

**POST CONFIRMATION AMENDED FINANCIAL QUARTERLY REPORT  
FOR QUARTER ENDED: September 30, 2013 (1)**

**DEBTOR: Castle Arch Opportunity Partners II, LLC**

**CH. 11 CASE NO: 11-35241**

**SUMMARY OF DISBURSEMENTS MADE DURING QUARTER: (2)**

1. BEGINNING CASH BALANCE ON EFFECTIVE DATE	\$ 1,981,217
2. EFFECTIVE DATE PAYMENTS	\$ 15,428
3. CASH BALANCE AFTER EFFECTIVE DATE PAYMENTS	\$ 1,965,789
4. CASH RECEIPTS DURING QUARTER FROM ALL SOURCES	11,208
5. CASH DISBURSEMENTS DURING QUARTER, INCLUDING PLAN PAYMENTS	116,938
6. CASH BALANCE, END OF QUARTER	\$ 1,860,059

**SUMMARY OF AMOUNTS DISBURSED UNDER PLAN:**

	<u>Paid During Quarter</u>	<u>Total Plan Payments</u>	<u>Total Payments Projected Under Plan</u>
1. EFFECTIVE DATE ADMINISTRATIVE EXPENSES			
Trustee Compensation	\$ -	\$ -	N/A
Accountant Fees	\$ -	\$ -	N/A
Attorney Fees	\$ -	\$ -	N/A
Other Professionals	\$ -	\$ -	N/A
Other Administrative Expenses	\$ 342	\$ 342	N/A
	\$ -	\$ -	N/A
	\$ -	\$ -	N/A
<b>TOTAL EFFECTIVE DATE ADMINISTRATIVE EXPENSES</b>	<b>\$ 342</b>	<b>\$ 342</b>	<b>N/A</b>
POST EFFECTIVE DATE ADMINISTRATIVE EXPENSES			
Trustee Compensation	\$ -	\$ -	N/A
Accountant Fees	\$ -	\$ -	N/A
Attorney Fees	\$ 109,024	\$ 109,024	N/A
Other Professionals	\$ 33	\$ 33	N/A
Other Administrative Expenses	\$ 7,881	\$ 7,881	N/A
	\$ -	\$ -	N/A
	\$ -	\$ -	N/A
<b>TOTAL POST EFFECTIVE DATE ADMINISTRATIVE EXPENSES</b>	<b>\$ 116,938</b>	<b>\$ 116,938</b>	<b>N/A</b>
2. SECURED CREDITORS	\$ -	\$ -	N/A
3. PRIORITY CREDITORS	\$ -	\$ -	N/A
4. UNSECURED CREDITORS	\$ 15,086	\$ 15,086	15,086
5. EQUITY SECURITY HOLDERS	\$ -	\$ -	N/A (3)
6. OTHER:	\$ -	\$ -	N/A
<b>TOTAL PLAN PAYMENTS</b>	<b>\$ 132,025</b>	<b>\$ 132,025</b>	<b>N/A</b>

<b>QUARTERLY FEE PAID:</b>	<u>Amount</u>	<u>Date</u>	<u>Check No.</u>
	\$ -		

**PLAN STATUS:**

- |   |  |
|---|--|
| 1. Have all payments been made as set forth in the confirmed plan? (If no, attach explanation.) | Yes No   |
|   | <input checked="" type="checkbox"/> <input type="checkbox"/> |
| 2. Are all post-confirmation obligations current? (If no, attach explanation.)                  | Yes No   |
|   | <input checked="" type="checkbox"/> <input type="checkbox"/> |
| 3. Projected date of application for final decree: <u>Unknown</u>                               |  |

**I DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING POST CONFIRMATION QUARTERLY REPORT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.**

EXECUTED ON: 11/21/13

By: D. Ray Strong

D. Ray Strong  
Estate Representative and Liquidating  
Trustee of the CAOP II Trust

**POST CONFIRMATION AMENDED FINANCIAL QUARTERLY REPORT**

**FOR QUARTER ENDED: September 30, 2013**

**DEBTOR: Castle Arch Opportunity Partners II, LLC**

**CH. 11 CASE NO: 11-35241**

**NOTES**

- (1) The Debtors filed its Chapter 11 Financial Report for the month of July 2013. On July 22, 2013 the Confirmed Plan became effective. This report includes activity from July 22, 2013 to September 30, 2013.
- (2) An Audit of the financial statements in accordance with Generally Accepted Auditing Standards ("GAAS") has not been performed, nor has a review or a compilation of the financial statements been performed in accordance with the standards promulgated by the American Institute of Certified Public Accountants.
- (3) Assets of the CAOP II Trust are still in the process of being valued and liquidated. At this time a reasonable estimate of distribution amounts cannot be made. Further updates will be made on future reports as more information is determined.

## **Schedule of Assets & Liabilities**

POST CONFIRMATION AMENDED FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: September 30, 2013

DEBTOR: Castle Arch Opportunity Partners II, LLC

CH. 11 CASE NO: 11-35241

SUMMARY OF ASSETS & LIABILITIES: (1)

	Current Quarter	
1. ASSETS		
Cash	\$ 1,860,059	
Current Assets		
Post Petition Intercompany Receivables	2,646	
Loan Receivable	44,696	(2)
Western Showcase	554,624	(3)
Conix Assets	205,314	(4)
Blackcastle, LLC	1,290,306	(5)
Long Term Assets		
Other Long Term Assets	-	
TOTAL ASSETS	\$ 3,957,646	
2. LIABILITIES		
Pre Petition Claims		
Intercompany Notes	103,378	(6)
Post Petition Claims		
Post Intercompany Payable	75,204	(6)
Post Petition Legal & Professional Fees	41,360	(7)
TOTAL LIABILITIES	\$ 219,943	

NOTES

- (1) An Audit of the financial statements in accordance with Generally Accepted Auditing Standards ("GAAS") has not been performed, nor has a review or a compilation of the financial statements been performed in accordance with the standards promulgated by the American Institute of Certified Public Accountants.
- (2) The CAOP II Trustee is currently working with the borrower in an effort to liquidate the note.
- (3) The CAOP II Trustee has filed litigation against Western Showcase in an effort to recover the investment of the CAOP II Trust.
- (4) The CAOP II Trust continues to receive distributions related to the Conix assets. The amounts reported on this schedule are consistent with cost basis adjusted for the distributions that have been received.
- (5) The Trustee is working with the principals of Blackcastle, LLC to liquidate the investment. The amount reported on this schedule represents the cost basis of the investment.
- (6) Intercompany transactions are still in the process of being reviewed and analyzed. When the issues surrounding intercompany claims have been analyzed, an analysis will be submitted to the Conflicts Referee for resolution.
- (7) Accrued Legal & Professional Fees Detail

Pre-Effective Date

	Beginning Balance	Paid in Current Quarter	Accrued in Current Quarter	Ending Balance
Accrued Trustee Fees	\$ -	\$ -	\$ -	\$ -
Accrued Accountant Fees	\$ -	\$ -	\$ -	\$ -
Accrued Attorney Fees	\$ 139,024	\$ (139,024) (a)	\$ -	\$ (0)
Pre- Effective Date Total	<u>\$ 139,024</u>	<u>\$ (139,024)</u>	<u>\$ -</u>	<u>\$ (0)</u>

(a) Includes cash payment of \$109,024, plus application of retainer \$30,000.

Post-Effective Date

	Beginning Balance	Paid in Current Quarter	Accrued in Current Quarter	Ending Balance
Accrued Trustee Fees	\$ -	\$ -	\$ 9,000	\$ 9,000
Accrued Accountant Fees	\$ -	\$ -	\$ 19,000	\$ 19,000
Accrued Attorney Fees	\$ -	\$ -	\$ 13,360	\$ 13,360
Post-Effective Date Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,360</u>	<u>\$ 41,360</u>
<b>Total Legal and Professional Fees</b>	<u>\$ 139,024</u>	<u>\$ (139,024)</u>	<u>\$ 41,360</u>	<u>\$ 41,360</u>

## **Cash Accounts**

POST CONFIRMATION AMENDED FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: September 30, 2013

SUMMARY OF CASH BALANCES, CASH RECEIPTS AND DISBURSEMENTS:

Account Name	G/L Acct		Balance as of 7/22/2013		Receipts		Disbursements		Transfers		Balance as of 9/30/2013
<i>Active Accounts:</i>											
Union Bank	10006 UB	1644	\$ 1,965,788.70	\$	11,208.26	\$	(116,938.30)	\$	(1,200,000.00)	\$	660,058.66
Union Bank	10007 UB	2048	\$ -	\$	-	\$	-	\$	1,200,000.00	\$	1,200,000.00
TD Ameritrade	10001 TDA		\$ 0.04	\$	-	\$	(0.04)	\$	-	\$	-
			\$ -	\$	-	\$	-	\$	-	\$	-
<b>NET RECEIPTS AND DISBURSEMENTS</b>			<b>\$ 1,965,788.74</b>	<b>\$</b>	<b>11,208.26</b>	<b>\$</b>	<b>(116,938.34)</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>\$1,860,058.66</b>

## **Cash Receipts & Disbursements Detail**

**CASH RECEIPTS AND DISBURSEMENTS STATEMENT**

For Period: 7/22/13 to 9/30/13

**CASH RECEIPTS DETAIL**

Account No:

**Union Bank-\*\*\*1644**

Date	Payer	Description	Amount
7/30/2013	Conix	Town Capital Investment	8,929.86
8/5/2013	Conix	Steel Capital Investment	2,278.40
<b>Total Cash Receipts</b>			<b>\$ <u>11,208.26</u></b>

**CASH DISBURSEMENTS DETAIL**

Account No:

**Union Bank-\*\*\*1644**

Date	Payer	Description	Amount
7/25/2013	Union Bank	Bank Fees	1,606.02
8/19/2013	Strong Connexions	Website Maintenance	33.33
8/26/2013	Union Bank	Bank Fees	2,947.62
9/19/2013	Durham Jones & Pinegar	Legal Fees	109,023.52
9/26/2013	Union Bank	Bank Fees	2,913.81
9/27/2013	American Coporate Enterprises	Representation Fee	89.00
9/27/2013	Neveda Secretary of State	Registration Fee	325.00
<b>Total Cash Disbursements</b>			<b>\$ <u>116,938.30</u></b>



**CASH RECEIPTS AND DISBURSEMENTS STATEMENT**

For Period: 7/22/13 to 9/30/13

**CASH RECEIPTS DETAIL**

Account No:

**Union Bank-\*\*\*2048**

Date	Payer	Description	Amount
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Total Cash Receipts \$           -

**CASH DISBURSEMENTS DETAIL**

Account No:

**Union Bank-\*\*\*2048**

Date	Payer	Description	Amount
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Total Cash Disbursements \$           -

**CASH RECEIPTS AND DISBURSEMENTS STATEMENT**

For Period: 7/22/13 to 9/30/13

**CASH RECEIPTS DETAIL**

Account No:

**TD Ameritrade**

Date	Payer	Description	Amount
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**Total Cash Receipts** \$ -

**CASH DISBURSEMENTS DETAIL**

Account No:

**TD Ameritrade**

Date	Payer	Description	Amount
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9/30/2013	TD Ameritrade	Bank Fee	0.04
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**Total Cash Disbursements** \$ 0.04

## **Narrative**

**CASTLE ARCH OPPORTUNITY PARTNERS II, LLC  
(CASE NO: 11-35241)**

**POST CONFIRMATION AMENDED QUARTERLY REPORT  
3<sup>RD</sup> QUARTER - 2013**

**NARRATIVE**

**A. Background**

On October 17, 2011, Castle Arch Real Estate Investment Company ("CAREIC") filed a Chapter 11 bankruptcy case in the United States Bankruptcy Court for the District of Utah (the "Bankruptcy Court"). On October 20, 2011, six entities affiliated with CAREIC filed Chapter 11 bankruptcy cases in the Bankruptcy Court, including: CAOP Mangers, LLC ("CAOP Managers"), Castle Arch Kingman, LLC ("CAK"), Castle Arch Secured Development Fund, LLC ("CASDF"), Castle Arch Smyrna, LLC ("CAS"), Castle Arch Opportunity Partners I, LLC ("CAOP I") and Castle Arch Opportunity Partners II ("CAOP II") (collectively, the "CAREIC Affiliates"). The respective Chapter 11-cases were jointly administered under Case No. 11-35082.

From the respective petition dates through April 30, 2012, CAREIC and the CAREIC Affiliates were operated as debtors-in-possession in the jointly administered Chapter 11 cases. On April 30, 2012, the Bankruptcy Court ordered the appointment of a Chapter 11 trustee for CAREIC, and on May 3, 2012, the Bankruptcy Court entered an Order appointing D. Ray Strong as the Chapter 11 trustee for CAREIC (the "Trustee"). As a result of his appointment, the Trustee also became the manager of the respective Castle Arch affiliates.

Pursuant to an Order of the Bankruptcy Court, the CAREIC Affiliates of CAOP Managers, CAK, CASDF and CAS, as well as a non-debtor entity, Castle Arch Star Valley, LLC, were held to be CAREIC's alter egos and substantively consolidated with CAREIC as of CAREIC's petition date. CAREIC and these consolidated entities are referred to in the bankruptcy case as the "Consolidated Legacy Debtors."

The Bankruptcy Court entered an Order on June 7, 2013 confirming the Trustee's First Amended Plan of Liquidation Dated February 25, 2013, as modified (the "Confirmation Order") for the Consolidated Legacy Debtors, CAOP I and CAOP II (the "Plan"). As part of the confirmation of the Plan, the Bankruptcy Court approved the Liquidation Trust Agreements for each of the Trusts (collectively, the "Liquidation Trust Agreements"), appointed the Trustee for each of the Trusts, and appointed Weston L. Harris as the Conflicts Referee under each of the Liquidating Trust Agreements (the "Conflicts Referee") to address various intercompany claims issues between the Trusts. The Effective Date of the Plan and each of the Liquidating Trust Agreements was July 22, 2013.

**CASTLE ARCH OPPORTUNITY PARTNERS II, LLC  
(CASE NO: 11-35241)**

**POST CONFIRMATION AMENDED QUARTERLY REPORT  
3<sup>RD</sup> QUARTER - 2013**

**NARRATIVE**

**B. Activities During Reporting Period**

As a result of the confirmation of the Plan, the Trustee prepared and submitted the final Pre-Confirmation Monthly Operating Report for July 2013 that covered the period from July 1, 2013 through July 21, 2013. This Post-Confirmation Financial Report is provided for the period beginning on Effective Date of the Plan, July 22, 2012, through September 30, 2013 (the “Reporting Period”).

The description of the Trustee’s, and his professional’s, activities that occurred during the Reporting Period are included below under the Combined Trust Activities and Specific Trust Activities sections. Many of these activities involved some or all of the Trusts. As result, these activities are described under Combined Trust Activities section. If the activity was specific to a particular Trust, that activity has been described in the Specific Trust Activities section.

**Combined Trust Activities**

During the Reporting Period, the Trustee and his professionals have addressed the following issues:

1. Prepared effective date payments required under the Plan, executed all Liquidation Trust Agreements, and employed all Post-effective date professionals.
2. Served a notice of the Effective Date to all parties.
3. Continued analysis of intercompany claims issues and began providing documentation to the Conflict Referee and applicable counsel.
4. Analyzed post-petition management fee disputes between the Trusts and provided analyses to Conflict Referee and counsel.
5. Pursuant to the Conflict Referee procedures outlined in the Plan and Liquidation Trust Agreements, the parties were able to settle the disputed post-petition management fee issues. A settlement agreement was executed between the parties and a motion was submitted to the Court for approval in October 2013. The settlement terms included: (a) payment of \$66,774.19 by CAOP I to the Legacy Trust for unpaid debtor-in-possession management fees (“DIP Management Fees”),<sup>1</sup>

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<sup>1</sup> The DIP Management Fee period was from the petition date, October 17, 2011 through April 30, 2013.

**CASTLE ARCH OPPORTUNITY PARTNERS II, LLC  
(CASE NO: 11-35241)**

**POST CONFIRMATION AMENDED QUARTERLY REPORT  
3<sup>RD</sup> QUARTER - 2013**

**NARRATIVE**

- (b) payment of \$66,129.03 by CAOP II to the Legacy Trust for unpaid DIP Management Fees, (c) payment of \$6,929.94 by CAOP I to the Legacy Trust for unpaid or “true-up” of the Trustee period management fees (“Trustee Period Management Fees”)<sup>2</sup> as set forth in the Cash Management Order, and (d) payment of \$5,038.17 by CAOP II to the Legacy Trust for unpaid or true-up of the Trustee period management fees as set forth in the Cash Management Order.
6. Continued with the on-going claims analysis and attempting to settle claims when possible.
  7. Analyzed and continued to negotiate a potential settlement with Jerry Sharko and Company, who filed a claim in the amount of approximately \$1.5 million. This claim was settled by the Trustee in October 2013 for approximately \$900,000 and is currently pending approval with the Bankruptcy Court.
  8. Analyzed potential avoidance actions in anticipation of filing litigation prior to the deadline in October 2013.
  9. Compiled and submitted invoices for fee reimbursements from Rockhill Insurance Company relating to the Longview litigation.
  10. Responded to partial fee denials by Rockhill Insurance Company relating to invoices submitted for fee reimbursements.
  11. Reviewed and analyzed claims against insiders and other former management in anticipation of filing litigation. The Trustee and his professionals have been gathering internal documents, interviewing persons involved and investors, and drafting a complaint. It is anticipated the suit will allege mismanagement, breach of fiduciary duty, avoidance, and securities fraud. The Trustee entered into tolling agreements with the potential defendants in October 2013 to extend the statutory deadline to April 2014 in an effort to pursue settlement without prolonged and costly litigation. If the matter can’t be settled, the Trustee will file the complaint and commence litigation.

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<sup>2</sup> The Trustee period management fee period was from May 1, 2013 through the Effective Date of the Plan on July 22, 2013.

**CASTLE ARCH OPPORTUNITY PARTNERS II, LLC  
(CASE NO: 11-35241)**

**POST CONFIRMATION AMENDED QUARTERLY REPORT  
3<sup>RD</sup> QUARTER - 2013**

**NARRATIVE**

12. The professionals of the various debtors filed fee applications seeking approval of outstanding fees and costs. A hearing was held on August 27, 2013 where the Court approved the requested fees and costs and the Trustee provided a brief status report. The fees and costs approved by the Bankruptcy Court for the Legacy Debtors (which will not be paid until unencumbered assets are liquidated and cash is available) are: (a) Trustee/Manager - \$278,315.78; (b) Dorsey & Whitney (CAREIC Counsel) - \$1,103,210.32; (c) BRG (Accountants) - \$320,683.13; (d) Jones Waldo (Unsecured Creditors Committee Counsel) - \$247,461.20; and (e) Labretew & Associates (CAK, CAS, and CAOP Managers Counsel) - \$75,284.50. The fees and costs approved by the Bankruptcy Court for Durham Jones & Pinegar (CAOP II counsel) are \$139,023.52. McKay Burton & Thurman (CAOP I counsel) previously sought and was awarded fees and costs in June 2013 in the amount of \$134,581.27. They subsequently filed a second fee application in the amount of \$8,869.84 in July 2013 which was also approved by the Bankruptcy Court. The approved CAOP professional fees were paid by the Trustee upon obtaining the executed Order of the Bankruptcy Court authorizing payment.

**Specific Trust Activities**

During the Reporting Period, the Trustee and his professionals have addressed the following issues:

**Legacy Trust**

1. Continued to aggressively market and investigate the various real estate holdings held by the Legacy Trust. Some price adjustments have been made to the properties in an effort to increase interest from potential buyers. There has been some limited interest in the properties; however, many of the offers received were very low or the potential buyer was not able to close a transaction. The Trustee is currently negotiating with a potential buyer on the Smyrna property.
2. Investigated, analyzed, and negotiated potential resolution of administrative claims filed by Glen Martinsen, former accountant of Castle Arch, and Trent Waddoups, former state court-appointed receiver.

**CASTLE ARCH OPPORTUNITY PARTNERS II, LLC  
(CASE NO: 11-35241)**

**POST CONFIRMATION AMENDED QUARTERLY REPORT  
3<sup>RD</sup> QUARTER - 2013**

**NARRATIVE**

**CAOP I Trust**

1. Reviewed and analyzed accounting and investment activity and related financial reporting for the Black Castle investment. The Trustee and his professionals have requested additional documentation and information in order to analyze, resolve and liquidate the investment. The principals of Black Castle have not sufficiently responded to these document requests, which resulted in the Trustee serving a Subpoena Duces Tecum for Rule 2004 Examination in October 2013.
2. Reviewed and analyzed the CAOP I bankruptcy schedules previously filed by former management. These schedules were messy, inaccurate, and require amendment to properly reflect the various investor Class B5 equity interests.
3. Continued to analyze the Conix related investments and activity.

**CAOP II Trust**

1. Reviewed and analyzed an investment in a mortgage loan involving a property in Granite City, Illinois. The loan is currently in default and the Trustee and his professionals have been working to determine liquidation options for this investment which may include a foreclosure sale or loan modification.
2. Investigated, analyzed, and prepared a complaint against Western Showcase regarding mobile home investments made by CAOP II.
3. Reviewed, analyzed, and amended the CAOP II bankruptcy schedules prepared by former management. The schedules were messy, inaccurate, and required amendment.
4. Prepared a \$1 million (approximately 23%) distribution to investors holding Class C5 equity interests.
4. Reviewed and analyzed accounting and investment activity and related financial reporting for the Black Castle investment. The Trustee and his professionals have requested additional documentation and information in order to analyze, resolve and liquidate the investment. The principals of Black Castle have not sufficiently responded to these document requests, which resulted in the Trustee serving a Subpoena Duces Tecum for Rule 2004 Examination in October 2013.
5. Continued to analyze the Conix related investments and activity.