

"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 10/31/12

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: 12/06/12

Print Name: D.Ray Strong

Signature: 

Title: Manager

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

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

For Period: 10/1/12 to 10/31/12

CASH FLOW SUMMARY

	<u>Current Month</u>	<u>Accumulated</u>
1. Beginning Cash Balance	\$ <u> 0 (1)</u>	\$ <u> 0 (1)</u>
2. Cash Receipts		
Operations	0	0
Sale of Assets	0	0
Loans/advances	325.00	0
Other	0	0
Total Cash Receipts	\$ <u> 325.00</u>	\$ <u> 0</u>
3. Cash Disbursements		
Operations	0	0
Debt Service/Secured loan payment	0	0
Professional fees/U.S. Trustee fees	325.00	0
Other	0	0
Total Cash Disbursements	\$ <u> 325.00</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 (2)</u>	\$ <u> 0 (2)</u>

CASH BALANCE SUMMARY

	<u>Financial Institution</u>	<u>Book Balance</u>
Petty Cash	_____	\$ 0
Manager Operating Account	<u>Preferred Bank ***4712</u>	0.00
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 (2)</u>

(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.

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

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

For Period: 10/1/12 to 10/31/12

CASH RECEIPTS DETAIL

(attach additional sheets as necessary)

Account No: Preferred Bank ***4712

Date	Payer	Description	Amount
10/25/2012	CAOPI	Intercompany loan	\$ 162.50
10/25/2012	CAOPII	Intercompany loan	162.50

Total Cash Receipts \$ **\$325.00 (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: 10/1/12 to 10/31/12

CASH DISBURSEMENTS DETAIL
(attach additional sheets as necessary)

Account No: Preferred Bank ***4712

Date	Check No.	Payee	Description (Purpose)	Amount
10/23/12	3002	US Trustee	3rd Quarter 2012 Trustee Fee	325.00

Total Cash Disbursements \$ 325.00 (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: 10/31/12

ASSETS	Current Month (1)	Petition Date (2)
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>I/C Notes Receivable</u>	11,790,069.49	10,714,959.14
<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
_____	0.00	0.00
TOTAL ASSETS	\$ <u>11,790,069.49</u>	\$ <u>12,931,629.01</u>
LIABILITIES		
Post-petition Accounts Payable (from Form 2-E)	\$ 16,211.67	\$ 0.00
Post-petition Accrued Professional Fees (from Form 2-E)	14,514.50	0.00
Post-petition Taxes Payable (from Form 2-E)	0.00	0.00
Post-petition Notes Payable	1,313.51	0.00
Other Post-petition Payable(List): <u>Note Interest Payable</u>	1,228,502.12	0.00
_____	0.00	0.00
Total Post Petition Liabilities	\$ <u>1,260,541.80</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>4,186,740.00</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	-2,402,101.32	0.00
TOTAL OWNERS' EQUITY	\$ <u>7,603,329.49</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) The Manager has not conducted a 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 Secure Development Fund, LLC

CASE NO: 11-35243

Form 2-D
PROFIT AND LOSS STATEMENT
For Period 10/01/12 to 10/31/12

	Current Month (1)	Accumulated Total (2)
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
Rents and Leases	-	-
Depreciation, Depletion and Amortization	-	-
Other (list): <u>Management Fee</u>	4,000.00	16,000.00
	-	-
Total Operating Expenses	\$ 4,000.00	\$ 16,211.67
Operating Income (Loss)	\$ (4,000.00)	\$ (16,211.67)
Non-Operating Income and Expenses		
Other Non-Operating Expenses	\$ -	\$ -
Gains (Losses) on Sale of Assets	-	-
Interest Income	-	1,075,110.35
Interest Expense	(3.53)	(3,445,183.62)
Other Non-Operating Income	-	-
Net Non-Operating Income or (Expenses)	\$ (3.53)	\$ (2,370,073.27)
Reorganization Expenses		
Legal and Professional Fees	\$ 293.00	\$ 14,514.50
Other Reorganization Expense	325.00	1,301.88
	-	-
Total Reorganization Expenses	\$ 618.00	\$ 15,816.38
Net Income (Loss) Before Income Taxes	\$ (4,621.53)	\$ (2,402,101.32)
Federal and State Income Tax Expense (Benefit)	-	-
NET INCOME (LOSS)	\$ (4,621.53)	\$ (2,402,101.32)

(1) The Manager has not conducted a 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 Secure Development Fund, LLC

CASE NO: 11-35243

**Form 2-E
SUPPORTING SCHEDULES**

For Period: 10/01/12 to 10/31/12

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	\$ 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 (1)	\$ 2,000,000	10/20/12	\$ 10/20/12
Property (Fire, Theft)		\$		\$
Vehicle		\$		\$
Other (list):				
D Primary D&O	Rockhill Insurance	\$ 5,000,000	11/20/10	See Note 2
Excess D&O	RSUI Indemnity	5,000,000	11/20/10	See Note 2
Excess D&O	Zurich America	5,000,000	11/20/10	See Note 2
Excess D&O	Navigator Insurance	5,000,000	11/20/10	See Note 2
D&O	Axis Surplus Insurance	5,000,000	12/20/11	See Note 2
D&O	Axis Surplus Insurance	1,000,000	01/20/13	See Note 2

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

(2) The D&O policies are claims made policies and were paid by CAREIC through December 2011. At that time, the Trustee understands the premiums are being paid by the former officers and directors.

DEBTOR: Castle Arch Secure Development Fund, LLC

CASE NO: 11-35243

**Form 2-E
SUPPORTING SCHEDULES**

For Period 10/01/12 to 10/31/12

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	\$ 8,000.00
30 to 60 days	0.00	8,000.00
61 to 90 days	0.00	0.00
91 to 120 days	0.00	0.00
Over 120 days	0.00	211.67
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 \$	16,211.67

* 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	\$ -	\$ 293.00	\$ -		\$ 14,514.50
Counsel for Unsecured Creditors' Committee	-	-	-		-
Trustee's Counsel	-	-	-		-
Accountant	-	-	-		-
Other:	-	-	-		-
Total	\$ -	\$ 293.00	\$ -		\$ 14,514.50

*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: 10/31/12

<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>	\$ 0			
February	<u>2012</u>	0			
March	<u>2012</u>	0			
TOTAL 1st Quarter		\$ <u>0</u>	\$ <u>325.00</u>	<u>3000</u>	<u>07/06/12</u>
April	<u>2012</u>	\$ 0			
May	<u>2012</u>	0			
June	<u>2012</u>	0			
TOTAL 2nd Quarter		\$ <u>0</u>	\$ <u>325.00</u>	<u>3001</u>	<u>07/27/12</u>
July	<u>2012</u>	\$ 976.88			
August	<u>2012</u>	0			
September	<u>2012</u>	0			
TOTAL 3rd Quarter		\$ <u>976.88</u>	\$ <u>325.00</u>	<u>3002</u>	<u>10/23/12</u>
October	<u>2012</u>	\$ 325.00			
November	<u> </u>	0			
December	<u> </u>	0			
TOTAL 4th Quarter		\$ <u>325.00</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 Secured Development Fund, LLC

CASE NO: 11-35243

**Form 2-G
NARRATIVE**

For Period Ending: 10/31/12

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. The existing counsel for CASDF remains engaged until a plan is confirmed to address issues pertaining to the Debtor.

Upon the Trustee's appointment, the Trustee/Manager terminated all existing management except Glen Martinsen who was retained to assist with the day-to-day operations and accounting. The Trustee/Manager 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 Trustee/Manager relating to all Debtors.

As of November 30, 2012, the Trustee/Manager has closed the Castle Arch office located at 8 East Broadway, Salt Lake City, Utah. As a result, Mr. Martinsen's employment with Castle Arch has been terminated. Additionally, certain office equipment and other related personal property was moved to Erkelens & Olson, the Trustee/Manager's proposed auctioneer, where the property is currently scheduled to be sold at a public auction on December 15, 2012, subject to Bankruptcy Court approval. The computers have been preserved at the Trustee's office and will not be sold. The Trustee/Manager has taken steps and precautions to protect any personal information of investors or creditors that was located on computers or included in files at the Castle Arch office.

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 October 1, 2012, the Court approved a stipulated motion to continue the use of cash and the payment of the existing approved management fees at the current amounts with a reservation of rights as to a reconciliation and true-up of these amounts based on the actual level of efforts to manage the cases.

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

DEBTOR: Castle Arch Secured Development Fund, LLC

CASE NO: 11-35243

Form 2-G – Page 2
NARRATIVE
For Period Ending: 10/31/12

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.

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 has been 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, Smyrna, and Star Valley properties which information can be accessed on the Trustee and the commercial real estate LoopNet websites. Commerce visited with city officials in Kingman the first week of September 2012 to gather additional information about entitlements, water rights, and mineral rights. As a result, the Trustee/Manager and Commerce have been working with several interested parties for potential sale of the properties.

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 ("Geringer"), David Demerest ("Demerest"), and an Omnibus objection involving 19 other claims. The Court also extended the deadline to file intercompany claims until to January 1, 2013. A scheduling order regarding the Geringer claims was established to allow for future discovery and trial in January 2013. The Trustee reached a stipulated claim amount on the Demerest claim and a hearing was held on October 30, 2012 regarding the Omnibus objection involving the other 19 other claims. Orders regarding these claims have been entered and are currently included on the Trustee's website. These claims related the CAREIC and certain of the other related Debtors.

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 settle the matter. In October 2012, the Trustee/Manager, Insurance Carrier, Longview, and other Individual Defendants reached a global settlement to resolve the matter. The parties have finalized a formal settlement agreement which has been submitted to the Bankruptcy Court for approval. The hearing to approve the settlement is scheduled for December 10, 2012.

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. On November 26, 2012, several objections were filed with the Court regarding the adequacy of the Disclosure Statement by Hunt Law Corporation, Prince Yeates, Robert Geringer, Certain Investors, and the CAREIC Creditors Committee. A hearing on the adequacy of the Disclosure Statement was originally scheduled for December 3, 2012; however, as a result of the objections filed,

DEBTOR: Castle Arch Secured Development Fund, LLC

CASE NO: 11-35243

Form 2-G – Page 3
NARRATIVE
For Period Ending: 10/31/12

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.

this hearing was changed to a preliminary hearing with the final hearing on the Disclosure Statement to occur on January 31, 2013.

The Trustee/Manager 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. Additionally, the Trustee/Manager has filed numerous 2004 examinations/document requests to third parties seeking additional documentation and information.

On December 2, 2012, certain investors filed a motion for the appointment of a Chapter 11 Trustee for CASDF. The motion has not been noticed for hearing and the Trustee/Manager is currently working with counsel to these investors.

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.

12:11 PM
11/29/12

Castle Arch Secured Development Fund, LLC
A/P Aging Summary
As of October 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>
CAREIC- Vendor	4,000.00	4,000.00	8,000.00	0.00	0.00	0.00	16,000.00
Colonial Stock Transfer	0.00	0.00	0.00	0.00	0.00	211.67	211.67
Pearson, Butler & Carson	293.00	607.50	765.00	855.00	968.00	11,026.00	14,514.50
TOTAL	<u>4,293.00</u>	<u>4,607.50</u>	<u>8,765.00</u>	<u>855.00</u>	<u>968.00</u>	<u>11,237.67</u>	<u>30,726.17</u>

12:18 PM
 11/29/12
 Accrual Basis

Castle Arch Secured Development Fund, LLC
Balance Sheet
 As of October 31, 2012

	Oct 31, 12
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	
20000 · Accounts Payable	16,211.67
20001 · Professional Fees Payable	14,514.50
Total Accounts Payable	30,726.17
Other Current Liabilities	
22505 · I/C-Post Trustee-CAOPI	650.93
22506 · I/C-Post Trustee-CAOPII	650.95
22510 · I/C Interest Accrual	11.63
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	4,156,013.83
Total Current Liabilities	4,186,740.00
Total Liabilities	4,186,740.00
Equity	
30000 · Preferred Units Round A	
30010 · Preferred Redemptions Round A	-671,600.00
30000 · Preferred Units Round A - Other	8,395,017.42
Total 30000 · Preferred Units Round A	7,723,417.42
39000 · Retained Earnings	-88,259.92
Net Income	-31,828.01
Total Equity	7,603,329.49
TOTAL LIABILITIES & EQUITY	11,790,069.49

12:19 PM
11/29/12
Accrual Basis

Castle Arch Secured Development Fund, LLC
Profit & Loss
October 2012

	<u>Oct 12</u>
Ordinary Income/Expense	
Expense	
60140 · Interest Expense	3.53
6270 · Professional Fees	
6280 · Legal Fees	<u>293.00</u>
Total 6270 · Professional Fees	293.00
68000 · Management Fee	<u>4,000.00</u>
Total Expense	<u>4,296.53</u>
Net Ordinary Income	-4,296.53
Other Income/Expense	
Other Expense	
65000 · Trustee Fees	<u>325.00</u>
Total Other Expense	<u>325.00</u>
Net Other Income	<u>-325.00</u>
Net Income	<u><u>-4,621.53</u></u>

5:07 PM
11/15/12

Castle Arch Secured Development Fund, LLC
Reconciliation Detail
10000 - Pref Bank- [REDACTED] Period Ending 10/31/2012

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						0.00
Cleared Transactions						
Deposits and Credits - 1 item						
Deposit	10/25/2012			X	325.00	325.00
Total Deposits and Credits					<u>325.00</u>	<u>325.00</u>
Total Cleared Transactions					<u>325.00</u>	<u>325.00</u>
Cleared Balance					325.00	325.00
Uncleared Transactions						
Checks and Payments - 1 item						
Check	10/23/2012	3002	US Trustee		-325.00	-325.00
Total Checks and Payments					<u>-325.00</u>	<u>-325.00</u>
Total Uncleared Transactions					<u>-325.00</u>	<u>-325.00</u>
Register Balance as of 10/31/2012					<u>0.00</u>	<u>0.00</u>
Ending Balance					<u><u>0.00</u></u>	<u><u>0.00</u></u>



029 00001 00
ACCOUNT:



PAGE: 1
10/31/2012

11-35243 B
BANKRUPTCY ESTATE OF
CASTLE ARCH SEC DEV FUNDS LLC
D RAY STRONG, MANAGER 29
201 S MAIN ST SUITE 450 0
SALT LAKE CITY UT 84111 0

LOS ANGELES - HEADQUARTERS
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 09/28/12	.00
AVG AVAILABLE BALANCE	68.93	2 CREDITS	325.00
AVERAGE BALANCE	68.93	DEBITS	.00
		THIS STATEMENT 10/31/12	325.00

DESCRIPTION	OTHER CREDITS	DATE	AMOUNT
Incoming Wire Transfer BANKRUPTCY ESTATE OF CASTLE ARCH OP 7570040		10/25	162.50
Incoming Wire Transfer BANKRUPTCY ESTATE OF CASTLE ARCH OP 7570044		10/25	162.50

ITEMIZATION OF OVERDRAFT AND RETURNED ITEM FEES

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

*		TOTAL OVERDRAFT FEES:	\$.00	*

*		TOTAL RETURNED ITEM FEES:	\$.00	*

* * * CONTINUED * * *



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ACCOUNT:

PAGE: 2
10/31/2012

11-35243

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BANKRUPTCY CHECKING ACCOUNT [REDACTED]

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

DATE.....	BALANCE	DATE.....	BALANCE	DATE.....	BALANCE
10/25	325.00				

- END OF STATEMENT -