

"CAOP II"

DEBTOR: Castle Arch Opportunity Partners II, LLC

**MONTHLY OPERATING REPORT
CHAPTER 11**

CASE NUMBER: 11-35241

**Form 2-A
COVER SHEET
FINAL MONTHLY OPERATING REPORT
(Notice - Confirmed Plan Became Effective on July 22, 2013)
For Period Ending _____ 07/21/13**

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: 10/18/13 Print Name: D. Ray Strong

Signature: 

Title: Manager

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-B
CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 7/1/13 to 7/21/13

CASH FLOW SUMMARY

	<u>Current Month</u>	<u>Accumulated</u>
1. Beginning Cash Balance	\$ <u>1,989,697.03</u> (1)	\$ <u>1,334,322.19</u> (1)
2. Cash Receipts		
Operations	976.32	2,901,826.85
Sale of Assets	-	-
Loans/advances	-	-
Other	-	-
Total Cash Receipts	\$ <u>976.32</u>	\$ <u>2,901,826.85</u>
3. Cash Disbursements		
Operations	24,234.61	2,206,165.51
Debt Service/Secured loan payment	-	4,134.79
Professional fees/U.S. Trustee fees	650.00	59,575.00
Other	-	-
Withholding Tax for Foreign Partner	-	485.00
Total Cash Disbursements	\$ <u>24,884.61</u>	\$ <u>2,270,360.30</u>
4. Net Cash Flow (Total Cash Receipts less Total Cash Disbursements)	<u>(23,908.29)</u>	<u>631,466.55</u>
5 Ending Cash Balance (to Form 2-C)	\$ <u>1,965,788.74</u> (2)	\$ <u>1,965,788.74</u> (2)

CASH BALANCE SUMMARY

	<u>Financial Institution</u>	<u>Book Balance</u>
Petty Cash		\$ -
DIP Operating Account	<u>Zions Bank - DIP *****4935 (Closed)</u>	-
Manager Account #1	<u>Preferred Bank ***3368 (Closed)</u>	-
Manager Account	<u>Preferred Bank ***4704</u>	1,965,788.70
Other Operating Account	<u>TD Ameritrade</u>	0.04
Other Interest-bearing Account		-
TOTAL (must agree with Ending Cash Balance above)		\$ <u>1,965,788.74</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 Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-B
CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 7/1/13 to 7/21/13

CASH RECEIPTS DETAIL
(attach additional sheets as necessary)

Account No: Union Bank-***1644

Date	Payer	Description	Amount
7/19/13	FCI Lender Services	Payment on Rill Note	976.32

Total Cash Receipts \$ 976.32 (1)

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

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

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

For Period: 7/1/13 to 7/21/13

CASH DISBURSEMENTS DETAIL
(attach additional sheets as necessary)

Account No: Union Bank-***1644

Date	Check No.	Payee	Description (Purpose)	Amount
07/03/13	EFT	CAREIC	Management Fee	8,806.45

Uncleared Disbursements

07/19/13	300001	US Trustee	2nd Quarter US Trustee Fee	650.00
07/19/13	300002	Colonial Stock Transfer	Administrative Claim	341.67
07/19/13	300003	Schrader & Schoenberg, LLP	Longview Financial/Unsecured Claim	15,086.49

Total Cash Disbursements \$ 24,884.61 (1)

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

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

**Form 2-C
COMPARATIVE BALANCE SHEET**

For Period Ended: 7/21/2013

ASSETS	Current Month (1)	Petition Date (2)
Current Assets:		
Cash (from Form 2-B, line 5)	\$ 1,965,788.74	\$ 1,334,322.19
Accounts Receivable (from Form 2-E)	-	-
Receivable from Officers, Employees, Affiliates	2,646.25	-
Inventory	2,059,170.79	2,339,748.24
Other Current Assets (List)	30,000.00	9,040.00
<u>Pre-paid Legal & Deposits</u>	(87,642.18)	-
<u>Discount on Note Receivable</u> Note 3	131,925.77	42,000.00
<u>Note Receivable</u> Note 3	-	-
Total Current Assets	\$ 4,101,889.37	\$ 3,725,110.43
Fixed Assets:		
Land	-	-
Building	-	-
Equipment, Furniture and Fixtures	-	-
Total Fixed Assets	-	-
Less: Accumulated Depreciation	(-)	(-)
Net Fixed Assets	\$ -	\$ -
Other Assets (List):	-	-
TOTAL ASSETS	\$ 4,101,889.37	\$ 3,725,110.43
LIABILITIES		
Post-petition Accounts Payable (from Form 2-E)	\$ 75,204.29	\$ -
Post-petition Accrued Professional Fees (from Form 2-E)	139,023.52	-
Post-petition Taxes Payable (from Form 2-E)	-	-
Post-petition Notes Payable	-	-
Other Post-petition Payable(List):	-	-
<u>Preferred Dividend Payable</u>	653,036.33	-
Total Post Petition Liabilities	\$ 867,264.14	\$ -
Pre Petition Liabilities:		
Secured Debt	-	-
Priority Debt	-	-
Unsecured Debt	643,335.82	637,964.06
Total Pre Petition Liabilities	\$ 643,335.82	\$ 637,964.06
TOTAL LIABILITIES	\$ 1,510,599.96	\$ 637,964.06
OWNERS' EQUITY		
Owner's/Stockholder's Equity	\$ 2,748,452.44	\$ 3,401,973.77
Retained Earnings - Prepetition	(314,827.40)	(314,827.40)
Retained Earnings - Post-petition	157,664.37	-
TOTAL OWNERS' EQUITY	\$ 2,591,289.41	\$ 3,087,146.37
TOTAL LIABILITIES AND OWNERS' EQUITY	\$ 4,101,889.37	\$ 3,725,110.43

(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.

(3) Adjustments were made to the Rill Note Loan Receivable in order to properly record accrued interest income on the loan discount. The Loan Receivable account was adjusted to the current principal balance of \$132,389.79. A contra asset loan discount account was recorded at the value of (\$88,981.67). An adjustment to accrued interest income as also recorded in the amount of \$1,388.24. After all adjustments were made the net loan balance was \$43,408.12. The loan discount account will continue to be amortized on a monthly basis to properly reflect the accrued interest income earned from the purchase of the loan at a discount.

DEBTOR: Castle Arch Opportunity Partners II, LLCCASE NO: 11-35241

Form 2-D
PROFIT AND LOSS STATEMENT
For Period 7/1/2013 to 7/21/2013

	Current Month (1)	Accumulated Total (2)
Gross Operating Revenue	\$ 936.30	\$ 1,571,869.37
Less: Discounts, Returns and Allowances	(-)	(-)
Net Operating Revenue	\$ 936.30	\$ 1,571,869.37
Cost of Goods Sold	-	948,757.35
Gross Profit	\$ 936.30	\$ 623,112.02
Operating Expenses		
Officer Compensation	\$ -	\$ -
Selling, General and Administrative	8,806.45	269,991.96
Rents and Leases	-	-
Depreciation, Depletion and Amortization	-	-
Other (list):	-	19,499.94
<u>Outside Services</u>	<u>200.00</u>	<u>200.00</u>
<u>Settlement Expense</u>	<u>15,086.49</u>	<u>15,086.49</u>
Total Operating Expenses	\$ 24,092.94	\$ 304,778.39
Operating Income (Loss)	\$ (23,156.64)	\$ 318,333.63
Non-Operating Income and Expenses		
Other Non-Operating Expenses	\$ -	\$ (10,501.23)
Gains (Losses) on Sale of Assets	-	-
Interest Income	5.89	158.46
Interest Expense	-	(21.16)
Other Non-Operating Income	<u>3.69</u>	<u>3.69</u>
Net Non-Operating Income or (Expenses)	\$ 9.58	\$ (10,360.24)
Reorganization Expenses		
Legal and Professional Fees	\$ -	\$ 140,234.02
Other Reorganization Expense	<u>650.00</u>	<u>10,075.00</u>
Total Reorganization Expenses	\$ 650.00	\$ 150,309.02
Net Income (Loss) Before Income Taxes	\$ (23,797.06)	\$ 157,664.37
Federal and State Income Tax Expense (Benefit)	-	-
NET INCOME (LOSS)	\$ (23,797.06)	\$ 157,664.37

(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 Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-E
SUPPORTING SCHEDULES
For Period: 7/1/2013 to 7/21/2013

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

(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	10/18/2013	\$ 10/18/2013	
Property (Fire, Theft)	Travelers (1)	\$ 25,000	10/27/2013	\$ 10/27/2013	
Vehicle	None	\$ -		\$ -	
Other (list):	Primary D&O	Rockhill Insurance	\$ 5,000,000.00	11/20/2010	See Note 2
	Excess D&O	RSUI indemnity	5,000,000.00	11/20/2010	See Note 2
	Excess D&O	Zurich America	5,000,000.00	11/20/2010	See Note 2
	Excess D&O	Navigator Insurance	5,000,000.00	11/20/2010	See Note 2
	D&O	Axis Surplus Insurance	5,000,000.00	12/20/2011	See Note 2
	D&O	Axis Surplus Insurance	1,000,000.00	1/20/2013	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 Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-E
SUPPORTING SCHEDULES

For Period 7/1/2013 to 7/21/2013

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	0.00	75,204.29
Total Post Petition	<u>0.00</u>	
Pre Petition Amounts	<u>0.00</u>	
Total Accounts Receivable	\$ <u>0.00</u>	
Less: Bad Debt Reserve	<u>0.00</u>	
Net Accounts Receivable (to Form 2-C)	<u>\$ 0.00</u>	
	Total Post Petition Accounts Payable	\$ <u>75,204.29</u>

* 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 (1)	\$ 30,000	\$ -	\$ -		\$ 139,024
Counsel for Unsecured Creditors' Committee	-	-	-		-
Trustee's Counsel	-	-	-		-
Accountant	-	-	-		-
Other:	-	-	-		-
Total	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 139,024</u>

*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 Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-F
QUARTERLY FEE SUMMARY *

For the Month Ended: 7/21/2013

<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>2013</u>	\$ 14,137.50			
February	<u>2013</u>	14,576.27			
March	<u>2013</u>	14,645.97			
TOTAL 1st Quarter	\$	<u>43,359.74</u>	\$ 650.00	<u>3010</u>	<u>4/24/2013</u>
April	<u>2013</u>	\$ 15,323.99			
May	<u>2013</u>	16,792.85			
June	<u>2013</u>	14,977.38			
TOTAL 2nd Quarter	\$	<u>47,094.22</u>	\$ 650.00	<u>300001</u>	<u>7/19/2013</u>
July	<u>2013</u>	\$ 24,884.61			
August	<u>2013</u>	-			
September	<u>2013</u>	-			
TOTAL 3rd Quarter	\$	<u>24,884.61</u>	\$		
October	<u>2013</u>	\$ -			
November	<u>2013</u>	-			
December	<u>2013</u>	-			
TOTAL 4th Quarter	\$	<u>-</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 Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-G
FINAL MONTHLY OPERATING REPORT
(Notice – Confirmed Plan Became Effective on July 22, 2013)
For Period Ending: 07/21/13

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 CAOPII remains engaged to address CAOPI related issues in the case(s).

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 utilized 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 CAREIC and the other 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 approved auctioneer, where the property was sold at public auction on December 15, 2012. 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 December 31, 2012, the Court approved another stipulated motion to continue the use of cash and payment of existing approved management fees through April 1, 2013. On March 23, 2013, the Court entered an Order to continue the use of cash and payment of existing approved management fees until

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-G – Page 2
FINAL MONTHLY OPERATING REPORT
(Notice – Confirmed Plan Became Effective on July 22, 2013)
For Period Ending: 07/21/13

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.

the effective date of the Trustee's Plan of Liquidation. The effective date of the Plan of Liquidation was July 22, 2013.

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 has been analyzing the various parcels, existing entitlements, and related documentation. The real property transactions are complex and convoluted. 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 and providing information to several interested parties.

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 for 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 (approximately \$8.5 million) ("Geringer"), David Demerest ("Demerest"), and an Omnibus objection involving 19 other claims. The Trustee/Manager reached a stipulated claim amount on the Demerest claim for \$5,000 and hearing was held on October 30, 2012 regarding the Omnibus objection involving the 19 other claims. Orders regarding these claims have been entered by the Bankruptcy Court and are included on the Claims tab of this website. Discovery for the Geringer claim continued in November and December 2012. Geringer filed an amended claim (Claim #27-2) in the amount of approximately \$7.8 million on January 11, 2013. Various pleadings were prepared and filed and a two day trial was ultimately held on February 28, 2013 and March 1, 2013 to adjudicate the Geringer claim. At the conclusion of the trial, the Bankruptcy Court requested that both parties prepare and submit their proposed findings of fact and conclusions of law for further review. The parties filed these documents on March 23, 2013. On April 15, 2013, the Bankruptcy Court entered its Memorandum Decision and Order on Trustee's Objection to Proof of Claim #27-2 disallowing all but \$243,146.13 of Geringer's amended \$7.8 million general unsecured claim. On April 26, 2013, Geringer filed a notice of appeal and an election for the District Court to hear the appeal. On May 13, 2013, a stipulation between the parties to dismiss the appeal was granted by the District Court.

The Trustee/Manager and his professionals have spent a significant amount of time reviewing and analyzing the multi-million dollar claims totaling over \$8.2 million 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

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-G – Page 3
FINAL MONTHLY OPERATING REPORT
(Notice – Confirmed Plan Became Effective on July 22, 2013)
For Period Ending: 07/21/13

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.

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 material terms of the settlement include a \$1 million cash payment to Longview from a Private Company Management Liability insurance policy, an allowed unsecured claim in the various Debtors totaling \$385,000, Longview's acceptance of the Trustee's proposed plan of liquidation, and dismissal of litigation currently pending in various jurisdictions. The agreed upon allowed unsecured claim of Longview was allocated to the individual bankruptcy estates as follows: \$290,896.49 (CAREIC), \$2,337.87 (CAK), \$6,424.11 (CAS), \$10,095.19 (CASDF), \$60,341.85 (CAOPI), and \$15,086.49 (CAOPII). The hearing to approve the settlement was held on December 10, 2012. On December 13, 2012, an Order was entered by the Court approving the settlement and no appeals were filed.

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, this hearing was changed to a preliminary hearing with the final hearing on the Disclosure Statement to occur on January 31, 2013. As a result of the responses by several parties, the Trustee/Manager has determined in his business judgment to address the substantive consolidation issues prior to finalizing the amended proposed disclosure statement and seeking confirmation of his proposed plan. A motion for substantive consolidation of CAREIC, CAOP Managers, CAK, CAS, CASDF, and a Castle Arch Star Valley, LLC ("Legacy Debtors") was filed on December 28, 2012 by the Trustee/Manager. The hearing for the substantive consolidation motion was held on January 31, 2013. At the hearing, the Court granted the Trustee's motion for substantive consolidation of the Legacy Debtors. The Court entered its Findings of Fact and Conclusion of Law and Order granting substantive consolidation on February 8, 2013. As a result, the Trustee filed its Amended Proposed Disclosure Statement and Plan of Liquidation on February 25, 2013. The final hearing on the adequacy of the Amended Proposed Disclosure Statement was held on March 21, 2013. At this hearing, the Court approved the adequacy of the Amended Proposed Disclosure Statement with some additional modifications presented at the hearing. As a result, the revised First Amended Disclosure Statement was prepared and served on parties of interest along with the revised Plan and individual voting ballots. The deadline for return of voting ballots was May 13, 2013. The Trustee received sufficient votes in support of the Plan and no objections were filed in opposition to the confirmation of the Plan. The confirmation hearing for the Plan was held on May 30, 2013 and the Court executed an Order confirming

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-G – Page 4
FINAL MONTHLY OPERATING REPORT
(Notice – Confirmed Plan Became Effective on July 22, 2013)
For Period Ending: 07/21/13

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.

the Plan on June 7, 2013. The Plan became effective on July 22, 2013 and the required effective date payments were sent to claimants by the Trustee/Manager.

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 requesting turnover of Debtor related documents from various parties. During September and October the Trustee/Manager 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 October 17, 2012, Prince Yeates, former counsel to CAREIC filed a fee application with the Bankruptcy Court for fees and costs of \$243,951. The Trustee and Creditors' Committee have objected to these fees and costs and have been negotiating with Prince Yeates for certain fee reductions. On December 12, 2012, Prince Yeates filed a motion seeking to have the Trustee removed or alternatively convert the CAREIC case to Chapter 7. The Trustee/Manager and Creditors' Committee have reached a settlement with Prince Yeates in late December 2012. On February 12, 2013, a motion to approve the settlement was filed with the Court. On March 7, 2012, the Court executed an Order approving the settlement.

On December 2, 2012, certain investors filed a motion for the appointment of a Trustee for CASDF. The motion was not noticed for hearing and the Trustee/Manager has met with counsel to these investors and provided additional information in an effort to resolve the various issues raised. The motion was withdrawn on January 31, 2012.

On December 14, 2012, Trent Waddoups, former Receiver of the Debtors, filed a motion for discharge and payment of fees and costs. The Trustee objected to the Receiver's motion on January 17, 2013. A hearing relating to this motion was originally set for January 31, 2013. This hearing was rescheduled to

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-G – Page 5
FINAL MONTHLY OPERATING REPORT
(Notice – Confirmed Plan Became Effective on July 22, 2013)
For Period Ending: 07/21/13

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.

March 5, 2013 while the Receiver and Trustee engage in settlement discussions. Prior to the scheduled hearing, the Trustee requested a status conference with the Court. At that status conference, the Trustee indicated to the Court that the Receiver has refused to return the pre-petition retainer and until the Receiver files a conforming application for compensation and costs, those fees and costs can't be properly evaluated and approved. As a result, the Court continued the hearing without date. After the effective date of the Plan, Waddoups filed a fee application on August 20, 2013 seeking compensation. The Trustee has objected to the application and a hearing is set for November 7, 2013.

The Trustee has reached a settlement regarding the unsecured claim asserted against the CAREIC estate by Nolan and Kimberlee Higa in the amount of \$415,500 (Claim No. 41). The material terms of the settlement include: (1) an agreed upon unsecured claim in CAREIC for \$260,000; (2) Higas will pay all outstanding property taxes on the 12 acre Kingman property subject to agreements between the Higas and CAREIC and execute a quit claim deed transferring the property to the Trustee for the benefit of the Legacy Debtors; (3) Higas will file a Notice of Dismissal in the State Court Proceeding against CAREIC, dismissing such proceeding with prejudice; (4) Trustee will file a Notice of Dismissal in the Bankruptcy Court Adversary Proceeding, dismissing such with prejudice; and (5) parties agree to mutually release claims. The Settlement was approved by the Court on May 7, 2013.

In May 2012, the Questar Gas Company contacted the Trustee's real estate broker regarding the purchase of a small portion of the Tooele Property (approximately 0.38 acres) to construct a natural gas regulator station. As a result of various discussion and negotiations, the Trustee agreed to exchange contemplated property with a larger and more attractive frontage property (approximately 0.98 acre) that was acquired by Questar Gas Company. A property exchange agreement was executed on March 18, 2013. On March 19, 2013, the Trustee filed a motion with the Bankruptcy Court seeking approval of the transaction. On April 15, 2013, the Bankruptcy Court entered its Order approving the exchange. The transaction closed on April 30, 2013. The Trustee believes this exchange will enhance the Tooele Property.

On or about June 18, 2010, the Hunt Law Corporation, P.C. (the "Hunt Firm") filed a lawsuit against CAREIC in Utah State Court. On April 12, 2011, a judgment was ultimately obtained by the Hunt Firm in the amount of \$285,112.00 for unpaid legal fees. The judgment was domesticated to Arizona and a judgment lien was recorded on the Kingman, Arizona property owned by CAREIC/CAK. The Hunt Firm filed an original proof of claim against CAREIC in the amount of \$293,876.69 in February 2012 (Claim No. 35-1) and amended the proof of claims in November 2012 asserting a secured claim of \$307,449.99 and a general unsecured claims in the amount of \$28,903.00 (Claim No. 35-2). The Trustee also understands that the Hunt parties were also intending to assert an administrative expense claim. The Trustee engaged in an investigation of these claims and potential claims the estates may have against the Hunt parties since his appointment. The parties realized each claim or potential claims were subject to dispute and without admitting or denying any liability, and taking due consideration of the cost of litigation and the financial standing of both parties, the parties agreed to enter into a settlement. The material terms of the

DEBTOR: Castle Arch Opportunity Partners II, LLC

CASE NO: 11-35241

Form 2-G – Page 6
FINAL MONTHLY OPERATING REPORT
(Notice – Confirmed Plan Became Effective on July 22, 2013)
For Period Ending: 07/21/13

settlement include: (a) the proofs of claims filed by the Hunt Firm will be disallowed in their entirety, and the Hunt parties will not receive any distribution in this bankruptcy case or from the liquidating trusts; (b) Hunt parties will file a Notice of Dismissal in the Utah State Court proceedings with prejudice; (c) Hunt parties will file a Notice of Dismissal in the Arizona State Court proceeding with prejudice; (d) Hunt parties will release the judgment lien on the Kingman property; (e) Hunt parties will continue to cooperate with the Trustee in the administration of the Debtors' estates, including but not limited to (i) providing reasonably requested information to the Trustee concerning the Debtors and their business affairs; and (ii) reasonably cooperating with the Trustee in discovery or trial relating to any litigation that the Trustee has or may commence on behalf of the Debtors' estate; and (f) parties will provided mutual releases of claims against each other as set forth in the settlement agreement. A motion to approve the settlement was filed on May 23, 2013. The hearing on the settlement was scheduled for June 20, 2013 at 9:00 am. No objections were filed and an Order approving the settlement was entered by the Bankruptcy Court on June 21, 2013 without hearing.

On July 25, 2013, counsel for CAOPII filed an amended fee application seeking approval of fees and costs incurred through the Effective Date of the Plan. The amount of the application is \$139,023.52. The Court entered Orders approved the fees and costs requested.

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.

4:32 PM

09/17/13

Castle Arch Opportunity Partners II LLC
A/P Aging Summary
As of July 21, 2013

	<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	0.00	0.00	0.00	0.00	0.00	75,204.29	75,204.29
Colonial Stock Transfer	0.00	-141.67	0.00	0.00	0.00	141.67	0.00
Durham Jones & Pinegar	0.00	13,995.52	12,700.00	8,103.00	9,500.00	94,725.00	139,023.52
TOTAL	0.00	13,853.85	12,700.00	8,103.00	9,500.00	170,070.96	214,227.81

4:33 PM
 09/17/13
 Accrual Basis

Castle Arch Opportunity Partners II LLC
Balance Sheet
 As of July 21, 2013

	Jul 21, 13
ASSETS	
Current Assets	
Checking/Savings	
10001 · TD Ameritrade - CAOPII	0.04
10006 · Union Bank	1,965,788.70
Total Checking/Savings	1,965,788.74
Other Current Assets	
Loan Receivable - Rill Note	
Discount on Note Rec. - Rill	-87,642.18
Loan Receivable - Rill Note - Other	131,925.77
Total Loan Receivable - Rill Note	44,283.59
16000 · Prepaid Expense	30,000.00
17300 · Properties Held for Sale	
17103 · Western Showcase	554,624.38
17895 · CREO114, LLC	
N/R-Conix-Oak Capital	142,507.34
N/R-Conix-Steel Capital	46,932.03
N/R-Conix-Town Capital I	24,801.04
Total 17895 · CREO114, LLC	214,240.41
17905 · Blackstar Financial Inc	1,290,306.00
Total 17300 · Properties Held for Sale	2,059,170.79
22501 · I/C-Post Trustee-CAK	931.62
22503 · I/C-Post Trustee-CASDF	813.45
22504 · I/C-Post Trustee-CAOPM	813.45
22510 · I/C Interest Accrual	87.73
Total Other Current Assets	2,136,100.63
Total Current Assets	4,101,889.37
TOTAL ASSETS	4,101,889.37
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts Payable	75,204.29
20010 · Accrued Legal - Debtors Counsel	139,023.52
Total Accounts Payable	214,227.81
Other Current Liabilities	
25050 · Intercompany Notes	
25056 · CAREIC	108,750.17
25200 · Accrued Interest	-558.08
Total 25050 · Intercompany Notes	108,192.09
Total Other Current Liabilities	108,192.09
Total Current Liabilities	322,419.90
Long Term Liabilities	
23600 · Preferred Dividend Payable	1,188,180.06
Total Long Term Liabilities	1,188,180.06
Total Liabilities	1,510,599.96
Equity	
30000 · Preferred Units Round A	
30010 · Preferred Redemptions Round A	-50,000.00
30000 · Preferred Units Round A - Other	4,401,900.00
Total 30000 · Preferred Units Round A	4,351,900.00
39000 · Retained Earnings	-72,220.53

4:33 PM
09/17/13
Accrual Basis

Castle Arch Opportunity Partners II LLC
Balance Sheet
As of July 21, 2013

	<u>Jul 21, 13</u>
39100 · Equity Adjustments	
39101 · Preferred Dividends Accrued	-1,188,180.06
39107 · Cash Commissions	-414,782.50
39100 · Equity Adjustments - Other	-485.00
Total 39100 · Equity Adjustments	<u>-1,603,447.56</u>
Net Income	-84,942.50
Total Equity	<u>2,591,289.41</u>
TOTAL LIABILITIES & EQUITY	<u><u>4,101,889.37</u></u>

4:33 PM
09/17/13
Accrual Basis

Castle Arch Opportunity Partners II LLC
Profit & Loss
July 1 - 21, 2013

	<u>Jul 1 - 21, 13</u>
Ordinary Income/Expense	
Income	
41200 · Sales	
Interest - Notes Receivable	936.30
Total 41200 · Sales	<u>936.30</u>
Total Income	<u>936.30</u>
Gross Profit	936.30
Expense	
60680 · Professional Outside Services	200.00
60720 · Settlement Expense	15,086.49
68000 · Management Fee	8,806.45
Total Expense	<u>24,092.94</u>
Net Ordinary Income	-23,156.64
Other Income/Expense	
Other Income	
43000 · Interest Income	5.89
43001 · Miscellaneous Income	3.69
Total Other Income	<u>9.58</u>
Other Expense	
60100 · US Trustee Fees	650.00
Total Other Expense	<u>650.00</u>
Net Other Income	-640.42
Net Income	<u><u>-23,797.06</u></u>

4:32 PM
09/17/13

Castle Arch Opportunity Partners II LLC
Reconciliation Detail
10006 · Union Bank - [REDACTED], Period Ending 07/21/2013

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						1,989,696.99
Cleared Transactions						
Checks and Payments - 1 item						
Check	7/3/2013		CAREIC	X	-8,806.45	-8,806.45
Total Checks and Payments					-8,806.45	-8,806.45
Deposits and Credits - 1 item						
Deposit	7/19/2013			X	976.32	976.32
Total Deposits and Credits					976.32	976.32
Total Cleared Transactions					-7,830.13	-7,830.13
Cleared Balance					-7,830.13	1,981,866.86
Uncleared Transactions						
Checks and Payments - 3 items						
Check	7/19/2013	300003	Schrader & Schoenberg, LLP		-15,086.49	-15,086.49
Check	7/19/2013	300001	U.S. Trustee		-650.00	-15,736.49
Check	7/19/2013	300002	Colonial Stock Transfer		-341.67	-16,078.16
Total Checks and Payments					-16,078.16	-16,078.16
Total Uncleared Transactions					-16,078.16	-16,078.16
Register Balance as of 07/21/2013					-23,908.29	1,965,788.70
Ending Balance					-23,908.29	1,965,788.70



**STATEMENT
OF ACCOUNTS**

UNION BANK
TRUSTEE SERVICES 0213
POST OFFICE BOX 513840
LOS ANGELES CA 90051-3840

Page 1 of 2
ESTATE OF CASTLE ARCH OPPORTUNITY
Statement Number: [REDACTED]
06/29/13 - 07/31/13

Customer Inquiries
800-669-8661

Thank you for banking with us
since 2013

**ESTATE OF CASTLE ARCH OPPORTUNITY
PARTNERS II, DEBTOR
D RAY STRONG, MANAGER
CASE #11-35241
2049 CENTURY PARK E STE 2525
LOS ANGELES CA 90067**

- Conveniently access account information and key online services using your smartphone with Union Bank's Mobile Business Center without enrollment through the Online Business Center. Check balances, initiate transfers, approve wires securely, manage stops, and view and make decisions on Positive Pay exceptions wherever you have mobile Internet service. To learn more, call your treasury relationship manager or contact Global Treasury Management Sales at 800-883-0285.

Analyzed Business Checking Summary

Account Number: [REDACTED]

Days in statement period: Days in statement period: 33

Balance on 6/29	\$	1,989,696.99
Total Credits		9,906.18
Deposits (1)	8,929.86	
Electronic credits (1)	976.32	
Total Debits		-26,490.63
Checks paid (3)	-16,078.16	
Electronic debits (1)	-8,806.45	
Other debits (1)	-1,606.02	
Balance on 7/31	\$	1,973,112.54

C R E D I T S

Deposits including check and cash credits

<u>Date</u>	<u>Description/Location</u>	<u>Reference</u>	<u>Amount</u>
7/30	BANK-BY-MAIL DEPOSIT # 0000000004	46551755 \$	8,929.86

Electronic credits

<u>Date</u>	<u>Description/Location</u>	<u>Reference</u>	<u>Amount</u>
7/19	FCI LOAN PMT. PPD *****6110	55538202 \$	976.32

D E B I T S

Check Paid

<u>Number</u>	<u>Date</u>	<u>Amount</u>	<u>Number</u>	<u>Date</u>	<u>Amount</u>
300001	7/30	650.00	300003	7/31	15,086.49
300002	7/26	341.67			
3 Checks paid			Total		\$ 16,078.16

Electronic debits

<i>Date</i>	<i>Description</i>	<i>Reference</i>	<i>Amount</i>
7/9	WIRE TRANS TRN 0709016255 070913	93054674	\$ 8,806.45

Other debits, fees and adjustments

<i>Date</i>	<i>Description</i>	<i>Reference</i>	<i>Amount</i>
7/25	BANK SERVICES FEE (CHK)	90268803	\$ 1,606.02

Daily Ledger Balance

<i>Date</i>	<i>Ledger Balance</i>	<i>Date</i>	<i>Ledger Balance</i>
6/29-7/8	\$ 1,989,696.99	7/26-7/29	\$ 1,979,919.17
7/9-7/18	1,980,890.54	7/30	1,988,199.03
7/19-7/24	1,981,866.86	7/31	1,973,112.54
7/25	1,980,260.84		