

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: March 31, 2016 (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	\$ 1,553,103
2. CASH RECEIPTS DURING QUARTER FROM ALL SOURCES	372,625
3. CASH DISBURSEMENTS DURING QUARTER, INCLUDING PLAN PAYMENTS	(4,076)
4. CASH BALANCE, END OF QUARTER	<u>\$ 1,921,653</u>
5. RESERVE FUND BALANCE	\$ 3,600
6. TRUST FUND BALANCE	\$ 1,918,053

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	\$ - (4)	\$ 158,800	\$ 278,316
Accountant Fees	-	183,099	320,683
Attorney Fees	-	993,726	1,687,228
Other Professionals	-	-	-
Other Administrative Expenses	-	-	-
TOTAL PRE-EFFECTIVE DATE ADMINISTRATIVE EXPENSES	<u>\$ -</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	333	112,568	N/A
Other Administrative Expenses	3,575	55,800	N/A
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 3,908</u>	<u>\$ 168,368</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:	\$ 167	121,384	N/A (3)
TOTAL PLAN PAYMENTS	<u>\$ 4,076</u>	<u>\$ 1,671,217</u>	<u>N/A</u>
QUARTERLY FEE PAID:	<u>Amount</u> \$ 1,625.00	<u>Date</u> 01/29/16	<u>Check No.</u> 134

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: | 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: 6/6/16

By: 

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

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: March 31, 2016

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 January 1, 2016 to March 31, 2016.
- (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: March 31, 2016**

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	\$	1,921,653
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	(8)
CA FTB Refund	85,000	(11)
Litigation Recoveries	-	(12)
Retainer	3,300	(13)
TOTAL ASSETS	\$	7,628,162
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	3,180,315	(10)
CAOP II Payable (Rill Note Settlement)	-	(14)
TOTAL LIABILITIES	\$	12,872,857

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 maybe 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				
	Beginning Balance	Paid in Current Quarter	Accrued in Current Quarter	Ending Balance
Accrued Trustee Fees	\$ 119,516	\$ -	\$ -	\$ 119,516
Accrued Accountant Fees	\$ 137,584	\$ -	\$ -	\$ 137,584
Accrued Attorney Fees	\$ 693,502	\$ -	\$ -	\$ 693,502
Pre-Effective Date Total	\$ 950,602	\$ -	\$ -	\$ 950,602
Post-Effective Date				
	Beginning Balance	Paid in Current Quarter	Accrued in Current Quarter	Ending Balance
Accrued Trustee Fees	\$ 197,975	\$ -	\$ 20,723	\$ 218,698
Accrued Accountant Fees	\$ 382,918	\$ -	\$ 16,591	\$ 399,510
Accrued Attorney Fees	\$ 1,392,172	\$ -	\$ 219,333	\$ 1,611,505
Post-Effective Date Total	\$ 1,973,065	\$ -	\$ 256,648	\$ 2,229,713
Total Legal and Professional Fees	\$ 2,923,667	\$ -	\$ 256,648	\$ 3,180,315

- (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 Cherney, 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: March 31, 2016**

SUMMARY OF CASH BALANCES, CASH RECEIPTS AND DISBURSEMENTS:

Account Name	G/L Acct		Balance as of 12/31/15	Receipts	Disbursements	Transfers	Balance as of 03/31/16
<i>Active Accounts:</i>							
Rabobank - Reserve Fund	10008 RB 8266	\$	9,147.01	\$ 4.57	\$ -	\$ -	9,151.58
Rabobank - Trust Fund	10009 RB 8866		1,540,134.91	3,767.63	-	(5,029.35)	1,538,873.19
Rabobank - Trust Fund	10010 RB 8867		3,821.25	-	(4,075.60)	5,029.35	4,775.00
Rabobank - Litigation Recoveries	10013 RB 8870		-	368,853.29	-	-	368,853.29
NET RECEIPTS AND DISBURSEMENTS		\$	1,553,103.17	\$ 372,625.49	\$ (4,075.60)	\$ -	1,921,663.06

Cash Receipts & Disbursements Detail

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

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CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 1/1/16 to 3/31/16

CASH RECEIPTS DETAIL

Account No:

Rabobank-*8266**

Date	Payer	Description	Amount
01/29/16	Rabobank	Interest	1.56
02/29/16	Rabobank	Interest	1.45
03/31/16	Rabobank	Interest	1.56
Total Cash Receipts			\$ 4.57

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*8266**

Date	Payee	Description	Amount
Total Cash Disbursements			\$ -

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

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CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 1/1/16 to 3/31/16

CASH RECEIPTS DETAIL

Account No:

Rabobank-*8866**

Date	Payer	Description	Amount
01/18/16	Fortius Financial	Final Payment on Litigation Settlement	3,000.00
01/29/16	Rabobank	Interest	261.79
02/29/16	Rabobank	Interest	244.49
03/31/16	Rabobank	Interest	261.35
Total Cash Receipts			\$ <u><u>3,767.63</u></u>

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*8866**

Date	Payee	Description	Amount
Total Cash Disbursements			\$ <u><u>-</u></u>

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

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CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 1/1/16 to 3/31/16

CASH RECEIPTS DETAIL

Account No:

Rabobank-*8867**

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

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*8867**

Date	Payee	Description	Amount
01/06/16	Travelers	Property Insurance - Star Valley	1,950.00
01/06/16	Strong Connexions	Website Development	25.00
01/19/16	Strong Connexions	Website Development	83.34
01/29/16	US Trustee Payment Center	Q4 2015 Trustee Fees	1,625.00
02/02/16	CAOP I Trust	CAOP I Share of Fortius Settlement	167.26
02/10/16	Jim Riley Engineering	Professional Fees - Tooele Water Rights	225.00
Total Cash Disbursements			\$ <u> 4,075.60</u>

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CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 1/1/16 to 3/31/16

CASH RECEIPTS DETAIL

Account No:

Rabobank-*8870**

Date	Payer	Description	Amount
01/11/16	William Warwick	Warwick Settlement Proceeds	200,000.00
01/29/16	Kirby Cochran	Kirby Cochran Settlement Proceeds	25,000.00
02/24/16	US District Court/US Treasury	Warwick Axis Insurance Settlement Proceeds	71,916.91
03/24/16	Phillip G. Jones, Trustee	Cochran Axis Insurance Settlement Proceeds	71,916.91
03/31/16	Rabobank	Interest	19.47
Total Cash Receipts			\$ <u>368,853.29</u>

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*8870**

Date	Payee	Description	Amount
Total Cash Disbursements			\$ <u>-</u>

Narrative

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

**POST CONFIRMATION QUARTERLY REPORT
1st QUARTER - 2016**

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, 2016 through March 31, 2016 (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
1st QUARTER - 2016**

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. Continued to pursue avoidance litigation, and obtain settlements when appropriate and possible. Settlements obtained have been submitted to the Court for approval.
3. Continued to review, analyze, and pursue litigation against former management. This includes the following actions: (a) *Strong v. Cochran*, Case No. 2:14-cv-00788-TC (D. Utah, now referred to arbitration) (action against K. Cochran, D. Child, J. Austin, W. Davidson, R. Clawson, W. Grundy, and K. Green); *Strong v. Geringer*, Case No. 2:15-cv-00837-TC (D. Utah); *Geringer v. Strong*, Case No. 2:15-cv-08696-CAS (C.D. Cal.) (California District Court has ordered case be transferred to Utah on Trustee's motion; motions regarding case administration and dismissal are pending in the District of Utah in Case No. 2:16-cv-00391-BSJ).
4. Obtained Court approval of a settlement agreement with insider defendant Kirby Cochran, related avoidance defendants, and the Chapter 7 trustee for Mr. Cochran's bankruptcy estate. Payments under the settlement agreement are timely being made, but are ongoing as of the close of this Reporting Period. Collection of the allowed \$3 million claim in Mr. Cochran's Chapter 7 case is dependent on final administration of that bankruptcy estate by the Chapter 7 trustee.
5. Obtained a final ruling by the District Court in an interpleader action styled as *Axis Surplus Insurance v. Geringer et al.*, Case No. 2:14-cv-00244-DAK (D. Utah) related to approximately \$590,000.00 in funds remaining under a \$1 million insurance policy. The Trusts intervened in that action as an assignee of funds payable to former CAREIC board member William Warwick. As a result of settlement agreements with Mr. Warwick and in Mr. Cochran's bankruptcy case and the ruling of the District Court in this action, the Trusts received a total of approximately \$144,000 of the insurance proceeds during the Reporting Period.
6. Prepared the 4th Quarter 2015 Post-Confirmation Financial Reports for all Trusts.
7. Reviewed, analyzed, and prepared for tax requirements of the Trusts.
8. Responded to various investor and creditor inquiries.

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

**POST CONFIRMATION QUARTERLY REPORT
1st QUARTER - 2016**

NARRATIVE

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. Continued in performing under a Court-approved sale of the remaining Tooele property Pinehurst Partners, LP, representing approximately 350 acres of land and rights to 489 acre-feet of water. During the Reporting Period, the buyer requested an extension of an agreed due diligence period to May 2016. Since that time, the buyer formally notified the Trustee of its termination of the agreement.
3. Engaged in negotiations with other parties interested in purchasing the Tooele land and water rights.
4. Mediated a specific performance action that had been filed by DSSIII related to a purchase agreement for real property located in Smyrna, Tennessee, resulting in a settlement agreement that was submitted to the Court for approval.
5. Continued litigation related to motions filed in November 2015 by John Saggiani and Prince, Yeates & Geldzahler to vacate an Order approving a December 2014 pre-petition intercompany settlement between the Legacy Trust and CAOPI Trust. An evidentiary hearing is scheduled for May 17, 2016.
6. Continued litigation against former bankruptcy counsel for CAREIC, styled as *Strong v. Prince Yeates & Geldzahler, et al. (In re Castle Arch Real Estate Investment Co., LLC)*, Adv. P. No. 15-2007 (Bankr. D. Utah). An appeal of the dismissal of that action is fully briefed and pending before the District Court, Case No., 2:15-cv-00475-DN.
7. Negotiated a settlement in principal with a California taxing entity related to refunds owed to the estate.

**CASTLE ARCH REAL ESTATE INVESTMENT COMPANY, LLC et. al.
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**POST CONFIRMATION QUARTERLY REPORT
1st QUARTER - 2016**

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 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 final settlement payment was received in April 2016. The settlement was a joint settlement between the CAOPI and CAOPII trusts.
2. Continued litigation related to motions filed in November 2015 by John Saggiani and Prince, Yeates & Geldzahler to vacate an Order approving a December 2014 pre-petition intercompany settlement between the Legacy Trust and CAOPI Trust. An evidentiary hearing is scheduled for May 17, 2016.
3. Continued to analyze the Conix related investments and activity and issued discovery requests which Conix has not complied.

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. The Trustee reached a revised settlement with Western Showcase in February 2016 which was approved by the Bankruptcy Court in March 2016.
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,

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1st QUARTER - 2016

NARRATIVE

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 final settlement payment was received in April 2016. 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.