

POST CONFIRMATION AMENDED FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: December 31, 2013 (1)

Debtor : Castle Arch Real Estate Investment Company, LLC et. al.

CH. 11 CASE NO: 11-35082

SUMMARY OF DISBURSEMENTS MADE DURING QUARTER: (2)

1. CASH BALANCE, BEGINNING OF QUARTER	\$ 386,998
2. CASH RECEIPTS DURING QUARTER FROM ALL SOURCES	144,914
3. CASH DISBURSEMENTS DURING QUARTER, INCLUDING PLAN PAYMENTS	(19,790)
4. CASH BALANCE, END OF QUARTER	\$ 512,122
5. RESERVE FUND BALANCE	\$ 368,020
6. TRUST FUND BALANCE	\$ 144,102

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	\$ -	\$ -	N/A
	\$ -	\$ -	N/A
	\$ -	\$ -	N/A
TOTAL EFFECTIVE DATE ADMINISTRATIVE EXPENSES	\$ -	\$ -	N/A
1. ADMINISTRATIVE EXPENSES			
Trustee Compensation	\$ -	\$ -	N/A
Accountant Fees	\$ -	\$ -	N/A
Attorney Fees	\$ -	\$ -	N/A
Other Professionals	\$ 936	\$ 936	N/A
Other Administrative Expenses	\$ 7,394	\$ 7,394	N/A
	\$ -	\$ -	N/A
	\$ -	\$ -	N/A
TOTAL ADMINISTRATIVE EXPENSES	\$ 8,330	\$ 8,330	N/A
2. SECURED CREDITORS	\$ -	\$ -	N/A (3)
3. PRIORITY CREDITORS	\$ 11,460	\$ 11,460	45,840
4. UNSECURED CREDITORS	\$ -	\$ -	N/A (3)
5. EQUITY SECURITY HOLDERS	\$ -	\$ -	N/A (3)
6. OTHER:	\$ -	\$ -	N/A (3)
TOTAL PLAN PAYMENTS	\$ 19,790	\$ 19,790	N/A
QUARTERLY FEE PAID:	<u>Amount</u> \$ 325	<u>Date</u> 11/19/2013	<u>Check No.</u> 300001

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.) | <input checked="" type="checkbox"/> <input type="checkbox"/> |
| 3. Projected date of application for final decree: | Unknown |

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: 3/3/14

By: 
 D. Ray Strong
 Estate Representative and Liquidating
 Trustee of the Legacy Trust

POST CONFIRMATION AMENDED FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: December 31, 2013

Debtor : Castle Arch Real Estate Investment Company, LLC et. al.

CH. 11 CASE NO: 11-35082

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 Legacy 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: December 31, 2013

Debtor : Castle Arch Real Estate Investment Company, LLC et. al.

CH. 11 CASE NO: 11-35082

SUMMARY OF ASSETS & LIABILITIES: (1)

	Current Quarter	
1. ASSETS		
Cash	\$ 512,122	
Current Assets		
Intercompany Receivables	273,825	(2)
Note Receivable - Valley Gardens	424,348	(3)
Prepaid Expense	153,359	(4)
Star Valley, Wy Property	400,000	(5)
Smyrna, TN Property	2,000,000	(5)
Kingman, AZ Property	3,738,560	(5)
	-	
TOTAL ASSETS	\$ 7,502,213	
2. LIABILITIES		
Pre Petition Claims		
Allowed and Pending Secured Claims	\$ 998,357	(6)
Allowed Priority Claims	37,980	(7)
Allowed and Pending Unsecured Claims	3,664,691	(6)
Intercompany Claims	100,000	(2)
Post Petition Claims		
Post Petition Intercompany Notes	5,292	(2)
Post Petition Legal & Professional Fees	2,789,090	(8)
TOTAL LIABILITIES	\$ 7,595,410	

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) 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.
- (3) The Trustee and his professionals are investigating the value and collectability of this asset. The values on this schedule are the historical values from the debtor records and do not represent current fair market value.
- (4) The Trustee is in the process of negotiations and recovery of this asset.
- (5) Real property of the Legacy Trust is currently being marketed in order to be liquidated. The values on this Schedule are the historical values from the debtor records and do not represent current fair market value.
- (6) The secured and unsecured claims presented on this schedule are consistent with the allowed, filed and scheduled claims. As the claims are analyzed and resolved adjustments may be made to the values presented on future reports.
- (7) A stipulation effective 9/3/2013 was agreed to by the Tennessee Department of Revenue allowing the priority tax claim to be paid over a period of 4 years. Additional priority tax claims of \$3,600 have been allowed for the California Franchise Tax Board
- (8) Accrued Legal & Professional Fees Detail

Pre-Effective Date				
	Beginning Balance	Paid in Current Quarter	Accrued in Current Quarter	Ending Balance
Accrued Trustee Fees	\$ 278,316	\$ -	\$ -	\$ 278,316
Accrued Accountant Fees	\$ 320,683	\$ -	\$ -	\$ 320,683
Accrued Attorney Fees	\$ 1,687,228	\$ -	\$ -	\$ 1,687,228
Pre- Effective Date Total	\$ 2,286,227	\$ -	\$ -	\$ 2,286,227
Post-Effective Date				
	Beginning Balance	Paid in Current Quarter	Accrued in Current Quarter	Ending Balance
Accrued Trustee Fees	\$ 22,000	\$ -	\$ 21,000	\$ 43,000
Accrued Accountant Fees	\$ 89,000	\$ -	\$ 51,000	\$ 140,000
Accrued Attorney Fees	\$ 137,742	\$ -	\$ 182,121	\$ 319,863
Post-Effective Date Total	\$ 248,742	\$ -	\$ 254,121	\$ 502,863
Total Legal and Professional Fees	\$ 2,534,969	\$ -	\$ 254,121	\$ 2,789,090

Cash Accounts

POST CONFIRMATION AMENDED FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: December 31, 2013

SUMMARY OF CASH BALANCES, CASH RECEIPTS AND DISBURSEMENTS:

<u>Account Name</u>	<u>G/L Acct</u>		<u>Balance as of</u> <u>10/1/2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	<u>Balance as of</u> <u>12/31/2013</u>
Active Accounts:							
Union Bank - Reserve Funds	10005 UB	1628	\$ 386,997.51	\$ -	\$ (18,977.72)	\$ -	\$ 368,019.79
Union Bank - Trust Fund	10006 UB	2063	\$ -	\$ 144,914.33	\$ (812.46)	\$ -	\$ 144,101.87
			\$ -	\$ -	\$ -	\$ -	\$ -
NET RECEIPTS AND DISBURSEMENTS			\$ 386,997.51	\$ 144,914.33	\$ (19,790.18)	\$ -	\$512,121.66

Cash Receipts & Disbursements Detail

CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 10/1/13 to 12/31/13

CASH RECEIPTS DETAIL

Account No:

Union Bank-*1628**

Date	Payer	Description	Amount
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Total Cash Receipts

\$ -

CASH DISBURSEMENTS DETAIL

Account No:

Union Bank-*1628**

Date	Payee	Description	Amount
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10/10/2013	Strong Connexions	Website Maintenance	33.33
10/15/2013	Weston L. Harris	Conflicts Referee Fees	688.00
10/15/2013	Tennessee Department of Revenue	1st Stipulation Payment	11,459.93
10/15/2013	Travelers	Property Insurance	5,046.43
10/17/2013	Division of Water Rights	Extension of Time Fee	50.00
10/17/2013	Division of Water Rights	Extension of Time Fee	50.00
10/25/2013	Union Bank	Bank Fees	557.30
11/25/2013	Union Bank	Bank Fees	561.98
12/26/2013	Union Bank	Bank Fees	530.75

Total Cash Disbursements

\$ 18,977.72

CASH RECEIPTS AND DISBURSEMENTS STATEMENTFor Period: 10/1/13 to 12/31/13**CASH RECEIPTS DETAIL**

Account No:

Union Bank-*2063**

Date	Payer	Description	Amount
10/31/2013	CAOP II Trust	Management Fee Settlement	5,038.17
10/31/2013	CAOP II Trust	Management Fee Settlement	66,129.03
11/4/2013	CAOP I Trust	Management Fee Settlement	6,929.94
11/4/2013	CAOP I Trust	Management Fee Settlement	66,774.19
11/25/2013	Travelers	Insurance Refund	43.00
Total Cash Receipts			\$ 144,914.33

CASH DISBURSEMENTS DETAIL

Account No:

Union Bank-*2063**

Date	Payee	Description	Amount
11/19/2013	Franchise Tax Board	Penalty	60.00
11/19/2013	U.S. Trustee	3Q Fees	325.00
11/21/2013	Weston L. Harris	Conflicts Referee Fees	215.00
11/25/2013	Union Bank	Bank Fees	15.00
12/26/2013	Union Bank	Bank Fees	197.46
Total Cash Disbursements			\$ 812.46

Narrative

CASTLE ARCH REAL ESTATE INVESTMENT COMPANY, LLC et. al.
(CASE NO: 11-35082)

POST CONFIRMATION AMENDED QUARTERLY REPORT
4TH 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.

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, 2012. This Post-Confirmation Financial Report is provided for the period beginning on Effective Date of the Plan, October 1, 2013, through December 31, 2013 (the "Reporting Period").

CASTLE ARCH REAL ESTATE INVESTMENT COMPANY, LLC et. al.
(CASE NO: 11-35082)

POST CONFIRMATION AMENDED QUARTERLY REPORT
4TH QUARTER - 2013

NARRATIVE

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. Continued analysis of intercompany claims issues and began providing documentation to the Conflict Referee and applicable counsel.
2. Analyzed post-petition management fee disputes between the Trusts and provided analyses to Conflict Referee and counsel.
3. 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, motion was submitted to the Court for approval on October 4, 2013, and an Order approving settlement was entered by the Court on October 23, 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"),¹ (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")² 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.
4. Continued with the on-going claims analysis and settled claims when possible.
5. Analyzed potential avoidance actions and filed approximate 30 complaints prior to October 17, 2013.
6. Responded to partial fee denials by Rockhill Insurance Company relating to invoices submitted for fee reimbursements relating to Longview litigation insurance coverage.

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

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

**CASTLE ARCH REAL ESTATE INVESTMENT COMPANY, LLC et. al.
(CASE NO: 11-35082)**

**POST CONFIRMATION AMENDED QUARTERLY REPORT
4TH QUARTER - 2013**

NARRATIVE

7. Continued to review and analyze 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. The parties agreed to pursue mediation in an attempt to resolve the matters with some or all of the defendants. The parties filed mediation briefs and participated in mediation process that began in February 2014 and is still pending. If the matter can't be settled, the Trustee will file the complaint and commence litigation.
8. The Trustee issued, and the Court granted, 2004 document productions from various parties.
9. The Trustee and his professionals opposed Relief from Stay motion filed by former management to begin to draw on D&O policy to pay litigation costs associated with the Trustees claims. A hearing was held and the Court granted the Relief from Stay motion.

Specific Trust Activities

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

Legacy Trust

1. Negotiated 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, motion was filed seeking approval of the settlement on November 6, 2013, and the Court entered an order approving the settlement on November 27, 2013.
2. 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.

**CASTLE ARCH REAL ESTATE INVESTMENT COMPANY, LLC et. al.
(CASE NO: 11-35082)**

**POST CONFIRMATION AMENDED QUARTERLY REPORT
4TH QUARTER - 2013**

NARRATIVE

3. 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. The Trustee settled the claim filed by Glen Martinsen, a motion was filed on November 15, 2013, and the Court entered an Order approving the settlement on November 26, 2013. The Trustee also settled the claims with Mr. Waddoups and a motion to approve the settlement will be filed in 1st Quarter of 2014.

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 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. The Trustee is still attempting to resolve the issues, if these issues can't be resolved, litigation will be filed.
2. The Trustee and his professionals continue to analyze the intercompany claims including cash transferred to the Legacy Debtors, Tooele property transferred to the Legacy Debtors, and the various complex and commingled intercompany transactions in an effort to resolve the issues through the Conflict Referee procedures established by the Plan.
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. The current borrower is in the process of refinancing the loan.
2. Investigated, analyzed, and prepared a complaint against Western Showcase regarding mobile home investments made by CAOP II. The Trustee and his professionals have been addressing issues relating to the litigation.
3. 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. The Trustee is still attempting to resolve the issues, if these issues can't be resolved, litigation will be filed.

**CASTLE ARCH REAL ESTATE INVESTMENT COMPANY, LLC et. al.
(CASE NO: 11-35082)**

**POST CONFIRMATION AMENDED QUARTERLY REPORT
4TH QUARTER - 2013**

NARRATIVE

4. The Trustee and his professionals continue to analyze the intercompany claims including cash transferred to the Legacy Debtors, Tooele property transferred to the Legacy Debtors, and the various complex and commingled intercompany transactions in an effort to the resolve the issues through the Conflict Referee procedures established by the Plan.
5. Continued to analyze the Conix related investments and activity.