

**POST CONFIRMATION FINANCIAL QUARTERLY REPORT
FOR QUARTER ENDED: September 30, 2016 (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	\$ 513,977
2. CASH RECEIPTS DURING QUARTER FROM ALL SOURCES	248
3. CASH DISBURSEMENTS DURING QUARTER, INCLUDING PLAN PAYMENTS	40,523
4. CASH BALANCE, END OF QUARTER	<u>\$ 473,702</u>

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	\$ -	\$ -	\$ -
Accountant Fees	-	-	-
Attorney Fees	-	109,024	109,024
Other Professionals	-	-	-
Other Administrative Expenses	-	342	342
TOTAL PRE-EFFECTIVE DATE ADMINISTRATIVE EXPENSES	<u>\$ -</u>	<u>\$ 109,365</u>	<u>\$ 109,365</u>
POST EFFECTIVE DATE ADMINISTRATIVE EXPENSES			
Trustee Compensation	\$ 2,487	\$ 37,968	N/A
Accountant Fees	17,490	156,473	N/A
Attorney Fees	19,940	244,100	N/A
Other Professionals	281	12,973	N/A
Other Administrative Expenses	325	47,746	N/A
TOTAL POST EFFECTIVE DATE ADMINISTRATIVE EXPENSES	<u>\$ 40,523</u>	<u>\$ 499,259</u>	<u>\$ -</u>
2. SECURED CREDITORS	<u>\$ -</u>	<u>\$ -</u>	N/A
3. PRIORITY CREDITORS	<u>\$ -</u>	<u>\$ -</u>	N/A
4. UNSECURED CREDITORS	<u>\$ -</u>	<u>\$ 57,747</u>	<u>\$ 57,747</u>
5. EQUITY SECURITY HOLDERS	<u>\$ -</u>	<u>\$ 1,991,383</u>	N/A (3)
6. OTHER:	<u>\$ -</u>	<u>\$ 433,221</u>	N/A (4)
TOTAL PLAN PAYMENTS	<u>\$ 40,523</u>	<u>\$ 2,981,611</u>	N/A
QUARTERLY FEE PAID:	<u>\$ 325.00</u>	<u>8/1/2016</u>	<u>294</u>

PLAN STATUS:

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

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

EXECUTED ON: 11/17/16

By: 

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

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: September 30, 2016

DEBTOR: Castle Arch Opportunity Partners II, LLC

CH. 11 CASE NO: 11-35241

NOTES

- (1) The Debtors filed its Chapter 11 Financial Report for the month of July 2013. On July 22, 2013 the Confirmed Plan became effective. This report includes activity from July 1, 2016 to September 30, 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 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) The Other amount includes payment of outstanding management fees per settlement Order entered October 23, 2013, as well as amounts paid to the CAOP I Trust for its portion of the BlackCastle settlement payments.

Schedule of Assets & Liabilities

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: September 30, 2016

DEBTOR: Castle Arch Opportunity Partners II, LLC

CH. 11 CASE NO: 11-35241

SUMMARY OF ASSETS & LIABILITIES: (1)

	Current Quarter	
1. ASSETS		
Cash	\$ 473,702	
Current Assets		
Post Petition Intercompany Receivables	-	
Loan Receivable	-	(2)
Western Showcase	270,000	(3)
Conix Assets	201,880	(4)
Blackcastle, LLC	-	(5)
Litigation Recoveries	-	(9)
TOTAL ASSETS	\$ 945,582	
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	9,637	(7)
TOTAL LIABILITIES	\$ 11,437	

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) 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. Accordingly, the loan receivable has been written down to \$0.
- (3) The CAOP II Trustee filed litigation against Western Showcase in an effort to recover the investment of the CAOP II Trust. An initial settlement agreement was reached and approved by the Bankruptcy Court for \$300,000. The settlement amount was subsequently amended to \$310,000 and was approved by the Bankruptcy Court in March 2016. In addition, the parties have agreed to a \$15,000 extension fee in order to extend the payment deadline to January 2017. As of the date of this report \$55,000 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) In April 2015, the Bankruptcy Court approved a settlement agreement entered into between Blackcastle, LLC, CAOP I Trust and CAOP II Trust. The agreement called for Blackcastle to pay the Trustee \$1.5 million in three installments (\$400,000 at Entry Date, \$800,000 six months from the entry date and \$300,000 one year from Entry Date) to be apportioned to CAOP I and CAOP II proportionate to their total investment. As of the date of this report, all \$1,500,000 in settlement payments have been received by the Trustee. Accordingly, the amount reported on this schedule has been reduced to \$0.
- (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

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

Post-Effective Date

	Beginning Balance	Paid in Current Quarter	Accrued in Current Quarter	Ending Balance
Accrued Trustee Fees	\$ 2,277	\$ (2,487)	\$ 1,761	\$ 1,551
Accrued Accountant Fees	\$ 15,124	\$ (17,490)	\$ 10,139	\$ 7,773
Accrued Attorney Fees	\$ 17,306	\$ (19,940)	\$ 2,947	\$ 313
Post-Effective Date Total	\$ 34,708	\$ (39,917)	\$ 14,847	\$ 9,637
Total Legal and Professional Fees	\$ 34,708	\$ (39,917)	\$ 14,847	\$ 9,637

(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.

Cash Accounts

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: September 30, 2016

SUMMARY OF CASH BALANCES, CASH RECEIPTS AND DISBURSEMENTS:

Account Name	G/L Acct			Balance as of 6/30/2016	Receipts	Disbursements	Transfers	Balance as of 9/30/2016
<i>Active Accounts:</i>								
Rabobank	10009	RB	9566	\$ 506,010.36	\$ 248.07	\$ -	\$ (40,140.99)	\$ 466,117.44
Rabobank	10010	RB	9567	7,966.93	-	(40,523.37)	40,140.99	7,584.55
NET RECEIPTS AND DISBURSEMENTS				\$ 513,977.29	\$ 248.07	\$ (40,523.37)	\$ -	\$ 473,701.99

Cash Receipts & Disbursements Detail

DEBTOR: Castle Arch Opportunity Partners II, LLC

CH. 11 CASE NO: 11-35241

CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 7/1/16 to 9/30/16

CASH RECEIPTS DETAIL

Account No:

Rabobank-*9566**

Date	Payer	Description	Amount
7/29/2016	Rabobank	Interest	85.95
8/31/2016	Rabobank	Interest	85.51
9/30/2016	Rabobank	Interest	76.61
Total Cash Receipts			\$ 248.07

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*9566**

Date	Payee	Description	Amount
Total Cash Disbursements			\$ -

DEBTOR: Castle Arch Opportunity Partners II, LLC

CH. 11 CASE NO: 11-35241

CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 7/1/16 to 9/30/16

CASH RECEIPTS DETAIL

Account No:

Rabobank-*9567**

Date	Payer	Description	Amount
Total Cash Receipts			\$ -

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*9567**

Date	Payee	Description	Amount
8/1/2016	US Trustee Payment Center	Q2 US Trustee Fees	325.00
8/12/2016	American Arbitration Association	Arbitration Fees re Insider Litigation	223.84
8/23/2016	Patti Walker	Court Transcript Fees	7.38
8/30/2016	Durham Jones & Pinegar	Legal Fees	19,940.27
8/30/2016	BRG	Accountant Fees	17,489.71
8/30/2016	S3 Advisory	Trustee Fees	2,487.17
9/14/2016	Strong Connexions	Website Maintenance	50.00
Total Cash Disbursements			\$ 40,523.37

CAOPII

Summary of Cash Receipts and Disbursements (May 3, 2012 thru September 30, 2016)

	Pre-Effective Period 05/03/12 to 7/21/2013	Post-Effective Period 07/22/13 to 9/30/2016	TOTAL
Beginning Balance:	\$ 445,135	\$ 1,965,789	\$ 445,135
Receipts:			
Conix	\$ 1,051,391	\$ 16,170	\$ 1,067,561
Rill Note	6,843	118,261	125,104
Rockhill Settlement	-	6,159	6,159
BlackCastle	149,037	1,047,450	1,196,487
Western Showcase	-	57,500	57,500
Property Sales	532,760	-	532,760
Interest	-	1,599	1,599
Refunds	13,526	-	13,526
Total Receipts:	\$ 1,753,557	\$ 1,247,140	\$ 3,000,697
Total Cash Available:	\$ 2,198,692	\$ 3,212,929	\$ 3,445,832
<u>Operating Expenses:</u>			
Insurance - Land	\$ -	\$ -	\$ -
Management Fees	192,119	71,167	263,286
Bank Fees	9,053	23,946	32,998
Total Operating Expenses	\$ 201,172	\$ 95,113	\$ 296,285
<u>Claims</u>			
Allowed Ch 11 Admin Claims	\$ 342	\$ -	\$ 342
Unsecured Claims - Longview	15,086	-	15,086
Class C5 - Allowed CAOPII Preferred Interests	-	1,991,383	1,991,383
Total Claims	\$ 15,428	\$ 1,991,383	\$ 2,006,811
<u>Professional Fees</u>			
Trustee	\$ -	\$ 63,711	\$ 63,711
Legal	-	353,360	353,360
Accountants	-	156,473	156,473
Outside Experts	-	325	325
Conflict Referee	-	2,494	2,494
Total Professional Fees	\$ -	\$ 576,363	\$ 576,363
<u>Other Disbursements</u>			
Trustee Website	\$ -	\$ 850	\$ 850
Arbitration Mediation Fees	-	9,067	9,067
I/C Loans	2,559	-	2,559
Document Production	1,147	-	1,147
Fees	414	1,365	1,779
Taxes	2,109	-	2,109
US Trustee Fees	10,075	22,425	32,500
Other Disbursements	-	42,661	42,661
Total Other Disbursements	\$ 16,303	\$ 76,368	\$ 92,671
Total Disbursements:	\$ 232,903	\$ 2,739,227	\$ 2,972,130
Ending Balances:	\$ 1,965,789	\$ 473,702	\$ 473,702

Narrative

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

**POST CONFIRMATION QUARTERLY REPORT
3rd 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 July 1, 2016 through September 30, 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 OPPORTUNITY PARTNERS II, LLC
(CASE NO: 11-35241)**

**POST CONFIRMATION QUARTERLY REPORT
3rd 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 Bankruptcy 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. Prepared the 2nd Quarter Post-Confirmation Financial Reports for all Trusts.
5. Entered into settlement with Doug Childs and sought approval of settlement from the Bankruptcy Court. Trustee obtained an Order approving the settlement during the Reporting Period.
6. Reviewed, analyzed, and prepared for tax requirements of the Trusts.
7. 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.

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

**POST CONFIRMATION QUARTERLY REPORT
3rd QUARTER - 2016**

NARRATIVE

2. Entered into purchase agreement to sell Tooele water rights constituting 149.130 acre feet to Ironwood Real Estate, LLC for \$671,085. Trustee filed a motion with the Bankruptcy Court seeking approval of the transaction, responded to objections, attended hearing, and obtained an Order from the Bankruptcy Court approving the sale. The transaction closed on September 9, 2016.
3. Entered into purchase agreement to sell Tooele water rights constituting 300 acre feet to Boyer-Plumb Stansbury Properties for \$1,350,000. Trustee filed a motion with the Bankruptcy Court seeking approval of the transaction, responded to objections, attended hearing, and obtained an Order from the Bankruptcy Court approving the sale. Trustee is working with the State of Utah to change the point of diversion in order to close the transaction.
4. 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 was held and the Bankruptcy Court entered an Order denying the motions on May 26, 2016. In June 2016, Mr. Saggiani filed an appeal of the ruling and the Trustee has been responding to the appeal.
5. 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.
6. Trustee entered into a settlement with Alan Davis and Alan Davis Realty and filed a motion seeking approval from the Court. The Bankruptcy Court entered an Order approving the transactions during the Reporting Period.
7. Negotiated a settlement in principal with a California taxing entity related to refunds owed to the estate. Trustee received signed settlement agreement, filed a motion with the Bankruptcy Court seeking approval of the settlement, and obtained an Order from the Bankruptcy Court approving the transaction. Trustee is waiting on payment of the settlement.

CAOP I Trust

1. 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 was held and the Bankruptcy Court entered an Order denying the motions on May 26, 2016. In June 2016, Mr. Saggiani filed an appeal of the ruling and the Trustee has been responding to the appeal.

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

**POST CONFIRMATION QUARTERLY REPORT
3rd QUARTER - 2016**

NARRATIVE

2. 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. The Trustee continues to pursue collection of the revised settlement.
2. Continued to analyze the Conix related investments and activity and issued discovery requests which Conix has yet complied.