

POST CONFIRMATION FINANCIAL QUARTERLY REPORT
FOR QUARTER ENDED: March 31, 2015 (1)

DEBTOR: Castle Arch Opportunity Partners II, LLC

CH. 11 CASE NO: 11-35241

SUMMARY OF DISBURSEMENTS MADE DURING QUARTER: (2)

1. BEGINNING OF QUARTER CASH BALANCE	\$ 688,277
2. CASH RECEIPTS DURING QUARTER FROM ALL SOURCES	2,298
3. CASH DISBURSEMENTS DURING QUARTER, INCLUDING PLAN PAYMENTS	142,463
4. CASH BALANCE, END OF QUARTER	<u>\$ 548,112</u>

SUMMARY OF AMOUNTS DISBURSED UNDER PLAN:

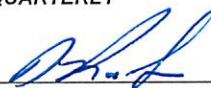
	Paid During Quarter	Total Plan Payments	Total Payments Projected Under Plan
1. PRE-EFFECTIVE DATE ADMINISTRATIVE EXPENSES			
Trustee Compensation	\$ -	\$ -	\$ -
Accountant Fees	-	-	-
Attorney Fees	-	109,024	109,024
Other Professionals	-	-	-
Other Administrative Expenses	-	342	342
	<u> </u>	<u> </u>	<u> </u>
TOTAL PRE-EFFECTIVE DATE ADMINISTRATIVE EXPENSES	<u>\$ -</u>	<u>\$ 109,365</u>	<u>\$ 109,365</u>
POST EFFECTIVE DATE ADMINISTRATIVE EXPENSES			
Trustee Compensation	\$ 22,695	\$ 22,695	N/A
Accountant Fees	37,371	87,703	N/A
Attorney Fees	81,711	137,024	N/A
Other Professionals	-	12,417	N/A
Other Administrative Expenses	686	34,957	N/A
	<u> </u>	<u> </u>	<u> </u>
TOTAL POST EFFECTIVE DATE ADMINISTRATIVE EXPENSES	<u>\$ 142,463</u>	<u>\$ 294,795</u>	<u>\$ -</u>
2. SECURED CREDITORS	\$ -	\$ -	N/A
3. PRIORITY CREDITORS	\$ -	\$ -	N/A
4. UNSECURED CREDITORS	\$ -	\$ 57,747	57,747
5. EQUITY SECURITY HOLDERS	\$ -	\$ 939,337	N/A (3)
6. OTHER:	\$ -	\$ 71,167	N/A (4)
	<u> </u>	<u> </u>	<u> </u>
TOTAL PLAN PAYMENTS	<u>\$ 142,463</u>	<u>\$ 1,363,047</u>	<u>N/A</u>
	<u>Amount</u>	<u>Date</u>	<u>Check No.</u>
QUARTERLY FEE PAID:	\$ 650.00	01/28/15	101

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: 3/2/15

By: 

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

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: March 31, 2015

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 January 1, 2015 to March 31, 2015.
- (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 analyzed 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.
- (4) Payment of outstanding management fees per settlement. Order entered October 23, 2013.

Schedule of Assets & Liabilities

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: March 31, 2015

DEBTOR: Castle Arch Opportunity Partners II, LLC

CH. 11 CASE NO: 11-35241

SUMMARY OF ASSETS & LIABILITIES: (1)

	<u>Current Quarter</u>	
1. ASSETS		
Cash	\$ 548,112	
Current Assets		
Post Petition Intercompany Receivables	-	
Loan Receivable	130,345 (2)	
Western Showcase	275,000 (3)	
Conix Assets	201,880 (4)	
Blackcastle, LLC	1,423,479 (5)	
Litigation Recoveries	-	(9)
Retainer	237 (10)	
	-	
TOTAL ASSETS	\$ 2,579,052	
2. LIABILITIES		
Pre Petition Claims		
Allowed Priority Claims	\$ 1,800 (8)	
Intercompany Notes	-	(6)
Post Petition Claims		
Post Intercompany Payable	-	(6)
Post Petition Legal & Professional Fees	32,535 (7)	
TOTAL LIABILITIES	\$ 34,335	

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. Due to the creation of the Trust the amortized discount on the note has been removed. The value presented on this schedule represents the current principal value of 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. A settlement agreement was reached and approved by the Bankruptcy Court for \$300,000. As of the date of this report \$25,000 has been received.
- (4) CAOP II received distributions historically related to the Conix assets. The amounts reported on this schedule are consistent with cost basis adjusted for the historical distributions and payments received.
- (5) The Trustee has filed litigation against Blackcastle, LLC to liquidate and recover the investment. The amount reported on this schedule represents the historical cost basis of the investment.
- (6) Documentation was presented to the Conflicts Referee to resolve the CAOP II intercompany claims. A settlement was reached during the 3rd Quarter resolving the remaining claims between the Legacy Trust and CAOP II. A payment of \$42,661 was made on 10/10/14 to Legacy Trust in settlement of the intercompany claims.
- (7) Accrued Legal & Professional Fees Detail

Pre-Effective Date

	<u>Beginning Balance</u>	<u>Paid in Current Quarter</u>	<u>Accrued in Current Quarter</u>	<u>Ending Balance</u>
Accrued Trustee Fees	\$ -	\$ -	\$ -	\$ -
Accrued Accountant Fees	\$ -	\$ -	\$ -	\$ -
Accrued Attorney Fees	\$ -	\$ -	\$ -	\$ -
Pre- Effective Date Total	\$ -	\$ -	\$ -	\$ -

Post-Effective Date

	<u>Beginning Balance</u>	<u>Paid in Current Quarter</u>	<u>Accrued in Current Quarter</u>	<u>Ending Balance</u>
Accrued Trustee Fees	\$ 22,670	\$ (22,695)	\$ 3,468	\$ 3,444
Accrued Accountant Fees	\$ 37,371	\$ (37,371)	\$ 7,507	\$ 7,507
Accrued Attorney Fees	\$ 81,711	\$ (81,711)	\$ 21,584	\$ 21,584
Post-Effective Date Total	\$ 141,752	\$ (141,777)	\$ 32,560	\$ 32,535
Total Legal and Professional Fees	\$ 141,752	\$ (141,777)	\$ 32,560	\$ 32,535

- (8) Additional priority tax claims of \$1,800 have been allowed for the California Franchise Tax Board
- (9) The CAOP II Trust is pursuing various litigation recoveries. At this time no current value can be estimated or reported as litigation pursuits are ongoing.
- (10) The retainer was paid to Craig Peter Cherney, Esq. for legal services to be provided in analysis of real estate assets.

Cash Accounts

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: March 31, 2015

SUMMARY OF CASH BALANCES, CASH RECEIPTS AND DISBURSEMENTS:

Account Name	G/L Acct		Balance as of 01/01/15	Receipts	Disbursements	Transfers	Balance as of 03/31/15
<i>Active Accounts:</i>							
Rabobank	10009	RB 9566	\$ 688,276.97	\$ 2,297.65	\$ (35.78)	\$ (145,426.88)	\$ 545,111.96
Rabobank	10010	RB 9567	-	-	(142,426.88)	145,426.88	3,000.00
NET RECEIPTS AND DISBURSEMENTS			\$ 688,276.97	\$ 2,297.65	\$ (142,462.66)	-	\$ 548,111.96

Cash Receipts & Disbursements Detail

DEBTOR: Castle Arch Opportunity Partners II, LLC

CH. 11 CASE NO: 11-35241

CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 1/1/15 to 3/31/15

CASH RECEIPTS DETAIL

Account No:

Rabobank-*9566**

Date	Payer	Description	Amount
01/22/15	Rabobank	Interest	0.44
01/22/15	Rabobank	Interest	113.05
01/22/15	Rabobank	Interest	79.21
01/26/15	FCI Lender Services	Rill Note Receivable	889.60
01/30/15	Rabobank	Interest	37.69
02/12/15	Rabobank	Refund of Bank Fees	10.55
02/24/15	FCI Lender Services	Rill Note Receivable	973.95
02/27/15	Rabobank	Interest	100.58
03/31/15	Rabobank	Interest	92.58
Total Cash Receipts			\$ 2,297.65

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*9566**

Date	Payee	Description	Amount
01/14/15	Wells Fargo	Bank Fees	25.23
01/30/15	Rabobank	Bank Fees	10.55
Total Cash Disbursements			\$ 35.78

DEBTOR: Castle Arch Opportunity Partners II, LLC

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CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 1/1/15 to 3/31/15

CASH RECEIPTS DETAIL

Account No:

Rabobank-*9567**

Date	Payer	Description	Amount
Total Cash Receipts			\$ <u>-</u>

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*9567**

Date	Payee	Description	Amount
01/28/15	US Trustee Payment Center	Q4 2014 US Trustee Fees	650.00
02/23/15	Durham Jones & Pinegar	Legal Fees and Expenses (Apr 1 - Dec 31 2014)	81,710.95
03/16/15	BRG	Trustee Fees and Expenses (Apr 1 - Dec 31 2014)	22,695.08
03/16/15	BRG	Accountants Fees and Expenses (Apr 1 - Dec 31 2014)	37,370.85
Total Cash Disbursements			\$ <u>142,426.88</u>

Narrative

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

**POST CONFIRMATION QUARTERLY REPORT
1st QUARTER - 2015**

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

The description of the Trustee's, and his professional's, activities that occurred from January 1, 2015 through March 31, 2015 (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.

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

**POST CONFIRMATION QUARTERLY REPORT
1st QUARTER - 2015**

NARRATIVE

Combined Trust Activities

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

1. Continued with the on-going claims analysis and settled and resolved claims when possible.
2. Responded to defendants and addressed various issues relating to avoidance actions filed. Trustee and counsel have met with several defendants and have been able to resolve certain cases including settlements with Xiomara Beach and Dr. Luxenberg.
3. Continued to review and analyze claims against insiders and other former management. The Trustee and his professionals have been gathering internal documents, interviewing persons involved and investors, and drafting a complaint. The Trustee entered into tolling agreements with the potential defendants in October 2013 to extend the statutory deadline to April 2014, which was later extended to October 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 the mediation process that began in February 2014. After the mediation, the Trustee continued to work with various parties to settle claims. No settlements other than the William Warwick settlement were reached. As result, the Trustee filed Complaints against Kirby Cochran, Douglas Childs, Jeff Austin, William Davidson, William Grundy, and Keith Green on October 30, 2014. The Trustee has responded to motions for summary judgment and continues to pursue avenues for resolution. A mediation was held with Robert Geringer in January 2015 and the parties continued to explore settlement. A second mediation is scheduled in May 2015. As a result an amended tolling agreement was executed between the Trustee and Robert Geringer extending through May 20, 2015.
4. Negotiated a settlement with William Warwick, and former director of Castle Arch, for \$400,000. The settlement includes (a) \$200,000 cash payment from personal funds of Mr. Warwick, (b) payment of the remaining \$200,000 will be sought from the Axis Insurance Policy, and (c) an assignment of all rights Mr. Warwick has under the Axis Insurance Policy, including any right to pursue a bad faith claim. The Trustee filed an initial motion for approval in the Bankruptcy Court and former management opposed the motion and moved to have the action removed to the District Court. In an effort to minimize fees and costs, the Trustee stipulated to the removal to the District Court. The settlement has been briefed by both parties and is currently pending with the District Court.

**CASTLE ARCH OPPORTUNITY PARTNERS II, LLC
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NARRATIVE

5. In 2012, Axis Surplus Insurance Company (“Axis”) issued a \$1 million insurance policy providing coverage to the directors, officers, and employees of CAREIC. After the failed mediation process with the insiders and former managers, Axis filed a Complaint for Interpleader with the US District Court and interplead the remaining amount of the insurance policy proceeds, less professional fees paid on behalf of the insured, totaling \$589,661.61. The Trustee filed a motion to intervene in the case as a result of the settlement reached with William Warwick. The Parties have filed various pleadings and oppositions in the case which remains pending with the US District Court.
6. Prepared the 4th Quarter 2014 Post-Confirmation Financial Reports for all Trusts.
7. Reviewed, analyzed, and prepared for tax requirements for establishing the Trusts.
8. Prepared income tax returns and tax filings to complete the IRS tax requirements for the establishment of the Trusts.
9. Responded to various investor and creditor inquiries.

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. The Trustee is currently finalizing a transactions for certain parcels of Kingman property and certain water shares relating to the Tooele property. The Trustee expected
2. The Trustee successfully negotiated a sale of the Smyrna property with Walton Tennessee, LLC; however, the buyer rescinded its offer prior to the expiration of the due diligence period. The Trustee finalized an asset purchase agreement on November 3, 2014 with a new buyer, DSSIII Holdings Co, LLC for \$1,500,000. The Bankruptcy Court approved the sale December 15, 2015. The buyer has requested an extension of the due diligence period pursuant to various requirements of local municipalities and continues to conduct its due diligence.

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

**POST CONFIRMATION QUARTERLY REPORT
1ST QUARTER - 2015**

3. The Trustee successfully negotiated a sale of certain parcels of the Kingman property with UNS Electric, Inc. The Trustee finalized an asset purchase agreement on January 28, 2015 for 236.57 acres totaling \$413,058. The Bankruptcy Court approved the sale on February 19, 2015. The buyer has recently withdrawn its offer pursuant to its due diligence. The Trustee continues to market the property.
4. The Trustee successfully negotiated a sale of certain Tooele water rights with Telegraph Exchange, LLC. The trustee finalized a purchase agreement on February 25, 2015 for approximately \$856,000 for 126 acre feet of water. The Bankruptcy Court approved the sale in April 2015. The buyer is currently conducting its due diligence.
5. The Trustee issued, and the Court granted, 2004 document productions from various parties.

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. On February 13, 2014, the Trustee filed litigation against Black Castle, Blackstar Financial, Inc., and its principals. The Trustee is pursuing this litigation and is also attempting to resolve and settle the issues and liquidate the investment in an effort to minimize litigation costs. The Trustee has attended settlement meetings and discussions and has reached a settlement. The settlement includes: (a) payment of \$1.5 million (\$400,000 payable upon entry of the Bankruptcy Court Order approving the sale, \$800,000 payable six months from the entry of the Order, and the remaining payment of \$300,000 payable one year from the Order date). The Bankruptcy Court approved the settlement on April 6, 2015.
2. 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 borrower and Trustee have reached a settlement for \$105,000 which was approved by the Bankruptcy Court.
2. Investigated, analyzed, and prepared a complaint against Western Showcase regarding mobile home investments made by CAOP II. The Trustee negotiated and reached a settlement with Western Showcase for \$300,000. A motion was filed with the Bankruptcy Court on May 8, 2014 and Order was executed on June 6, 2014 approving the settlement. Western Showcase is in default of the settlement agreement and the Trustee is still pursuing payment from Western Showcase.

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

**POST CONFIRMATION QUARTERLY REPORT
1st QUARTER - 2015**

NARRATIVE

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 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. On February 13, 2014, the Trustee filed litigation against Black Castle, Blackstar Financial, Inc., and its principals. The Trustee is pursuing this litigation and is also attempting to resolve and settle the issues and liquidate the investment in an effort to minimize litigation costs. The Trustee has attended settlement meetings and discussions and has reached a settlement. The settlement includes: (a) payment of \$1.5 million (\$400,000 payable upon entry of the Bankruptcy Court Order approving the sale, \$800,000 payable six months from the entry of the Order, and the remaining payment of \$300,000 payable one year from the Order date). The Bankruptcy Court approved the settlement on April 6, 2015.
4. Continued to analyze the Conix related investments and activity.