

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: December 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	\$ 2,545,819
2. CASH RECEIPTS DURING QUARTER FROM ALL SOURCES	16,784
3. CASH DISBURSEMENTS DURING QUARTER, INCLUDING PLAN PAYMENTS	(5,180)
4. CASH BALANCE, END OF QUARTER	<u>\$ 2,557,424</u>
5. RESERVE FUND BALANCE	\$ 3,600
6. TRUST FUND BALANCE	\$ 2,553,823

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	2,538	132,925	N/A
Other Administrative Expenses	2,642	60,392	N/A
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 5,180</u>	<u>\$ 193,317</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:	\$ -	\$ 286,384	N/A (3)
TOTAL PLAN PAYMENTS	<u>\$ 5,180</u>	<u>\$ 1,861,165</u>	<u>N/A</u>

QUARTERLY FEE PAID:	<u>Amount</u>	<u>Date</u>	<u>Check No.</u>
	\$ 650.00	10/20/2016	150

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: 3/10/17

By: 

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

POST CONFIRMATION FINANCIAL QUARTERLY REPORT

FOR QUARTER ENDED: December 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 October 1, 2016 to December 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. The Other amount includes disbursements related to settlement payments made to a former employee and DSSIII, as well as transfers to CAOP I and CAOP II for its portion of settlement proceeds received by Legacy Trust.
- (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, 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	\$	2,557,424
Current Assets		
Intercompany Receivables		(2)
Note Receivable - Valley Gardens		(3)
Prepaid Expense	25,000	(4)
Settlement Receivable - Doug Child	123,000	(5)
Tooele, UT Property	3,572,124	(6)
Star Valley, Wyo Property		(7)
Smyrna, TN Property		(8)
Kingman, AZ Property	1,000,000	(9)
CA FTB Refund	28,306	(13)
Litigation Recoveries		(14)
TOTAL ASSETS	\$	7,305,854
2. LIABILITIES		
Pre Petition Claims		
Allowed and Pending Secured Claims	\$	745,007 (10)
Allowed Priority Claims	3,600	(11)
Allowed and Pending Unsecured Claims	8,287,175	(10)
Intercompany Claims		(2)
CAOP I New Value Claim	77,182	(8)
Post Petition Claims		
Post Petition Intercompany Notes		(2)
Post Petition Legal & Professional Fees	3,683,654	(12)
CAOP II Payable (RRI Note Settlement)		(15)
TOTAL LIABILITIES	\$	12,810,618

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 6 & 10)
- (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 August 18, 2016 an order approving a settlement agreement between the Trustee and Doug Child was filed. In connection with this settlement, Mr. Child agreed to pay the Trustee \$148,000 in cash, as well as 50% of any net profits obtained from the Star Valley, Wyoming property (see Note 7). As of the date of this report, the Trustee has received \$25,000 in payments from Mr. Child. The remaining amount has been recorded as a receivable.
- (6) 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 market conditions at the creation of Trust on 07/22/13. In October 2015 and September 2016, the Trustee finalized the sale of certain Tooele water rights in the amount of \$856,701 and \$671,085 respectively. These amounts have been reduced from the Tooele property value above. As the assets and liabilities are further analyzed, additional adjustments may be required in future reports.
- (7) The real property located in Star Valley, Wyoming was transferred to Doug Child by the Trustee in connection with a settlement agreement, which was approved by the Court on August 18, 2016. The transfer was finalized and completed in October 2016. Accordingly, the value of the asset has been reduced to zero.
- (8) 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.
- (9) 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.
- (10) 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. In August 2016, an order approving the settlement agreement between the Trustee and Doug Child was filed. In connection with the settlement, Mr. Child's unsecured claim in the amount of \$597,251 was disallowed in its entirety. Consequently, this amount has been removed from the Unsecured Claim balance.
- (11) 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.
- (12) Accrued Legal & Professional Fees Detail

Pre-Effective Date	Beginning Balance				Paid in Current Quarter				Accrued in Current Quarter				Ending Balance			
Accrued Trustee Fees	\$	110,516	\$	-	\$	-	\$	-	\$	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																
Accrued Trustee Fees	\$	258,928	\$	-	\$	10,191	\$	269,120								
Accrued Accountant Fees	\$	423,577	\$	-	\$	4,903	\$	428,480								
Accrued Attorney Fees	\$	1,917,580	\$	-	\$	117,671	\$	2,035,451								
Post-Effective Date Total	\$	2,600,086	\$	-	\$	132,965	\$	2,733,052								
Total Legal and Professional Fees	\$	3,550,688	\$	-	\$	132,965	\$	3,683,654								

- (13) 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. In September 2016, an order approving a settlement with the CFTB was filed. As a result, the 2007 penalty of \$28,306 will be refunded in full with interest. Accordingly, this asset has been reduced to reflect the settlement amount.
- (14) The Legacy Trust is pursuing various litigation recoveries. At this time no value can be estimated or reported as litigation pursuits are ongoing.
- (15) 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 refinancing. 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, 2016**

SUMMARY OF CASH BALANCES, CASH RECEIPTS AND DISBURSEMENTS:

Account Name	G/L Acct	Balance as of 9/30/2016	Receipts	Disbursements	Transfers	Balance as of 12/31/2016
<i>Active Accounts:</i>						
Rabobank - Reserve Fund	10008 RB 8266	\$ 9,160.76	\$ 4.62	-	-	\$ 9,165.38
Rabobank - Trust Fund	10009 RB 8866	2,028,784.35	16,522.97	-	(16,626.50)	2,028,677.82
Rabobank - Trust Fund	10010 RB 8867	3,550.00	-	(5,179.50)	1,629.50	-
Rabobank - Litigation Recoveries	10013 RB 8870	504,323.95	256.42	-	15,000.00	519,580.37
NET RECEIPTS AND DISBURSEMENTS		\$ 2,545,819.06	\$ 16,784.01	\$ (5,179.50)	\$ -	\$ 2,557,423.57

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: 10/1/16 to 12/31/16

CASH RECEIPTS DETAIL

Account No:

Rabobank-*8266**

Date	Payer	Description	Amount
10/31/2016	Rabobank	Interest	1.55
11/30/2016	Rabobank	Interest	1.51
12/30/2016	Rabobank	Interest	1.56
Total Cash Receipts			\$ 4.62

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: 10/1/16 to 12/31/16

CASH RECEIPTS DETAIL

Account No:

Rabobank-*8866**

Date	Payer	Description	Amount
10/19/2016	Stephen Gough	Avoidance Action Settlement Payment	250.00
10/31/2016	Rabobank	Interest	344.64
11/30/2016	Rabobank	Interest	333.57
12/1/2016	Stephen Gough	Avoidance Action Settlement Payment	250.00
12/5/2016	Child & Co (Doug Child)	Settlement Payment	15,000.00
12/30/2016	Rabobank	Interest	344.76
Total Cash Receipts			\$ <u>16,522.97</u>

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*8866**

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

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

CH. 11 CASE NO: 11-35082

CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 10/1/16 to 12/31/16

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
10/20/2016	Travelers Insurance	General Liability Property Insurance	1,992.00
10/20/2016	US Trustee Payment Center	Q3 2016 Trustee Fees	650.00
11/11/2016	J Phillip Cook LLC	Professional Fees - Tooele Land Appraisal	1,062.50
11/18/2016	Jim Riley Engineering	Professional Fees - Tooele Water Rights	150.00
12/20/2016	Jim Riley Engineering	Professional Fees - Tooele Water Rights	1,325.00
12/21/2016	Travelers Insurance	Stop Payment	(1,992.00)
12/21/2016	Travelers Insurance	General Liability Property Insurance	1,992.00
Total Cash Disbursements			\$ <u>5,179.50</u>

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

CH. 11 CASE NO: 11-35082

CASH RECEIPTS AND DISBURSEMENTS STATEMENT

For Period: 10/1/16 to 12/31/16

CASH RECEIPTS DETAIL

Account No:

Rabobank-*8870**

Date	Payer	Description	Amount
10/31/2016	Rabobank	Interest	85.67
11/30/2016	Rabobank	Interest	82.91
12/30/2016	Rabobank	Interest	87.84
Total Cash Receipts			\$ <u>256.42</u>

CASH DISBURSEMENTS DETAIL

Account No:

Rabobank-*8870**

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

CASTLE ARCH CONSOLIDATED DEBTORS

Summary of Cash Receipts and Disbursements
(May 3, 2012 thru December 31, 2016)

	Pre-Effective Period 05/03/12 to 7/21/2013	Post-Effective Period 07/22/13 to 12/31/2016	TOTAL
Beginning Balance:	\$ 12,883	\$ 388,921	\$ 12,883
Receipts:			
Management Fees	\$ 433,238	\$ 144,871	\$ 578,109
Rockhill Settlement	-	305,112	305,112
Insider Litigation Settlements	-	518,834	518,834
Avoidance Action Recoveries	-	134,664	134,664
Asset Sales	62,045	2,734,261	2,796,306
I/C Settlement (CAOPII)	-	42,661	42,661
I/C Loans	5,488	-	5,488
Rill Note	-	5,000	5,000
Refunds	117,013	30,415	147,428
Interest	-	5,482	5,482
Other Receipts	3,774	-	3,774
Total Receipts:	\$ 621,557	\$ 3,921,300	\$ 4,542,858
Total Cash Available:	\$ 634,440	\$ 4,310,222	\$ 4,555,740
Operating Expenses:			
Management Fees	\$ 49,000	\$ -	\$ 49,000
Office Rent	3,490	-	3,490
Utilities	2,065	-	2,065
Payroll	68,981	-	68,981
Payroll Taxes	8,324	-	8,324
Insurance - Employee	15,471	-	15,471
Insurance - Land	10,832	20,496	31,328
Bank Fees	1,313	11,020	12,333
Reimbursement	76	-	76
Shipping	14	-	14
Total Operating Expenses	\$ 159,567	\$ 31,516	\$ 191,083
Claims			
Allowed Ch 11 Admin Claims	\$ 4,503	\$ -	\$ 4,503
Wage Claim	-	20,500	20,500
Total Claims	\$ 4,503	\$ 20,500	\$ 25,003
Professional Fees			
Trustee	\$ -	\$ 158,800	\$ 158,800
Legal	-	1,194,823	1,194,823
Accountants	-	183,099	183,099
Outside Experts	-	43,560	43,560
Conflict Referee	-	10,093	10,093
Total Other Disbursements	\$ -	\$ 1,590,375	\$ 1,590,375
Other Disbursements			
Trustee Bond	\$ 41,075	\$ -	\$ 41,075
Trustee Website	2,675	850	3,525
Arbitration / Mediation Fees	-	34,733	34,733
I/C Loans	371	-	371
Document Production	3,440	-	3,440
Fees	210	10,048	10,258
Taxes	14,971	48,525	63,496
US Trustee Fees	13,335	16,250	29,585
Other Disbursements	5,372	-	5,372
Total Other Disbursements	\$ 81,448	\$ 110,406	\$ 191,855
Total Disbursements:	\$ 245,519	\$ 1,752,798	\$ 1,998,317
Ending Balances:	\$ 388,921	\$ 2,557,424	\$ 2,557,424

Narrative

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

**POST CONFIRMATION QUARTERLY REPORT
4th 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 October 1, 2016 through December 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
4th 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 3rd Quarter Post-Confirmation Financial Reports for all Trusts.
5. Reviewed, analyzed, and prepared for tax requirements of the Trusts.
6. 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. 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 continues to work with the State of Utah to change the point of diversion in order to close the transaction.

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

**POST CONFIRMATION QUARTERLY REPORT
4th QUARTER - 2016**

NARRATIVE

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 continues to work 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.
2. Continued to analyze the Conix related investments and activity and issued discovery requests which Conix has not complied.

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

**POST CONFIRMATION QUARTERLY REPORT
4th QUARTER - 2016**

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. The Trustee reached a revised settlement with Western Showcase in February 2016 which was approved by the Bankruptcy Court in March 2016. Western Showcase defaulted on the revised settlement agreement and the Trustee executed and filed the stipulated judgment. The Trustee is pursuing collection of the stipulated judgment.
2. Continued to analyze the Conix related investments and activity and issued discovery requests which Conix has yet complied.