

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: December 31, 2015 (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	\$ 587,583
2. CASH RECEIPTS DURING QUARTER FROM ALL SOURCES	807,074
3. CASH DISBURSEMENTS DURING QUARTER, INCLUDING PLAN PAYMENTS	<u>(151,429)</u>
4. CASH BALANCE, END OF QUARTER	<u>\$ 1,243,228</u>
5. RESERVE FUND BALANCE	\$ 3,600
6. TRUST FUND BALANCE	\$ 1,239,628

SUMMARY OF AMOUNTS DISBURSED UNDER PLAN:

	<u>Paid During Quarter</u>	<u>Total Plan Payments</u>	<u>Total Payments Projected Under Plan</u>
1. PRE-EFFECTIVE DATE ADMINISTRATIVE EXPENSES			
Trustee Compensation	\$ - (4)	\$ 158,800	\$ 278,316
Accountant Fees	-	183,099	320,683
Attorney Fees	30,245 (4)	993,726	1,687,228
Other Professionals	-	-	-
Other Administrative Expenses	-	-	-
TOTAL PRE-EFFECTIVE DATE ADMINISTRATIVE EXPENSES	<u>\$ 30,245</u>	<u>\$ 1,335,625</u>	<u>\$ 2,286,227</u>
1. ADMINISTRATIVE EXPENSES			
Trustee Compensation	\$ -	-	N/A
Accountant Fees	-	-	N/A
Attorney Fees	-	-	N/A
Other Professionals	13,280	112,235	N/A
Other Administrative Expenses	7,689	52,225	N/A
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 20,969</u>	<u>\$ 164,460</u>	<u>\$ -</u>
2. SECURED CREDITORS	\$ -	-	N/A (3)
3. PRIORITY CREDITORS	\$ -	45,840	45,840
4. UNSECURED CREDITORS	\$ -	-	N/A (3)
5. EQUITY SECURITY HOLDERS	\$ -	-	N/A (3)
6. OTHER:	\$ 100,215	121,217	N/A (3)
TOTAL PLAN PAYMENTS	<u>\$ 151,429</u>	<u>\$ 1,667,141</u>	<u>N/A</u>
QUARTERLY FEE PAID:	<u>Amount</u> \$ 6,500.00	<u>Date</u> 10/27/15	<u>Check No.</u> 127

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: 2/2/16

By: 

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

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: December 31, 2015

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 October 1, 2015 to December 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 Legacy 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 legal & professional fees accrued for the period prior to the effective date of the Confirmed Plan July 22, 2013.

Schedule of Assets & Liabilities

**POST CONFIRMATION FINANCIAL QUARTERLY REPORT
FOR QUARTER ENDED: December 31, 2015**

Debtor : Castle Arch Real Estate Investment Company, LLC et. al.
CH. 11 CASE NO: 11-35082

SUMMARY OF ASSETS & LIABILITIES: (1)

	<u>Current Quarter</u>	
1. ASSETS		
Cash	\$	1,553,103
Current Assets		
Intercompany Receivables	-	(2)
Note Receivable - Valley Gardens	-	(3)
Prepaid Expense	25,000	(4)
Tooele, UT Property	4,243,209	(5)
Star Valley, Wy Property	350,000	(6)
Smyrna, TN Property	-	(7)
Kingman, AZ Property	1,000,000	(6)
CA FTB Refund	85,000	(11)
Litigation Recoveries	-	(12)
Retainer	3,300	(13)
TOTAL ASSETS	\$	7,259,612
2. LIABILITIES		
Pre Petition Claims		
Allowed and Pending Secured Claims	\$	749,007 (8)
Allowed Priority Claims	3,600	(9)
Allowed and Pending Unsecured Claims	8,862,752	(8)
Intercompany Claims	-	(2)
CAOP I New Value Claim	77,182	(8)
Post Petition Claims		
Post Petition Intercompany Notes	-	(2)
Post Petition Legal & Professional Fees	2,923,667	(10)
CAOP II Payable (Rill Note Settlement)	-	(14)
TOTAL LIABILITIES	\$	12,616,209

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 between CAOP I and CAOP II have been resolved. The CAOP II claims were resolved and approved in the 3rd Quarter 2014. The CAOP I claims were resolved and approved in the 4th Quarter 2014. (See Notes 5 & 7)
- (3) The Trustee and his professionals have determined, after consideration of associated costs to pursue and unpaid expenses related to the property (including unpaid property taxes), this asset is estimated to have no value after further analysis.
- (4) The Trustee is in the process of negotiations and recovery of this asset.
- (5) On December 4, 2014, an order approving the settlement agreement between the Legacy Trust and CAOP I Trust related to prepetition intercompany claims was granted. The settlement called for Legacy Trust to retain title to the Tooele water rights and the transfer of title of the Tooele property to the Legacy Trust. As a result, the estimated value of the asset has been recorded on the Legacy Trust report. The estimated value included is presented based on existing marketing conditions at the creation of Trust on 07/22/13. In October 2015, the Trustee finalized the sale of certain Tooele water rights in the amount of \$856,791. This amount has been reduced from the Tooele property value shown above. As the assets and liabilities are further analyzed, additional adjustments may be required in future reports.
- (6) Real property of the Legacy Trust is currently being marketed in order to be liquidated. The values on this Schedule are presented based on existing market conditions at the Trust creation date of 7/22/2013.
- (7) The real property located in Smyrna, Tennessee was sold by the Trustee for a price of \$1.5 million. The sale was finalized and closed on July 31, 2015. Accordingly, the value of the asset has been reduced to zero.
- (8) 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. Amounts include disputed insider claims. On December 4, 2014, an order approving the settlement agreement between the Legacy Trust and CAOP I Trust related to prepetition intercompany claims was filed. As a result, CAOP I was given an Allowed Unsecured Claim of \$5,327,853 and a New Value Claim in the amount of \$77,182 in the Legacy Trust.
- (9) 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. All remaining payments for the Tennessee Department of Revenue stipulation were paid in the 3Q 2014. Additional priority tax claims of \$3,600 have been allowed for the California Franchise Tax Board.
- (10) 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	\$ 119,516	\$ -	\$ -	\$ 119,516
Accrued Accountant Fees	\$ 137,584	\$ -	\$ -	\$ 137,584
Accrued Attorney Fees	\$ 723,747	\$ (30,245)	\$ -	\$ 693,502
Pre- Effective Date Total	\$ 980,847	\$ (30,245)	\$ -	\$ 950,602
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	\$ 186,565	\$ -	\$ 11,410	\$ 197,975
Accrued Accountant Fees	\$ 371,079	\$ -	\$ 11,839	\$ 382,918
Accrued Attorney Fees	\$ 1,217,755	\$ -	\$ 174,417	\$ 1,392,172
Post-Effective Date Total	\$ 1,775,399	\$ -	\$ 197,666	\$ 1,973,065
Total Legal and Professional Fees	\$ 2,756,246	\$ (30,245)	\$ 197,666	\$ 2,923,667

- (11) For the tax years of 2005, 2007 and 2009, the Consolidated Legacy Estate (specifically CAREIC) paid penalties to the state of California. The Trustee and his professionals determined that no penalties should have been assessed nor paid and therefore requested a refund from the California Franchise Tax Board. The Trustee is attempting to settle and recover this amount.
- (12) The Legacy Trust is pursuing various litigation recoveries. At this time no value can be estimated or reported as litigation pursuits are ongoing.
- (13) The retainer was paid to Craig Peter Chemey, Esq. for legal services to be provided in analysis of real estate assets.
- (14) In May 2015, the borrower was able to obtain refinancing on the note and payoff the loan receivable in the amount of \$105,000. In July 2015, the Trustee filed a motion to allow the payment of \$5,000 from the loan proceeds to the Legacy Trust in order to compensate it for its relinquishment of any interest it had in the note and the professional fees it incurred to facilitate the refinance. No objections to the Trustee's motion were received and an order approving the motion was entered by the Court on August 18, 2015. Accordingly, \$5,000 of the proceeds were paid to the Legacy Trust and the remaining \$100,000 was distributed to the CAOP II Trust in October 2015. Consequently, the CAOP II Payable has been written down to \$0.

Cash Accounts

**POST CONFIRMATION FINANCIAL QUARTERLY REPORT
FOR QUARTER ENDED: December 31, 2015**

SUMMARY OF CASH BALANCES, CASH RECEIPTS AND DISBURSEMENTS:

<u>Account Name</u>	<u>G/L Acct</u>		<u>Balance as of</u> <u>09/30/15</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	<u>Balance as of</u> <u>12/31/15</u>
<i>Active Accounts:</i>							
Rabobank - Reserve Fund	10008 RB 8266	\$	9,142.40	\$ 4.61	\$ -	\$ -	9,147.01
Rabobank - Trust Fund	10009 RB 8866		783,270.87	807,055.27	-	(50,191.23)	1,540,134.91
Rabobank - Trust Fund	10010 RB 8867		9.79	-	(51,381.44)	55,192.90	3,821.25
Rabobank - Rill Note Proceeds	10011 RB 8868		105,035.10	14.30	(100,047.73)	(5,001.67)	0.00
NET RECEIPTS AND DISBURSEMENTS		\$	897,458.16	\$ 807,074.18	\$ (151,429.17)	\$ -	1,553,103.17

Cash Receipts & Disbursements Detail

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

CH. 11 CASE NO: 11-35082

CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 10/1/15 to 12/31/15

CASH RECEIPTS DETAIL

Account No:

Rabobank-*8266**

Date	Payer	Description	Amount
10/30/15	Rabobank	Interest	1.56
11/30/15	Rabobank	Interest	1.50
12/31/15	Rabobank	Interest	1.55
Total Cash Receipts			\$ 4.61

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*8266**

Date	Payee	Description	Amount
Total Cash Disbursements			\$ -

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

CH. 11 CASE NO: 11-35082

CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 10/1/15 to 12/31/15

CASH RECEIPTS DETAIL

Account No:

Rabobank-*8866**

Date	Payer	Description	Amount
10/16/15	Fortius Financial	Final Payment on Litigation Settlement	3,000.00
10/29/15	Cottonwood Title Insurance Agency	Sale Proceeds on Tooele Water Rights	800,209.54
10/30/15	Rabobank	Interest	145.88
11/30/15	Rabobank	Interest	257.54
12/08/15	Dexter & Dexter	Richard Whelan Settlement Proceeds	3,000.00
12/17/15	JAMS Inc	Refund of Geringer Mediation Fees	178.75
12/31/15	Rabobank	Interest	263.56
Total Cash Receipts			\$ 807,055.27

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*8866**

Date	Payee	Description	Amount
Total Cash Disbursements			\$ -

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CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 10/1/15 to 12/31/15

CASH RECEIPTS DETAIL

Account No:

Rabobank-*8867**

Date	Payer	Description	Amount
Total Cash Receipts			\$ -

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*8867**

Date	Payee	Description	Amount
10/20/15	Jams Inc	Geringer Mediation Fees	4,001.60
10/21/15	CAOP I Trust	Allocation of Fortius Settlement	167.26
10/27/15	US Trustee Payment Center	Q3 2015 Trustee Fees	6,500.00
10/28/15	Travelers	General Liability Property Insurance	1,189.00
10/28/15	American Arbitration Association	Insider Arbitration Fees	9,100.00
11/10/15	Jams Inc	Geringer Mediation Fees	178.75
12/14/15	Prince Yeates & Geldzahler	Pre-Effective Date Prof Fees	30,244.83
Total Cash Disbursements			\$ 51,381.44

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CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 10/1/15 to 12/31/15

CASH RECEIPTS DETAIL

Account No:

Rabobank-*8868**

Date	Payer	Description	Amount
10/30/15	Rabobank	Interest	14.30
Total Cash Receipts			\$ 14.30

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*8868**

Date	Payee	Description	Amount
10/23/15	CAOP II Trust	Transfer of Rill Note Proceeds	100,033.43
11/18/15	CAOP II Trust	Transfer of Interest	14.30
Total Cash Disbursements			\$ 100,047.73

Narrative

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

**POST CONFIRMATION QUARTERLY REPORT
4th 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 October 1, 2015 through December 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 REAL ESTATE INVESTMENT COMPANY, LLC et. al.
(CASE NO: 11-35082)**

**POST CONFIRMATION QUARTERLY REPORT
4th 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 a settlement with Richard Whelan.
3. Continued to review, analyze, and pursue claims against insiders and other former management. The Trustee and his professionals have been gathering internal documents, interviewing persons involved and investors, and analyzing case documents. 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 which ultimately failed. As result, the Trustee filed Complaints against Kirby Cochran, Douglas Childs, Jeff Austin, William Davidson, William Grundy, and Keith Green on October 30, 2014 ("Malfeasance Action"). 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 was held in May 2015 whereby the Trustee negotiated and ultimately formalized a Memorandum of Understanding ("MOU") to purchase the Smyrna property for \$2.25 million including releases of claims against Mr. Geringer. The MOU indicated the transaction was subject to Court approval and the ability to terminate the existing Smyrna purchase agreement with DSSIII. DSSIII had informed the Trustee they required additional concessions including a \$500,000 reduction in the purchase price in order to close on the transaction. A Purchase Agreement was finalized and executed with Robert Geringer in June 2015 for the higher \$2.25 purchase price and a notice of termination of the existing agreement was sent to DSSIII. DSSIII filed a complaint in Tennessee seeking the Trustee to perform on its purchase agreement at the \$1.5 million purchase price. Hearings were held with the Bankruptcy Court regarding the Robert Geringer purchase agreement and termination of the DSSIII agreement in July 2015.

**CASTLE ARCH REAL ESTATE INVESTMENT COMPANY, LLC et. al.
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**POST CONFIRMATION QUARTERLY REPORT
4th QUARTER - 2015**

NARRATIVE

Ultimately the Trustee determined in his business judgment that closing on the \$1.5 million agreement with DSSIII was in the best interest of the estate. The transaction was finalized with DSSIII in July 2015. A third mediation was held in November 2015 with Mr. Geringer which failed. On November 9, 2015, Mr. Geringer filed a complaint against the Trusts in the United States District Court for the Central District of California. On November 24, 2015, the Trustee filed a complaint against Mr. Geringer and certain related entities.

4. Negotiated a joint settlement with Kirby Cochran, former executive of Castle Arch, and his bankruptcy Trustee ("Cochran Bankruptcy Trustee"). The terms of the settlement include: (a) a cash payment by Cochran of \$150,000 (\$25,000 upon execution of the settlement agreement, \$25,000 on or before January 31, 2016, \$25,000 on or before May 31, 2016, and \$50,000 on or before June 30, 2016; (b) cash payment is secured by a Consent to Entry of Stipulated Nondischargeable Judgment and a Stipulated Nondischargeable judgment in the amount of \$3 million; (c) Trustee will not have any further obligation to extend the deadline to file a Section 523 non-dischargeability action in the Cochran Bankruptcy Case; (d) Castle Arch Trusts' proof of claim in the Cochran Bankruptcy Case will be deemed to be liquidated and allowed in the amount of \$3 million; (e) Cochran Bankruptcy Trustee will assign to the Trustee and Trusts, any and all rights that the Cochran Bankruptcy Estate in the Axis Surplus Insurance Company ("Axis") and interpleader action; (f) Trustee will agree to the entry of a contribution order in the Malfeasance Action against Mr. Cochran; (g) Mr. Cochran will cooperate with the Trustee in his administration of the Debtors' estates and the Trusts; (h) litigation cases will be dismissed; and (i) releases will be provided. A settlement agreement was executed in October 2015. The Trustee filed a motion with the Bankruptcy Court seeking approval of the Cochran settlement. Mr. Geringer sought requests for production of documents and filed an objection to the settlement on December 7, 2015. The objection was ultimately resolved between the parties and an Order approving the settlement was entered by the Bankruptcy Court on January 6, 2016.
5. In 2012, 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. The US District Court granted the Trustees motion to intervene in the interpleader case and ultimately determined the proceeds of the policy should be distributed pro-rata between the Defendants.

**CASTLE ARCH REAL ESTATE INVESTMENT COMPANY, LLC et. al.
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**POST CONFIRMATION QUARTERLY REPORT
4th QUARTER - 2015**

NARRATIVE

6. Prepared the 3rd Quarter 2015 Post-Confirmation Financial Reports for all Trusts.
7. Reviewed, analyzed, and prepared for tax requirements of the Trusts.
8. Prepared 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.
2. Trustee 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, 2014. The buyer requested an extension of the due diligence period pursuant to various requirements of local municipalities and continues to conduct its due diligence. In May 2015, the Trustee negotiated and ultimately formalized a Memorandum of Understanding ("MOU") with Robert Geringer to purchase the Smyrna property for \$2.25 million including releases of claims against Mr. Geringer. The MOU indicated the transaction was subject to Court approval and the ability to terminate the existing Smyrna purchase agreement with DSSIII. DSSIII had informed the Trustee they required additional concessions including a \$500,000 reduction in the purchase price in order to close on the transaction. A Purchase Agreement was finalized and executed with Robert Geringer in June 2015 for the higher \$2.25 purchase price and a notice of termination of the existing agreement was sent to DSSIII. DSSIII filed a complaint in Tennessee seeking the Trustee to perform on its purchase agreement at the \$1.5 million purchase price. Hearings were held with the Bankruptcy Court regarding the Robert Geringer purchase agreement and termination of the DSSIII agreement in July 2015. Ultimately the Trustee determined in his business judgment that closing on the \$1.5 million agreement with DSSIII was in the best interest of the estate. The transaction was finalized with DSSIII in July 2015. The Trustee continues to address and respond to the complaint filed by DSSIII.

**CASTLE ARCH REAL ESTATE INVESTMENT COMPANY, LLC et. al.
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**POST CONFIRMATION QUARTERLY REPORT
4th QUARTER - 2015**

NARRATIVE

3. Trustee negotiated a sale of 126.9 acre-feet of water rights with Telegraph Exchange LLC. A purchase agreement was executed in February 2015. The terms of the sale include: (a) purchase price of \$6,750 for each acre-foot of water approved for diversion under a Final Decision by the Utah State Engineer; (b) earnest money deposit in the amount of \$50,000 to be held in escrow; (c) earnest money will be applied to the purchase price, and the purchase price will be paid in cash at closing; (d) within five days after the Entry Date, Buyer shall prepare and deliver a Permanent Change Application in accordance with applicable law to move the point of diversion, as well as the place and nature of use of the water rights to the Stansbury Park Improvement District; (e) Buyer, at its own cost, shall obtain a Final Decision on the Permanent Change Application within six months from the bankruptcy court order approve sale; (f) after issuance of a Final Decision, the earnest money shall be non-refundable; (g) closing of sale will occur within five business days after the entry of a Final Decision; (h) sale is subject to Bankruptcy Court approval; (i) sale will be free and clear of liens, claims, encumbrances and interests pursuant to 11 U.S.C. §§363(b) and (f); and (j) sale is "AS IS" without representations and warranties of any kind. A motion seeking approval of the sale was filed with the Bankruptcy Court in March 2015 and order approving the sale was entered in April 2015. The transaction was successfully closed on October 2015 for a gross sale price of \$856,791.
4. Trustee objected and responded to a motion filed in November 2015 by John Saggiani and Prince, Yeates & Geldzahler to vacate the court approved December 2014 pre-petition intercompany settlement between the Legacy Trust and CAOPI Trust. A hearing was held on December 17, 2015 whereby the Bankruptcy Court indicated the motions were weak, but granted some limited discovery. The Trustee and its counsel are reviewing their documentation and information to comply with the limited discovery request by the parties.
5. Trustee negotiated a sale of the remaining Tooele property representing approximately 350 acres of land and rights to 489 acre-feet of water with Pinehurst Partners, LP. A purchase agreement was executed in November 2015. The terms of the sale include: (a) purchase price of \$2,266,810 for the land and \$2,200,500 for the water rights; (b) an initial deposit in the amount of \$15,000 to be held in escrow (non-refundable unless Buyer is not determined to be the highest and best offeror); (c) due diligence period through March 4, 2016; (d) additional non-refundable deposit of \$25,000 upon expiration of the due diligence period; (f) Trustee has right to continue to market the property to backup offers; (g) buyer will file an appropriate water change application relating to the water by no later than ten days of approved Bankruptcy Court order; (h) sale will be free and clear of liens, claims, encumbrances and interests pursuant to 11 U.S.C. §§363(b) and (f); (i) sale is "as is" without representations or warranties of any kind; and (j) buyer may proceeds with purchase pursuant to an Internal Revenue Code § 1031 exchange. The Trustee filed a motion seeking approval of the sale with the Bankruptcy Court on November 20, 2015. On December 7, 2015, John Saggiani filed an objection to the sale. A hearing was held on December 17, 2015 and the Bankruptcy Court entered an order approving the sale on December 22, 2015.

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**POST CONFIRMATION QUARTERLY REPORT
4th QUARTER - 2015**

NARRATIVE

6. Trustee continues to pursue an appeal regarding the summary judgment dismissal of the Prince Yeates & Geldzahler complaint originally filed in December 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 had 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 pursued this litigation and attempted to resolve and settle the issues and liquidate the investment in an effort to minimize litigation costs. The Trustee attended settlement meetings and discussions and 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 and the first \$400,000 payment was made. An additional payment of \$800,000 was received in October 2015. The settlement was a joint settlement between the CAOPI and CAOPII trusts.
2. Trustee objected and responded to a motion filed in November 2015 by John Saggiani and Prince, Yeates & Geldzahler to vacate the court approved December 2014 pre-petition intercompany settlement between the Legacy Trust and CAOPI Trust. A hearing was held on December 17, 2015 whereby the Bankruptcy Court indicated the motions were weak, but granted some limited discovery. The Trustee and its counsel are reviewing their documentation and information to comply with the limited discovery request by the parties.
3. Continued to analyze the Conix related investments and activity and issued discovery requests which Conix has yet complied.

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

**POST CONFIRMATION QUARTERLY REPORT
4th QUARTER - 2015**

NARRATIVE

CAOP II Trust

1. 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 has been diligently pursuing payment from Western Showcase.
2. 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 had 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 pursued this litigation and attempted to resolve and settle the issues and liquidate the investment in an effort to minimize litigation costs. The Trustee attended settlement meetings and discussions and 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 and the first \$400,000 payment was made. An additional payment of \$800,000 was received in October 2015. The settlement was a joint settlement between the CAOPI and CAOPII trusts.
3. Continued to analyze the Conix related investments and activity and issued discovery requests which Conix has yet complied.