

(1) The Trustee has not conducted an detailed analysis of the historical accounting balances contained herein to determine the accuracy of the information presented.
 (2) Accumulated Totals include all revenue and expenses since the petition date.

DEBTOR: Castle Arch Real Estate Investment Company, LLC.

CASE NO: 11-35082

**Form 2-E
SUPPORTING SCHEDULES
For Period: 08/01/12 to 08/31/12**

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	\$ 0.00	\$ 0.00	\$ 0.00			\$ 0.00
State	0.00	0.00	0.00			0.00
FICA Tax Withheld	0.00	0.00	0.00			0.00
Employer's FICA Tax	0.00	0.00	0.00			0.00
Unemployment Tax						
Federal	0.00	0.00	0.00			0.00
State	0.00	0.00	0.00			0.00
Sales, Use & Excise Taxes	0.00	0.00	0.00			0.00
Property Taxes	0.00	0.00	0.00			0.00
Accrued Income Tax:						
Federal	0.00	0.00	0.00			0.00
State	0.00	0.00	0.00			0.00
Other:	0.00	0.00	0.00			0.00
TOTALS	\$ 0.00	\$ 0.00	\$ 0.00			\$ 0.00

(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 (1)	\$ 2,000,000.00	10/18/12	10/18/12
Property (Fire, Theft)	Travelers (1)	\$ 25,000.00	10/27/12	10/27/12
Vehicle	None	\$ -		
Other (list): D&O	Rockhill	\$ 5,000,000.00	See Note 2	
		\$		

(1) The Trustee was informed in late May that the vacant land policy for the Tooele, Kingman, Star Valley, and Smyrna properties was terminate. The Trustee worked with Travelers to get the policy reinstated in June 2012.

(2) The D&O policy is a claims made policy and was paid by CAREIC through October 2011. At that time, the Trustee understands the premiums are being paid by the former officers and directors. The Trustee is currently in discussions with carrier regarding coverage issues.

DEBTOR: Castle Arch Real Estate Investment Company, LLC.

CASE NO: 11-35082

**Form 2-E
SUPPORTING SCHEDULES**

For Period 08/01/12 to 08/31/12

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	299,824.64	12,582.75
Total Post Petition	299,824.64	
Pre Petition Amounts	0.00	
Total Accounts Receivable	\$ 299,824.64	
Less: Bad Debt Reserve	0.00	
Net Accounts Receivable (to Form 2-C)	\$ 299,824.64	
	Total Post Petition Accounts Payable	\$ 12,582.75

* 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>
Trustee	\$ 0.00	\$ 35,900.00	\$ 0.00		\$ 104,250.00
Trustee Counsel	0.00	88,712.22	0.00		272,703.45
Trustee Accountants	0.00	11,900.00	0.00		95,400.00
Former Debtor's Counsel	100,000.00	0.00	0.00		229,229.43
Counsel for Unsecured Creditors' Committee	0.00	3,062.44	0.00		123,165.72
Other:	237,500.00	0.00	0.00		0.00
Total	\$ 337,500.00	\$ 139,574.66	\$ 0.00		\$ 824,748.60

*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>
Martinsen, Glen	CFO	Salary, P/R Taxes & Expense Reimb.	8,323.75

**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. Upon the Trustee's appointment, Jeff Austin and David Hunt were terminated. Glen Martinsen was retained by the Trustee to assist with day-to-day accounting. Amounts do not include Payroll taxes paid.

DEBTOR: Castle Arch Real Estate Investment Company, LLC.

CASE NO: 11-35082

**Form 2-F
QUARTERLY FEE SUMMARY ***
For the Month Ended: 08/31/12

<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>	\$ 34,553.95			
February	<u>2012</u>	131,498.94			
March	<u>2012</u>	31,192.17			
TOTAL 1st Quarter	\$	<u>162,691.11</u> \$	<u>1,625.00</u>	<u>315</u>	<u>07/06/12</u>
April	<u>2012</u>	\$ 32,715.44			
May	<u>2012</u>	36,386.11			
June	<u>2012</u>	14,064.88			
TOTAL 2nd Quarter	\$	<u>83,166.43</u> \$	<u>975.00</u>	<u>320</u>	<u>07/27/12</u>
July	<u>2012</u>	\$ 31,636.54			
August	<u>2012</u>	11,336.65			
September		0.00			
TOTAL 3rd Quarter	\$	<u>42,973.19</u> \$			
October	<u>2011</u>	\$ 0.00			
November	<u>2011</u>	36,265.12			
December	<u>2011</u>	11,336.65			
TOTAL 4th Quarter	\$	<u>47,601.77</u> \$	<u>650.00</u>	<u>1019</u>	<u>02/08/12</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 Real Estate Investment Company, LLC

CASE NO: 11-35082

**Form 2-G
NARRATIVE**

For Period Ending: 08/31/12

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.

On May 3, 2012, D. Ray Strong was appointed as Chapter 11 Trustee of Castle Arch Real Estate Investment Company, LLC ("Trustee"). Pursuant the Trustee's appointment and the existing ownership structure of the other related debtors, the Trustee also functions as the Manager of CAOP Managers, LLC ("CAOP Managers"), Castle Arch Opportunity Partners I, LLC ("CAOPI"), Castle Arch Opportunity Partners II, LLC ("CAOPII"), Castle Arch Secured Development Fund, LLC ("CASDF"), Castle Arch Kingman, LLC ("CAK"), and Castle Arch Smyrna, LLC ("CAS") (collectively the "Debtors").

Shortly after his appointment, the Trustee engaged Dorsey & Whitney, LLP as his counsel and Berkeley Research Group, LLC as his accountants. Their employment was approved by the Bankruptcy Court on June 13, 2012.

Upon the Trustee's appointment, the Trustee terminated all existing management except Glen Martinsen who was retained to assist with the day-to-day operations and accounting. The Trustee is utilizing a payroll services, Paychex, for the calculation and reporting of payroll. The payroll related expenses are netted and paid to Paychex in a lump-sum for the payroll period. Mr. Martinsen provides services for the Manager relating to CAREIC.

On June 5, 2012, the Trustee filed a motion seeking approval of a proposed cash management plan. The cash management plan included, among other things, the assessment of monthly CAREIC management fees for the various Debtors, establishment of a quarterly procedure by the Court to reassess the monthly management fees, and authorization of minimal loans from CAOPI and CAOPII to certain Debtors to pay ongoing expenses. The management fees from July 2012 through September 2012 are: (a) \$2,000 for CAOP Managers; (b) \$13,000 for CAOPI; (c) \$13,000 for CAOPII; (d) \$7,000 for CAK; (e) \$7,000 for CAS; and (f) \$4,000 for CASDF. The amounts requested for the certain Debtors to borrow on an as needed bases are up to: (a) \$5,000 for CAOP Managers; (b) \$20,000 for CAK; (c) \$15,000 for CASDF. The cash management plan motion was granted by the Bankruptcy Court on June 29, 2012.

On June 18, 2012, the Trustee/Manager engaged and subsequently submitted a motion to the Bankruptcy Court to employ Commerce Real Estate Solutions ("Commerce") as its real estate broker to sell certain real property and water rights owned by CAREIC and/or its related entities. The identified real property to be sold included approximately: (a) 348 acres in Tooele, Utah; (b) 534 acres in Kingman, Arizona; (c) 484 acres in Smyrna, Tennessee; and 39 acres in Thayne, Wyoming. Commerce is currently reviewing the various parcels, existing entitlements, and related documentation. The real property transactions are complex and convoluted which is taking time to fully understand the properties in order to list the properties. Commerce has listed the Tooele, Kingman, and Star Valley properties which information can be accessed on the Trustee and the commercial real estate LoopNet websites. Commerce is visited with city officials in Kingman the first week of September 2012 to gather additional information about entitlements, water rights, and mineral rights. The Smyrna property is still under review and investigation and the Trustee anticipates listing the property shortly.

DEBTOR: Castle Arch Real Estate Investment Company, LLC

CASE NO: 11-35082

Form 2-G – Page 2

NARRATIVE

For Period Ending: 08/31/12

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.

On August 8, 2012, the Trustee/Manager filed an objection to the proofs of claim filed by William Davidson, a member of the Board of Directors of CAREIC. Mr. Davidson filed a claim in CAREIC and CAS relating to a purported loan secured by CAREIC and Smyrna related property. In September 2012, the Trustee/Manager filed objections to claims filed by Robert Geringer, David Demerest, and an Omnibus objection involving 19 other claims. The Court also extended the deadline to file intercompany claims until to January 1, 2012.

The Trustee/Manager and his professionals have spent a significant amount of time reviewing and analyzing the multi-million dollar claims filed by Longview Financial Holdings, Inc. and Longview Financial Group, Inc. (collectively "Longview") against CAREIC and the related Debtors in an effort to potentially resolve the claims. The Trustee/Manager and his professionals continue to analyze the claims and related issues. On July 3, 2012, Longview filed an amended motion seeking relief from the automatic stay, which the Trustee/Manager opposed on July 23, 2012. Longview replied to the Trustee's objection on August 2, 2012. A preliminary hearing was scheduled and held on August 8, 2012 which scheduled an evidentiary hearing for August 27, 2012. The August 27, 2012 hearing was held and continued until September 13, 2012 while Longview and the Trustee attempt to settlement the matter. This hearing was further continued until October 9, 2012 while settlement negotiations continue.

The Trustee/Manager and his professionals have developed and analyzed a plan concept that was shared with the Bankruptcy Court at the June 29, 2012 hearing regarding the cash management plan. The Trustee/Manager filed his proposed disclosure statement and plan with the Court on September 29, 2012 for Court approval.

The Trustee has relied on the currently available records and records prepared by the Debtors to obtain historical activity included on the balance sheet referenced in Form 2C and the profit and loss statement in Form 2D. Work is ongoing to ascertain and determine appropriate balances. Balances may be over or understated and are subject to material modification. The financial statements may change as information becomes available to the Trustee. The Trustee may dispute the nature and amount of the assets and liabilities presented in these financial statements. As new information becomes available, these balances may be adjusted and updated to reflect the correct amounts. The fact that liabilities and assets may have been omitted, listed and/or adjusted, does not necessarily reflect the final opinion as to the eventual treatment under a plan of reorganization or otherwise.

Historically, activity between the Debtors was recorded through various intercompany accounts which have been very convoluted and commingled.

The Trustee/Manager has been actively requesting turnover of Debtor related documents from various parties. During September and October the Trustee/Manager has filed various motions to compel several of the parties to turnover or produce the requested information and documentation.

DEBTOR: Castle Arch Real Estate Investment Company, LLC

CASE NO: 11-35082

Form 2-G – Page 3

NARRATIVE

For Period Ending: 08/31/12

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.

In an effort to provide interested parties with as much information as possible, the Trustee/Manager has created a website located at www.castlearchtrustee.com. Interested parties should reference the website for more detailed information.

3:05 PM
09/27/12

Castle Arch Real Estate Investment Company
A/R Aging Summary
As of August 31, 2012

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>91 - 120</u>	<u>> 120</u>	<u>TOTAL</u>
Accelerated Capital Group - Customer	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CAK	14,000.00	0.00	0.00	0.00	0.00	0.00	14,000.00
CAOPM	4,000.00	0.00	0.00	0.00	0.00	0.00	4,000.00
CASDF	8,000.00	0.00	0.00	0.00	0.00	0.00	8,000.00
Castle Arch Lease-to-Own Income Fund, LLC	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Castle Arch Opportunity Fund I	0.00	0.00	0.00	0.00	0.00	198,620.35	198,620.35
Castle Arch Opportunity Fund II	0.00	0.00	0.00	0.00	0.00	75,204.29	75,204.29
Child, Van Wagoner & Bradshaw PLLC	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Howell, Jad - Customer	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HSBC Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Koidin, Mark - CUSTOMER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Millstream Land	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Paychex - CUSTOMER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Securities Institute	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	26,000.00	0.00	0.00	0.00	0.00	273,824.64	299,824.64

3:16 PM

09/27/12

Castle Arch Real Estate Investment Company
A/P Aging Summary
 As of August 31, 2012

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
AT&T	0.00	0.00	0.00	0.00	326.11	326.11
California Franchise Tax Board	0.00	0.00	0.00	0.00	-40.00	-40.00
Chisholm, Bierwolf, Nilson & Morrill	0.00	0.00	0.00	0.00	30,980.71	30,980.71
Cohne Rappaport & Segal	0.00	0.00	0.00	0.00	10,005.70	10,005.70
Colonial Stock Transfer	0.00	0.00	0.00	0.00	1,691.67	1,691.67
CT Corporation	0.00	0.00	0.00	0.00	348.00	348.00
Daily Brand LLC	0.00	0.00	0.00	0.00	19,730.60	19,730.60
Entrust Arizona, LLC	0.00	0.00	0.00	0.00	700.00	700.00
Fact Finders Information Services LLC	0.00	0.00	0.00	0.00	487.50	487.50
Fortius Financial Advisors	0.00	0.00	0.00	0.00	3,300.00	3,300.00
Global Security	0.00	0.00	0.00	0.00	83.85	83.85
Greene, Jeffrey PC	0.00	0.00	0.00	0.00	6,434.00	6,434.00
Hunt, David S. P.C.	0.00	0.00	0.00	0.00	285,000.00	285,000.00
Illinois Department of Employment Securit	0.00	0.00	0.00	0.00	108.07	108.07
Judge Building LLC	0.00	0.00	0.00	0.00	-0.70	-0.70
Kaysville City	0.00	0.00	0.00	0.00	-0.69	-0.69
Lincoln County Treasurer	0.00	0.00	0.00	0.00	1,766.38	1,766.38
Michelle Turpin P.C.	0.00	0.00	0.00	0.00	2,440.77	2,440.77
Mohave County Treasurer	0.00	0.00	0.00	0.00	15,299.62	15,299.62
Mohave Engineering Associates, Inc.	0.00	0.00	0.00	0.00	59,961.08	59,961.08
NetChemistry	0.00	0.00	0.00	0.00	77,500.00	77,500.00
Olson Communications, Inc.	0.00	0.00	0.00	0.00	500.50	500.50
Parsons, Behle & Latimer	0.00	0.00	0.00	0.00	48,454.30	48,454.30
RFC Properties, LLC	0.00	0.00	0.00	0.00	9,164.00	9,164.00
Ryan, Inc	0.00	0.00	0.00	0.00	14,652.03	14,652.03
Sierra Construction & Excavation, INC.	0.00	0.00	0.00	0.00	780.00	780.00
Snell and Wilmer	0.00	0.00	0.00	0.00	59,228.17	59,228.17
SouthWest Traffic Engineering	0.00	0.00	0.00	0.00	9,255.30	9,255.30
Stevens & Lee	0.00	0.00	0.00	0.00	19,628.24	19,628.24
The Dot Printer	0.00	0.00	0.00	0.00	3,029.73	3,029.73
Tooele County Treasurer	0.00	0.00	0.00	0.00	89,404.43	89,404.43
Town of Thayne	0.00	0.00	0.00	0.00	148.00	148.00
TOTAL	0.00	0.00	0.00	0.00	770,367.37	770,367.37

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Castle Arch Real Estate Investment Company
A/P Aging Summary
As of August 31, 2012

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>
BRG	11,900.00	25,000.00	43,000.00	15,500.00	0.00	95,400.00
Dorsey Whitney LLP	88,712.22	80,230.93	52,488.15	51,272.15	0.00	272,703.45
Jones Waldo	3,062.44	8,339.89	3,104.00	12,917.84	95,741.55	123,165.72
Prince, Yeates & Geldzahler	0.00	0.00	1,692.50	6,208.90	221,328.03	229,229.43
Ray Strong - Trustee	35,900.00	17,500.00	28,000.00	22,850.00	0.00	104,250.00
TOTAL	<u>139,574.66</u>	<u>131,070.82</u>	<u>128,284.65</u>	<u>108,748.89</u>	<u>317,069.58</u>	<u>824,748.60</u>

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09/27/12
Accrual Basis

Castle Arch Real Estate Investment Company
Balance Sheet
As of August 31, 2012

	<u>Aug 31, 12</u>
ASSETS	
Current Assets	
Checking/Savings	
10003 · Pref Bank-Trustee [REDACTED]	38,894.05
10004 · Pref Bank-PR-Trustee [REDACTED]	126.01
Total Checking/Savings	<u>39,020.06</u>
Accounts Receivable	
13000 · Accounts Receivable	299,824.64
Total Accounts Receivable	<u>299,824.64</u>
Other Current Assets	
13602 · Interest Recvbl- Valley Gardens	169,347.95
15010 · Loan Receivable - Valley Garden	255,000.00
16000 · Prepaid Expense	337,500.00
22501 · I/C Post Trustee - CAK	98.16
22510 · I/C Interest Accrual	0.93
Total Other Current Assets	<u>761,947.04</u>
Total Current Assets	1,100,791.74
Fixed Assets	
17000 · Property/Equipment	16,381.24
17010 · Accumulated Depreciation	-9,539.16
Total Fixed Assets	<u>6,842.08</u>
Other Assets	
17100 · Properties Held for Investment	
17104 · Star Valley, WY	
17105 · Phase A hard costs	400,000.00
Total 17104 · Star Valley, WY	<u>400,000.00</u>
Total 17100 · Properties Held for Investment	400,000.00
17700 · Refundable Deposits	1,500.00
18100 · Investment in CA Kingman, LLC	6,000.00
18101 · Investment in CA Symrna, LLC	6,000.00
Total Other Assets	<u>413,500.00</u>
TOTAL ASSETS	<u><u>1,521,133.82</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts Payable	770,367.37
20001 · Prof. Fees Payable - BK Related	824,748.60
Total Accounts Payable	<u>1,595,115.97</u>
Other Current Liabilities	
23200 · Interest Payable - Bill Grundy	60,623.01
23400 · Payroll Liabilities	
Accrued Payroll	137,048.56
Deferred Compensation	1,063,791.30
Total 23400 · Payroll Liabilities	<u>1,200,839.86</u>

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09/27/12
Accrual Basis

Castle Arch Real Estate Investment Company
Balance Sheet
As of August 31, 2012

	Aug 31, 12
25050 · Intercompany Notes	
23508 · CAOPM	-100.00
25051 · CAOPI	-128,073.08
25052 · CAOPII	-103,378.41
25054 · CASDF	-909,542.42
25057 · CAK	-2,326,772.40
25058 · CAS	-2,741,185.83
25200 · Accrued Interest	1,918.09
Total 25050 · Intercompany Notes	-6,207,134.05
Total Other Current Liabilities	-4,945,671.18
Total Current Liabilities	-3,350,555.21
Long Term Liabilities	
23600 · Preferred Dividend Payable	16,373,064.53
24000 · BOD Bonus payable	660,000.00
25000 · Notes Payable	
25003 · Star Valley, WY	350,773.97
25005 · Star Valley, WY - Bill Grundy	230,000.00
Total 25000 · Notes Payable	580,773.97
Total Long Term Liabilities	17,613,838.50
Total Liabilities	14,263,283.29
Equity	
30000 · Preferred Units Round A	1,000,000.00
30001 · Preferred Units Round B	2,000,000.00
30002 · Preferred Units Round C	3,300,000.00
30003 · Preferred Units Round D	24,931,403.00
30004 · Preferred Units Round E	7,196,399.00
30100 · Common Units	
30101 · CU Board	4,700,250.00
30102 · CU Consulting	1,383,013.84
30103 · CU Referral Fees	869,956.90
30104 · CU Founders	16,000.00
Total 30100 · Common Units	6,969,220.74
39000 · Retained Earnings	-38,401,142.64
39100 · Equity Adjustments	
39101 · Preferred Dividends Accrued	-16,373,064.52
39102 · Preferred Dividends Paid	-13,830.15
39103 · CU Referral Fees	-869,956.90
39104 · Reinvested Referral Fees	-55,470.00
39105 · Offering Costs	-370,341.00
39106 · Cash Referral Fees	-939,251.37
39107 · Cash Commissions	-335,729.06
Total 39100 · Equity Adjustments	-18,957,643.00
Net Income	-780,386.57
Total Equity	-12,742,149.47
TOTAL LIABILITIES & EQUITY	1,521,133.82

4:07 PM
 09/27/12
 Accrual Basis

Castle Arch Real Estate Investment Company
Profit & Loss
August 2012

	<u>Aug 12</u>
Ordinary Income/Expense	
Income	
42000 · Management Fee Income	59,000.00
Total Income	<u>59,000.00</u>
Gross Profit	59,000.00
Expense	
Administrative/Other Unit	
Insurance UHC	
Insurance Premiums	2,210.18
Total Insurance UHC	2,210.18
Office Expenses	378.55
Rent	674.17
Total Administrative/Other Unit	3,262.90
Executive Unit	
Executive Compensation	
Payroll Taxes	573.75
W2	7,500.00
Total Executive Compensation	8,073.75
Total Executive Unit	8,073.75
Total Expense	<u>11,336.65</u>
Net Ordinary Income	47,663.35
Other Income/Expense	
Other Income	
Interest Income	0.33
Total Other Income	0.33
Other Expense	
65000 · Trustee Fees	35,900.00
65010 · Trustee Firm Fee	11,900.00
65100 · DIP Creditor Committee - Legal	3,062.44
65500 · Trustee Legal Fees	88,712.22
Total Other Expense	<u>139,574.66</u>
Net Other Income	<u>-139,574.33</u>
Net Income	<u><u>-91,910.98</u></u>

10:42 AM
09/07/12

Castle Arch Real Estate Investment Company
Reconciliation Detail
10003 · Pref Bank-Trustee-██████████ Period Ending 08/31/2012

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						23,577.52
Cleared Transactions						
Checks and Payments - 13 items						
Check	7/26/2012	317	Travelers	X	-551.05	-551.05
Check	7/27/2012	320	U.S. Trustee	X	-977.72	-1,528.77
Check	7/27/2012	319	Judge Building LLC	X	-674.17	-2,202.94
Check	7/27/2012	321	Travelers	X	-551.05	-2,753.99
Check	7/27/2012	318	CenturyLink	X	-244.38	-2,998.37
Check	7/31/2012	326	United Healthcare	X	-2,210.18	-5,208.55
Check	7/31/2012	323	CenturyLink	X	-255.54	-5,464.09
Check	7/31/2012	324	Paychex	X	-98.60	-5,562.69
Check	7/31/2012	325	Strong Connexions	X	-25.00	-5,587.69
Check	7/31/2012	322	FedEx	X	-14.27	-5,601.96
Check	8/1/2012	EFT	Preferred Bank	X	-744.86	-6,346.82
Check	8/28/2012	327	Judge Building LLC	X	-674.17	-7,020.99
Check	8/29/2012	EFT	Preferred Bank	X	-8,323.75	-15,344.74
Total Checks and Payments					-15,344.74	-15,344.74
Deposits and Credits - 3 items						
Deposit	8/1/2012			X	7,000.00	7,000.00
Deposit	8/1/2012			X	13,000.00	20,000.00
Deposit	8/21/2012			X	13,000.00	33,000.00
Total Deposits and Credits					33,000.00	33,000.00
Total Cleared Transactions					17,655.26	17,655.26
Cleared Balance					17,655.26	41,232.78
Uncleared Transactions						
Checks and Payments - 2 items						
Check	8/28/2012	329	United Healthcare		-2,210.18	-2,210.18
Check	8/28/2012	328	Paychex		-128.55	-2,338.73
Total Checks and Payments					-2,338.73	-2,338.73
Total Uncleared Transactions					-2,338.73	-2,338.73
Register Balance as of 08/31/2012					15,316.53	38,894.05
New Transactions						
Deposits and Credits - 1 item						
Deposit	9/6/2012				250.00	250.00
Total Deposits and Credits					250.00	250.00
Total New Transactions					250.00	250.00
Ending Balance					15,566.53	39,144.05

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09/27/12

Castle Arch Real Estate Investment Company
Reconciliation Detail
10004 - Pref Bank-PR-Trustee [REDACTED] Period Ending 08/31/2012

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						126.01
Cleared Transactions						
Checks and Payments - 2 items						
Check	7/31/2012	3005	EDD - State of Calli...	X	-744.86	-744.86
Check	8/31/2012	EFT ...	Paychex	X	-8,323.75	-9,068.61
Total Checks and Payments					-9,068.61	-9,068.61
Deposits and Credits - 2 items						
Check	8/1/2012	EFT	Preferred Bank	X	744.86	744.86
Check	8/29/2012	EFT	Preferred Bank	X	8,323.75	9,068.61
Total Deposits and Credits					9,068.61	9,068.61
Total Cleared Transactions					0.00	0.00
Cleared Balance					0.00	126.01
Register Balance as of 08/31/2012					0.00	126.01
Ending Balance					0.00	126.01



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ACCOUNT:

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08/31/2012

11-35082 B
BANKRUPTCY ESTATE OF
CASTLE ARCH REAL ESTATE INVEST
D RAY STRONG, TRUSTEE 29
201 S MAIN ST SUITE 450 0
SALT LAKE CITY UT 84111 11

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PREFERRED BANK - LOS ANGELES TELEPHONE:213-891-1188
601 S. FIGUEROA ST. 29TH FLOOR
LOS ANGELES, CA 90017

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ESTATEMENTS ARE HERE - LOG ON PBnet PERSONAL ONLINE BANKING TO ENROLL
FDIC deposit insurance rules have changed. Accounts are now insured to
at least \$250,000 under the Standard Maximum Deposit Insurance Amount
(SMDIA) rules. See your branch operations officer or FDIC.gov for more
information.

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BANKRUPTCY CHECKING ACCOUNT [REDACTED]

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		LAST STATEMENT 07/31/12	23,577.52
AVG AVAILABLE BALANCE	49,391.88	3 CREDITS	33,000.00
AVERAGE BALANCE	49,391.88	13 DEBITS	15,344.74
		THIS STATEMENT 08/31/12	41,232.78

----- OTHER CREDITS -----

DESCRIPTION	DATE	AMOUNT
Incoming Wire Transfer BANKRUPTCY ESTATE OF CASTLE ARCH SM 6985097	08/02	7,000.00
Incoming Wire Transfer BANKRUPTCY ESTATE OF CASTLE ARCH OP 6985095	08/02	13,000.00
Incoming Wire Transfer BANKRUPTCY ESTATE OF CASTLE ARCH OP 6985096	08/02	13,000.00

----- CHECKS -----

CHECK #..DATE.....AMOUNT	CHECK #..DATE.....AMOUNT	CHECK #..DATE.....AMOUNT
317 08/02 551.05	321 08/06 551.05	325 08/06 25.00
318 08/10 244.38	322 08/07 14.27	326 08/08 2,210.18
319 08/06 674.17	323 08/10 255.54	327 08/30 674.17
320 08/07 977.72	324 08/07 98.60	

* * * C O N T I N U E D * * *



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ACCOUNT:

PAGE: 2
08/31/2012

11-35082

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BANKRUPTCY CHECKING ACCOUNT [REDACTED]

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- - - - - OTHER DEBITS - - - - -

DESCRIPTION	DATE	AMOUNT
TRANSFER TO # [REDACTED]	08/01	744.86
TRANSFER TO # [REDACTED]	08/29	8,323.75

- - - ITEMIZATION OF OVERDRAFT AND RETURNED ITEM FEES - - -

```

*****
*                               |          TOTAL FOR          |          TOTAL          *
*                               |        THIS PERIOD        |        YEAR TO DATE    *
*-----|-----|-----|-----|-----|-----|-----|-----|-----|
* TOTAL OVERDRAFT FEES:      |          $ .00          |          $ .00          *
*-----|-----|-----|-----|-----|-----|-----|-----|
* TOTAL RETURNED ITEM FEES:  |          $ .00          |          $ .00          *
*****
    
```

- - - - - DAILY BALANCE - - - - -

DATE.....	BALANCE	DATE.....	BALANCE	DATE.....	BALANCE
08/01	22,832.66	08/07	52,940.80	08/29	41,906.95
08/02	55,281.61	08/08	50,730.62	08/30	41,232.78
08/06	54,031.39	08/10	50,230.70		

- END OF STATEMENT -



029 00001 00
ACCOUNT:



PAGE: 1
08/31/2012

11-35082 B
BANKRUPTCY ESTATE OF
CASTLE ARCH REAL ESTATE INVEST
D RAY STRONG, TRUSTEE 29
201 S MAIN ST SUITE 450 0
SALT LAKE CITY UT 84111 1

PREFERRED BANK - LOS ANGELES
601 S. FIGUEROA ST. 29TH FLOOR
LOS ANGELES, CA 90017

TELEPHONE: 213-891-1188

eSTATEMENTS ARE HERE - LOG ON PBnet PERSONAL ONLINE BANKING TO ENROLL
FDIC deposit insurance rules have changed. Accounts are now insured to
at least \$250,000 under the Standard Maximum Deposit Insurance Amount
(SMDIA) rules. See your branch operations officer or FDIC.gov for more
information.

BANKRUPTCY CHECKING ACCOUNT

		LAST STATEMENT 07/31/12	126.01
AVG AVAILABLE BALANCE	813.33	2 CREDITS	9,068.61
AVERAGE BALANCE	813.33	3 DEBITS	9,068.61
		THIS STATEMENT 08/31/12	126.01

OTHER CREDITS

DESCRIPTION	DATE	AMOUNT
TRANSFER FROM # [REDACTED]	08/01	744.86
TRANSFER FROM # [REDACTED]	08/29	8,323.75

CHECKS

CHECK #..DATE.....AMOUNT	CHECK #..DATE.....AMOUNT	CHECK #..DATE.....AMOUNT
3005 08/15 744.86		

OTHER DEBITS

DESCRIPTION	DATE	AMOUNT
PAYCHEX INC. PAYROLL 46450400001787X	08/30	5,768.54
PAYCHEX TPS TAXES 46450600015870X	08/31	2,555.21

*** CONTINUED ***



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ACCOUNT:

PAGE: 2
08/31/2012

11-35082

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BANKRUPTCY CHECKING ACCOUNT

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- - - ITEMIZATION OF OVERDRAFT AND RETURNED ITEM FEES - - -

*		TOTAL FOR		TOTAL	*
*		THIS PERIOD		YEAR TO DATE	*

* TOTAL OVERDRAFT FEES:		\$.00		\$.00	*

* TOTAL RETURNED ITEM FEES:		\$.00		\$.00	*

- - - DAILY BALANCE - - -

DATE.....	BALANCE	DATE.....	BALANCE	DATE.....	BALANCE
08/01	870.87	08/29	8,449.76	08/31	126.01
08/15	126.01	08/30	2,681.22		

- END OF STATEMENT -