

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEVADA**

In re: Desert Capital REIT, Inc.

Case No. 11-16624

**CHAPTER 11  
MONTHLY OPERATING REPORT  
(GENERAL BUSINESS CASE)**

**SUMMARY OF FINANCIAL STATUS**

MONTH ENDED: Jul-11 PETITION DATE: 04/29/11

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).  
Dollars reported in \$1

	<u>End of Current Month</u>	<u>End of Prior Month</u>	<u>As of Petition Filing</u>
<b>2. Asset and Liability Structure</b>			
a. Current Assets	\$397,299	\$388,255	
b. Total Assets	\$19,100,816	\$19,091,772	\$19,100,816
c. Current Liabilities	\$37,600	\$37,600	
d. Total Liabilities	\$40,253,171	\$40,253,171	\$40,253,171
			<b>Cumulative</b>
<b>3. Statement of Cash Receipts &amp; Disbursements for Month</b>	<u>Current Month</u>	<u>Prior Month</u>	<u>(Case to Date)</u>
a. Total Receipts	\$69,537	\$149,767	\$219,304
b. Total Disbursements	\$60,492	\$48,978	\$458,578
c. Excess (Deficiency) of Receipts Over Disbursements (a - b)	\$9,045	\$100,789	(\$239,274)
d. Cash Balance Beginning of Month	\$233,284	\$132,496	\$481,604
e. Cash Balance End of Month (c + d)	\$242,329	\$233,284	\$242,329
			<b>Cumulative</b>
<b>4. Profit/(Loss) from the Statement of Operations</b>	\$9,045	\$100,789	\$9,045
<b>5. Account Receivables (Pre and Post Petition)</b>	\$154,970	\$154,970	
<b>6. Post-Petition Liabilities</b>	\$37,600	\$37,600	
<b>7. Past Due Post-Petition Account Payables (over 30 days)</b>	\$0	\$0	

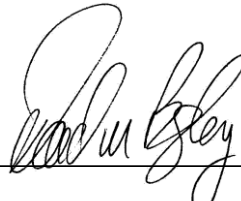
**At the end of this reporting month:**

- |  | <u>Yes</u> | <u>No</u> |
|--|------------|-----------|
| 8. Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee) | _____      | No _____  |
| 9. Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee)   | _____      | No _____  |
| 10. If the answer is yes to 8 or 9, were all such payments approved by the court?  | _____      | No _____  |
| 11. Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee)                                   | _____      | No _____  |
| 12. Is the estate insured for replacement cost of assets and for general liability?  | Yes _____  |           |
| 13. Are a plan and disclosure statement on file?   | _____      | No _____  |
| 14. Was there any post-petition borrowing during this reporting period?  | _____      | No _____  |
15. Check if paid: Post-petition taxes ; U.S. Trustee Quarterly Fees ; Check if filing is current for: Post-petition tax reporting and tax returns: .  
(Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.)

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.

Date: 8/15/2011

Responsible Individual



**STATEMENT OF OPERATIONS**  
**(General Business Case)**

For the Month Ended 07/31/11

<u>Current Month</u>				<u>Cumulative (Case to Date)</u>	<u>Next Month Forecast</u>
<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>			
	\$0	\$0	<b>Revenues:</b>		
	\$0	\$0	1 Gross Sales	\$0	\$0
\$0	\$0	\$0	2 less: Sales Returns & Allowances	\$0	\$0
\$0	\$0	\$0	3 Net Sales	\$0	\$0
\$0	\$0	\$0	4 less: Cost of Goods Sold (Schedule 'B')	\$0	\$0
\$0	\$0	\$0	5 Gross Profit	\$0	\$0
26,517.25	\$23,000	\$3,517	6 Interest	\$0	\$0
43,019.37	\$0	\$43,019	7 Other Income: Rents	\$52,948	\$23,000
-	\$0	\$0	8 LLC distributions received	\$81,875	\$0
			9 Inter company	\$32,600	\$0
\$69,537	\$23,000	\$46,537	10 <b>Total Revenues</b>	\$167,423	\$23,000
			<b>Expenses:</b>		
\$0	\$0	\$0	11 Compensation to Owner(s)/Officer(s)	\$0	\$0
\$0	\$0	\$0	12 Salaries	\$0	\$0
\$0	\$0	\$0	13 Commissions	\$0	\$0
\$0	\$0	\$0	14 Contract Labor	\$0	\$0
			Rent/Lease:		
\$0	\$0	\$0	15 Personal Property	\$0	\$0
-	\$0	\$0	16 Real Property	\$0	\$0
\$0	\$0	\$0	17 Insurance	\$0	\$0
\$0	\$0	\$0	18 Management Fees	\$0	\$0
\$0	\$0	\$0	19 Depreciation	\$0	\$0
			Taxes:		
\$0	\$0	\$0	20 Employer Payroll Taxes	\$0	\$0
\$0	\$0	\$0	21 Real Property Taxes	\$0	\$0
\$0	\$0	\$0	22 Other Taxes	\$0	\$0
\$0	\$0	\$0	23 Other Selling	\$0	\$0
55,616.88	\$29,500	(\$26,117)	24 Other Administrative	\$57,836	\$5,000
\$0	\$0	\$0	25 Interest	\$0	\$0
-	\$0	\$0	26 Other Expenses: Board expenses	\$8,844	\$0
-	\$0	\$0	27 Other	\$0	\$0
-	\$0	\$0	28 Legal	\$236,164	\$0
-	\$0	\$0	29 Accounting	\$16,378	\$0
\$0	\$0	\$0	30	\$0	\$0
\$0	\$0	\$0	31	\$0	\$0
\$0	\$0	\$0	32	\$0	\$0
\$0	\$0	\$0	33	\$0	\$0
\$0	\$0	\$0	34	\$0	\$0
\$55,617	\$29,500	(\$26,117)	35 <b>Total Expenses</b>	\$319,223	\$5,000
\$13,920	(\$6,500)	\$72,654	36 <b>Subtotal</b>	(\$151,799)	\$18,000
			<b>Reorganization Items:</b>		
\$0	\$0	\$0	37 Professional Fees	\$82,600	\$0
\$0	\$0	\$0	38 Provisions for Rejected Executory Contracts	\$0	\$0
\$0	\$0	\$0	39 Interest Earned on Accumulated Cash from Resulting Chp 11 Case	\$0	\$0
\$0	\$0	\$0	40 Gain or (Loss) from Sale of Equipment	\$0	\$0
\$4,875	\$0	(\$4,875)	41 U.S. Trustee Quarterly Fees	\$4,875	\$0
\$0	\$0	\$0	42	\$0	\$0
\$4,875	\$0	(\$4,875)	43 <b>Total Reorganization Items</b>	\$87,475	\$0
\$9,045	(\$6,500)	\$77,529	44 <b>Net Profit (Loss) Before Federal &amp; State Taxes</b>	(\$239,274)	\$18,000
\$0	\$0	\$0	45 Federal & State Income Taxes	\$0	\$0
\$9,045	(\$6,500)	\$77,529	46 <b>Net Profit (Loss)</b>	(\$239,274)	\$18,000

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

**BALANCE SHEET**  
**(General Business Case)**  
For the Month Ended 07/31/11

Assets		<u>From Schedules</u>	<u>Market Value</u>
<b>Current Assets</b>			
1	Cash and cash equivalents - unrestricted		\$242,329
2	Cash and cash equivalents - restricted		_____
3	Accounts receivable (net)	A	\$154,970
4	Inventory	B	N/A
5	Prepaid expenses		_____
6	Professional retainers		_____
7	Other: _____		_____
8	_____		_____
9	<b>Total Current Assets</b>		<b>\$397,299</b>
<b>Property and Equipment (Market Value)</b>			
10	Real property	C	\$0
11	Machinery and equipment	D	\$0
12	Furniture and fixtures	D	\$0
13	Office equipment	D	\$0
14	Leasehold improvements	D	\$0
15	Vehicles	D	\$0
16	Other: _____	D	_____
17	_____	D	_____
18	_____	D	_____
19	_____	D	_____
20	_____	D	_____
21	<b>Total Property and Equipment</b>		<b>\$0</b>
<b>Other Assets</b>			
22	Loans to shareholders		_____
23	Loans to affiliates		_____
24	Ownership interest in LLCs		\$8,203,517
25	Claims against insurance re: ongoing litigation		\$10,500,000
26	_____		_____
27	_____		_____
28	<b>Total Other Assets</b>		<b>\$18,703,517</b>
29	<b>Total Assets</b>		<b>\$19,100,816</b>

**NOTE:** Indicate the method used to estimate the market value of assets (e.g., appraisals; familiarity with comparable market prices, etc.) and the date the value was determined.

**Liabilities and Equity**  
**(General Business Case)**

<b>Liabilities From Schedules</b>			
<b>Post-Petition</b>			
<b>Current Liabilities</b>			
30	Salaries and wages		_____
31	Payroll taxes		_____
32	Real and personal property taxes		_____
33	Income taxes		_____
34	Sales taxes		_____
35	Notes payable (short term)		_____
36	Accounts payable (trade)	A	\$5,000
37	Real property lease arrearage		_____
38	Personal property lease arrearage		_____
39	Accrued professional fees		_____
40	Current portion of long-term post-petition debt (due within 12 months)		_____
41	Other: _____		_____
42	<u>Due to Desert Capital TRS for intercompany transfer</u>		\$32,600
43	_____		_____
44	<b>Total Current Liabilities</b>		<b>\$37,600</b>
45	<b>Long-Term Post-Petition Debt, Net of Current Portion</b>		_____
46	<b>Total Post-Petition Liabilities</b>		<b>\$37,600</b>
<b>Pre-Petition Liabilities (allowed amount)</b>			
47	Secured claims	F	Undetermined
48	Priority unsecured claims	F	Undetermined
49	General unsecured claims	F	\$40,215,571
50	<b>Total Pre-Petition Liabilities</b>		<b>\$40,215,571</b>
51	<b>Total Liabilities</b>		<b>\$40,253,171</b>
<b>Equity (Deficit)</b>			
52	Retained Earnings/(Deficit) at time of filing		(\$20,913,080)
53	Capital Stock		_____
54	Additional paid-in capital		_____
55	Cumulative profit/(loss) since filing of case		(\$239,274)
56	Post-petition contributions/(distributions) or (draws)		_____
57	_____		_____
58	Market value adjustment		_____
59	<b>Total Equity (Deficit)</b>		<b>(\$21,152,355)</b>
60	<b>Total Liabilities and Equity (Deficit)</b>		<b>\$19,100,816</b>

**SCHEDULES TO THE BALANCE SHEET**  
(General Business Case)

**Schedule A**

**Accounts Receivable and (Net) Payable**

<b>Receivables and Payables Agings</b>	<b>Accounts Receivable [Pre and Post Petition]</b>	<b>Accounts Payable [Post Petition]</b>	<b>Past Due Post Petition Debt</b>
0 -30 Days	\$0	\$5,000	
31-60 Days	\$0		
61-90 Days	\$0		
91+ Days	\$254,970		\$0
Total accounts receivable/payable	\$254,970	\$5,000	
Allowance for doubtful accounts	\$100,000		
Accounts receivable (net)	\$154,970		

**Schedule B**

**Inventory/Cost of Goods Sold**

<b>Types and Amount of Inventory(ies)</b>	<b>Inventory(ies) Balance at End of Month</b>	<b>Cost of Goods Sold</b>	
		<b>Inventory Beginning of Month</b>	N/A
		Add -	
Retail/Restaurants -		Net purchase	
Product for resale	N/A	Direct labor	
		Manufacturing overhead	
Distribution -		Freight in	
Products for resale		Other:	
Manufacturer -			
Raw Materials			
Work-in-progress		Less -	
Finished goods		Inventory End of Month	
		Shrinkage	
Other - Explain		Personal Use	
<b>TOTAL</b>	N/A	<b>Cost of Goods Sold</b>	N/A

**Method of Inventory Control**

Do you have a functioning perpetual inventory system?

Yes \_\_\_\_\_ No N/A

How often do you take a complete physical inventory?

Weekly N/A

Monthly \_\_\_\_\_

Quarterly \_\_\_\_\_

Semi-annually \_\_\_\_\_

Annually \_\_\_\_\_

Date of last physical inventory was N/A

Date of next physical inventory is N/A

**Inventory Valuation Methods**

Indicate by a checkmark method of inventory used.

Valuation methods -

FIFO cost N/A

LIFO cost \_\_\_\_\_

Lower of cost or market \_\_\_\_\_

Retail method \_\_\_\_\_

Other \_\_\_\_\_

Explain \_\_\_\_\_

**Schedule C  
Real Property**

Description	<u>Cost</u>	<u>Market Value</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total	\$0	\$0

**Schedule D  
Other Depreciable Assets**

Description	<u>Cost</u>	<u>Market Value</u>
Machinery & Equipment -		
_____	N/A	N/A
_____	_____	_____
_____	_____	_____
Total	\$0	\$0

Furniture & Fixtures -		
_____	N/A	N/A
_____	_____	_____
_____	_____	_____
Total	\$0	\$0

Office Equipment -		
_____	N/A	N/A
_____	_____	_____
Total	\$0	\$0

Leasehold Improvements -		
_____	N/A	N/A
_____	_____	_____
Total	\$0	\$0

Vehicles -		
_____	N/A	N/A
_____	_____	_____
Total	\$0	\$0

Ownership in LLC interests		
LLCs holding real property	\$133,346,473	\$6,552,668
LLCs holding mortgages	\$6,140,000	\$5,468,533
Ownership of Desert Capital TRS	N/A	\$3,000,000
Impairment on LLCs	N/A	(\$6,817,683)
Total	\$139,486,473	\$8,203,517

**Schedule E**  
**Aging of Post-Petition Taxes**  
(As of End of the Current Reporting Period)

<b>Taxes Payable</b>	<u><b>0-30 Days</b></u>	<u><b>31-60 Days</b></u>	<u><b>61-90 Days</b></u>	<u><b>91+ Days</b></u>	<u><b>Total</b></u>
<b>Federal</b>					
Income Tax Withholding	None - no employees				\$0
FICA - Employee					\$0
FICA - Employer					\$0
Unemployment (FUTA)					\$0
Income					\$0
Other (Attach List)					\$0
<b>Total Federal Taxes</b>	\$0	\$0	\$0	\$0	\$0
<b>State and Local</b>					
Income Tax Withholding					\$0
Unemployment (UT)					\$0
Disability Insurance (DI)					\$0
Empl. Training Tax (ETT)					\$0
Sales					\$0
Excise					\$0
Real property					\$0
Personal property					\$0
Income					\$0
Other (Attach List)					\$0
<b>Total State &amp; Local Taxes</b>	\$0	\$0	\$0	\$0	\$0
<b>Total Taxes</b>	\$0	\$0	\$0	\$0	\$0

**Schedule F**  
**Pre-Petition Liabilities**

<u><b>List Total Claims For Each Classification -</b></u>	<u><b>Claimed Amount</b></u>	<u><b>Allowed Amount (b)</b></u>
Secured claims (a)	None	Undetermined
Priority claims other than taxes	None	Undetermined
Priority tax claims	None	Undetermined
General unsecured claims	\$40,215,571	Undetermined

- (a) List total amount of claims even if under secured.
- (b) Estimated amount of claim to be allowed after compromise or litigation. As an example, you are a defendant in a lawsuit alleging damage of \$10,000,000 and a proof of claim is filed in that amount. You believe that you can settle the case for a claim of \$3,000,000. For Schedule F reporting purposes you should list \$10,000,000 as the Claimed Amount and \$3,000,000 as the Allowed Amount.

**Schedule G**  
**Rental Income Information**  
Not applicable to General Business Cases

**Schedule H**  
**Recapitulation of Funds Held at End of Month**

	<u><b>Account 1</b></u>	<u><b>Account 2</b></u>	<u><b>Account 3</b></u>	<u><b>Account 4</b></u>
Bank	Wells Fargo	Bank of America		
Account Type	Checking	Checking		
Account No.	xxxxxx8377	xxxxxx0752		
Account Purpose	General	General		
Balance, End of Month	\$ 72,879	\$ 169,450		
<b>Total Funds on Hand for all Accounts</b>	<u><u>\$242,329</u></u>			

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

**Increase/(Decrease) in Cash and Cash Equivalents**

**For the Month Ended 07/31/11**

	Actual Current Month	Cumulative (Case to Date)	Categorization Adjustments*	Adjusted Cumulative (Case to Date)
<b>Cash Receipts</b>				
1 Rent/Leases Collected	\$ 26,517	\$ 49,222	\$ 3,726	\$ 52,948
2 Cash Received from Sales	-	-	-	-
3 Interest Received	-	-	-	-
4 Borrowings	-	-	-	-
5 Funds from Shareholders, Partners, or Other Insiders	-	-	-	-
6 Capital Contributions	-	-	-	-
7 Distribution from LLC	43,019	133,755	(51,880)	81,875
8 Cash from closed Bank of Nevada account	-	3,726	(3,726)	-
9 Inter company from Desert Capital TRS Due to	-	32,600	-	32,600
10	-	-	-	-
11	-	-	-	-
12 <b>Total Cash Receipts</b>	<b>\$ 69,537</b>	<b>\$ 219,304</b>	<b>\$ (51,880)</b>	<b>\$ 167,423</b>
<b>Cash Disbursements</b>				
13 Payments for Inventory	\$ -	\$ -	-	-
14 Selling	-	-	-	-
15 Administrative	55,617	57,773	63	57,836
16 Capital Expenditures	-	-	-	-
17 Principal Payments on Debt	-	-	-	-
18 Interest Paid	-	-	-	-
Rent/Lease:				
19 Personal Property	-	-	-	-
20 Real Property	-	51,880	(51,880)	-
Amount Paid to Owner(s)/Officer(s)	-	-	-	-
21 Salaries	-	-	-	-
22 Draws	-	-	-	-
23 Commissions/Royalties	-	-	-	-
24 Expense Reimbursements	-	8,844	-	8,844
25 Other	-	63	(63)	-
26 Salaries/Commissions (less employee withholding)	-	-	-	-
27 Management Fees	-	-	-	-
Taxes:				
28 Employee Withholding	-	-	-	-
29 Employer Payroll Taxes	-	-	-	-
30 Real Property Taxes	-	-	-	-
31 Other Taxes	-	-	-	-
32 Other Cash Outflows:				
33 Legal	-	286,164	-	286,164
34 Accounting	-	16,378	-	16,378
35 Professional fees	-	32,600	-	32,600
36 US Trustee fees	4,875	4,875	-	4,875
37	-	-	-	-
38 <b>Total Cash Disbursements:</b>	<b>\$ 60,492</b>	<b>\$ 458,578</b>	<b>\$ (51,880)</b>	<b>\$ 406,698</b>
39 <b>Net Increase (Decrease) in Cash</b>	<b>9,045</b>	<b>(239,274)</b>		<b>(239,274)</b>
40 <b>Cash Balance, Beginning of Period</b>	<b>233,284</b>	<b>481,604</b>		<b>481,604</b>
41 <b>Cash Balance, End of Period</b>	<b>\$ 242,329</b>	<b>\$ 242,329</b>		<b>\$ 242,329</b>

\* Going forward expenses for LLCs will be netted against distributions from the LLCs. However all disbursements will be counted for purposes of calculating the Trustee fees.

**STATEMENT OF CASH FLOWS**  
**(Optional) Increase/(Decrease) in Cash and Cash Equivalents**  
**For the Month Ended 07/31/11**

	Actual Current Month	Cumulative (Case to Date)	Categorization Adjustments*	Adjusted Cumulative (Case to Date)
<b>Cash Flows From Operating Activities</b>				
1	-	-	-	-
2	26,517	49,222	3,726	52,948
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	55,617	57,773	63	57,836
	-	-	-	-
7	-	-	-	-
8	-	51,880	(51,880)	-
9	-	-	-	-
10	-	-	-	-
	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	8,844	-	8,844
15	-	63	(63)	-
	-	-	-	-
16	-	-	-	-
17	-	-	-	-
18	-	-	-	-
19	-	-	-	-
20	-	-	-	-
21	-	236,164	-	236,164
22	-	16,378	-	16,378
23	-	-	-	-
24	-	(3,726)	3,726	-
25	(43,019)	(133,755)	51,880	(81,875)
26	-	-	-	-
27	13,920	(184,399)	-	(184,399)
<b>Cash Flows From Reorganization Items</b>				
28	-	-	-	-
29	-	82,600	-	82,600
30	4,875	4,875	-	4,875
31	-	-	-	-
32	(4,875)	(87,475)	-	(87,475)
33	9,045	(271,874)	-	(271,874)
<b>Cash Flows From Investing Activities</b>				
34	-	-	-	-
35	-	-	-	-
36	-	-	-	-
37	-	-	-	-
<b>Cash Flows From Financing Activities</b>				
38	-	-	-	-
39	-	-	-	-
40	-	-	-	-
41	-	-	-	-
42	-	32,600	-	32,600
43	-	32,600	-	32,600
44	9,045	(239,274)	-	(239,274)
45	233,284	481,604	-	481,604
46	242,329	242,329	-	242,329

\* Going forward expenses for LLCs will be netted against distributions from the LLCs. However all disbursements will be counted for purposes of calculating the Trustee fees.

Desert Capital REIT  
10-Q values as of 3/31/2011  
LLC interests

Company/Entity	APN(s)	Description	Total Loan Amount	Desert Captial REIT Inc ownership portion of loan	Desert Captial REIT Inc ownership percentage	DCR Carrying Value per latest 10-Q
<b>LLCs holding mortgage notes</b>						
Sedora Holdings LLC	310-17-004, 313-01-005 & 008, 313-02-008	7,734 AC raw land in Golden Valley, AZ	4,640,000	4,640,000	100%	4,211,494
Westward Crossing, LLC	209-12-053, 217-18-001 & 005	230 AC raw land in Kingman, AZ	1,500,000	1,500,000	100%	1,257,039
<b>Provision for loan losses</b>			<b>6,140,000</b>			<b>5,468,533</b>
<b>LLCs holding real property</b>						
CM Almeda (TBD CM Reed Almeda 1-3062, LLC)	Section 51, Abstract #885	16.06 AC remediation site in Houston, TX	3,770,000	3,770,000	100%	699,611
Eaglesgate LLC - 1st & 2nd (2nd w/off) (CM Eaglesgate 2-243. LLC)	See "Eaglesgate Detail" tab	52 Single Family finished lots in Springfield, MO	2,940,632	2,940,632	100%	1,193,000
Windermere (CM Windermere 1-256, LLC)	No APN. A. Gillum has loan docs	946 AC raw land near Roach, MO; Lake of the Ozarks	4,455,000	4,455,000	100%	1,425,000
<b>Impairment of REO</b>			<b>11,165,632</b>			<b>3,317,611</b>
Hayden Maggie, LLC (Lot 1) Park Ranch (PCD)	125-09-510-001	utilities stubbed; 9017 Grizzly, Las Vegas, NV	544,493	544,493	100%	21,645
Hayden Maggie LLC (3246 Lot 16) Homes Park Ranch (PCD)	125-09-510-016	55% complete; 9120 Grizzly; Las Vegas, NV	1,035,265	824,665	80%	82,844
noncontrolling interest				210,600	20%	21,156
Hayden Maggie (3247 Lot 17) Homes Park Ranch (PCD)	125-09-510-017	45% complete; 9040 Grizzly; Las Vegas, NV	840,000	626,700	75%	60,730
noncontrolling interest				213,300	25%	20,670
Hayden Maggie (3248 Lot 18) Homes Park Ranch (PCD)	125-09-510-018	70% complete; 9030 Grizzly; Las Vegas, NV	945,000	882,000	93%	91,280
noncontrolling interest				63,000	7%	6,520
Hayden Maggie (3249 Lot 19) Homes Park Ranch (PCD)	125-09-510-019	85% complete; 9010 Grizzly; Las Vegas, NV	805,000	695,900	86%	74,690
noncontrolling interest				109,100	14%	11,710
Macfarland West Inc. Hual Trop, LLC (JSR)	059-17-501-(007,008,018,019,020,021)	14.33 AC in Indian Springs, NV; an AT&T tower sits on property; current offer to buy tower/land	4,771,000	4,771,000	100%	230,000
CM Equity, LLC	126-25-601-048	5.0 AC at Tropical/Hualapai; raw land in Las Vegas, NV	1,960,000	1,960,000	100%	298,000
Mountain Hills, LLC	176-32-101-010	5 AC zoned R-E in Mountain's Edge in Las Vegas, NV	1,650,000	1,650,000	100%	282,000
Desert Hills Properties, LLC						
JV Properties	176-19-701-011	2.5 AC near Mountain's Edge; raw land in Las Vegas, NV	1,312,500	1,312,500	100%	162,500
PV land Investments LLC	47-041-015, 016 & 017	34.7 AC raw land in Gateway Communit with water rights in Pahrump, NV	3,965,000	2,553,500	64%	206,729
noncontrolling interest				1,411,500	36%	114,628
CM Midbar 2 LLC		*3.02 AC raw land on strip in Las Vegas, NV; zoned H-1; Strip/Blue Diamond;				
(CM Midbar 1-3078, LLC), (CM Midbar 1-458, LLC)	177-17-501-012; 177-17-501-(011, 012, 013);	*10.76 AC zoned H-1	5,691,900	4,350,700	76%	616,340
noncontrolling interest		*3.72 AC zoned H-1; Strip/Blue Diamond		1,341,200	24%	190,000
<b>Total Consolidated Investments</b>			<b>23,520,158</b>			<b>2,301,442</b>
		(Lot 7) 7730 Cinnamon Bear Ave, (Lot 8) 7720 Cinnamon Bear Ave, (Lot 9) 9120 Panda Bear Street, (Lot 10) 9030 Panda Bear Street, (Lot 11) 7702 Maggie Avenue, (Lot 12) 9017 Panda Bear Street, (Lot 13) 9027 Panda Bear Street, (Lot 14) 9037 Panda Bear Street, (Lot 15)				
Hayden Maggie I, LLC (lots)	125-09-510-007 (through 015)	9121 Panda Bear Street; Las Vegas, NV	2,340,000	170,600	7%	-

Desert Capital REIT  
10-Q values as of 3/31/2011  
LLC interests

Company/Entity	APN(s)	Description	Total Loan Amount	Desert Capital REIT Inc ownership portion of loan	Desert Capital REIT Inc ownership percentage	DCR Carrying Value per latest 10-Q
Corinthian Hills (Hayden Hills, LLC)	178-22-801-009	*9.10 AC zoned RS-2; MacDonald Ranch; raw land in Henderson, NV	345,000	41,600	12%	-
Corinthian Hills (Hayden Hills, LLC)	"	"	345,000	35,100	10%	-
Corinthian Hills (Hayden Hills, LLC)	"	"	345,000	61,000	18%	-
Corinthian Hills (Hayden Hills, LLC)	"	"	345,000	42,800	12%	-
Corinthian Hills (Hayden Hills, LLC)	"	"	345,000	9,300	3%	-
Corinthian Hills (Hayden Hills, LLC)	"	"	345,000	140,000	41%	-
Corinthian Hills (Hayden Hills, LLC)	"	"	345,000	200,000	58%	-
Corinthian Hills (Hayden Hills, LLC)	"	"	345,000	87,000	25%	-
Corinthian Hills (Hayden Hills, LLC)	"	"	345,000	137,500	40%	-
Corinthian Hills (Hayden Hills, LLC)	"	"	345,000	5,000	1%	-
Corinthian Hills (Hayden Hills, LLC)	"	"	345,000	163,000	47%	-
Corinthian Hills (Hayden Hills, LLC)	"	"	345,000	25,000	7%	-
JMH (Hayden Estates)	001-05-501-009	67 lots; tentative map; rough graded; Parcel 23 in Mesquite	8,485,800	383,000	5%	-
JMH (Hayden Estates)	001-05-110-001 to 093 & 001-05-511-001 to 005 & 001-05-501-007 to 008	94 finished lots; Parcel 9 in Mesquite	10,900,000	1,227,800	11%	-
Lure 1 LLC	213-13-100	640 AC raw land in Laughlin, AZ	17,250,000	2,137,400	12%	52,950
Block 39 LLC (CM Procyon 614) - super C	162-17-202-005 & 007	3.43 AC with 2 commercial buildings in Las Vegas, NV	6,305,000	656,300	10%	84,443
Ridgeview Professional Complex (Hayden View, LLC) <sup>1</sup>	178-22-614-002	20,000 SF commercial building, not leased in Henderson, NV; on 1.33 AC; complete shell; 1090 W. Horizon Ridge	4,225,000	550,000	13%	22,092
Lake Elsinore	363-080-002, 003, 012 to 015	94.79 AC raw land in Lake Elsinore, CA	7,900,000	3,773,500	48%	-
Midbar Condo Development 2 LLC (CM Midbar 1-459, LLC)	177-17-501-013	4.02 AC zoned H-1; Strip/Blue Diamond	12,060,000	1,448,300	12%	-
Med Suites D	178-21-421-(001 to 006)	36,000 SF; 1671 W Horizon Ridge Parkway	6,272,500	20,000	0.32%	-
Hayden Ranch (Ham)	178-28-515-010	10,723 SF completed SFR in Henderson, NV	3,500,000	975,000	28%	-
Tropical JV (La Tropical 1, LLC), (La Tropical, LLC)	124-27-215-004, (-001, -019, -017, -015, -014, -009, -005, -003, -018, -016, -021, -016, -013, -021, -003)	17 (I only have APNs for 16) SF lots with homes being constructed upon them in Las Vegas, NV	1,649,221	970,130	59%	720,130
Hayden Springs, LLC JV - partial sale Centennial Springs Village	No APN	There are no assets held by Hayden Springs Partners. They have all been sold off and we are awaiting release of bond monies to do a final distribution	13,633,162	3,271,978	24%	54,000
			<b>98,660,683</b>			<b>933,615</b>
			<b>139,486,473</b>			<b>12,021,200</b>
		LLCs holding mortgage notes	6,140,000			5,468,533
		LLCs holding real property	133,346,473			6,552,668
			139,486,473			12,021,200
		Impairment for schedules				(6,817,683)
		Net impaired value				5,203,517

# Desert Capital REIT

## Cash transactions

Date	Check number	Amount	To/From	Purpose
30-Jun	Balance	233,284.29		
7-Jul	Deposit	79,427.95	CM Midbar LLC	LLC distribution
15-Jul	Wire	(2,500.00)	Shaun Mikhail	Contract employee
15-Jul	Wire	(25,000.00)	Stacy Riffe	Contract employee
15-Jul	Wire	(30.00)	Bank of America	Bank charges
15-Jul	Wire reversal	25,000.00	Stacy Riffe	Contract employee
15-Jul	Debit	(28.18)	Bank of America	Bank charges
18-Jul	Wire	(17,221.50)	Camden County	LLC expense funding
19-Jul	Deposit	10,000.00	3MO LLC	Rents
19-Jul	Deposit	799.28	Warthen Family	Rents
19-Jul	Deposit	15,717.97	Residential Capital	Rents
19-Jul	Wire	(50,000.00)	Stacy Riffe	Contract employee
25-Jul	Transfer	(100,000.00)	Wells Fargo	Bank transfer
25-Jul	Transfer	100,000.00	Bank of America	Bank transfer
28-Jul	Wells	(4,875.00)	US Trustee	Trustee fees
28-Jul	Wells	(2,500.00)	Shaun Mikhail	Contract employee
28-Jul	Wells	(12,685.75)	NV Energy	LLC expense funding
28-Jul	Wells	(3,100.00)	ISS Facility Services	LLC expense funding
28-Jul	Wells	(468.00)	Lori Uyeda	Contract employee
28-Jul	Wells	(90.70)	Puliz Records MGT LV	Records storage
28-Jul	Wells	(2,558.03)	Republic Services	LLC expense funding
28-Jul	Wells	(843.30)	Otis Elevator Company	LLC expense funding
31-Jul	Balance	242,329.03		

Income	\$ 105,945.20
Expenses	<u>(96,900.46)</u>
	9,044.74

Bank balances	
Bank of America	169,449.81
Wells Fargo	<u>72,879.22</u>
	242,329.03

Desert Capital REIT  
Cumulative cash transactions

Date	Check number	Amount	To/From	Purpose
1-May	Balance	481,603.50		
13-May	1008	(4,274.90)	James George	Board expenses
6-May	1009	(4,346.30)	Tom Gustafson	Board expenses
6-May	1011	(1,500.00)	Desert Capital TRS	LLC expense funding
9-May	1012	(2,144.75)	The Reporter Group	Legal
20-May	1013	(1,816.52)	ACS Securities Services	Administrative
31-May	1014	(137.82)	James George	Board expenses
31-May	1015	(84.66)	Tom Gustafson	Board expenses
23-May	1016	(340.00)	RR Donnelley Financial	Administrative
23-May	1017	(62.91)	Worldwide Express	Office
19-May	1018	(50,380.46)	Desert Capital TRS	LLC expense funding
26-May	1019	(233,219.44)	Locke Lord Bissell	Legal
31-May	1021	(800.10)	Litigation Services	Legal
26-May	Wire	(50,000.00)	Gordon Silver	Legal
31-May	Balance	132,495.64		
1-Jun	1020	(16,378.43)	Hancock, Askew	Accounting
9-Jun	Transfer	32,600.00	Desert Capital TRS	Inter company loan
9-Jun	Wire	(32,600.00)	MorrisAnderson	Professional fees
30-Jun	Deposit	10,000.00	3MO LLC	Rents
30-Jun	Deposit	15,717.97	Residential Capital	Rents
30-Jun	Deposit	713.00	Warthen Family	Rents
30-Jun	Transfer	90,736.11	Bank of Nevada	Closed account transfers
30-Jun	Balance	233,284.29		
7-Jul	Deposit	79,427.95	CM Midbar LLC	LLC distribution
15-Jul	Wire	(2,500.00)	Shaun Mikhail	Contract employee
15-Jul	Wire	(25,000.00)	Stacy Riffe	Contract employee
15-Jul	Wire	(30.00)	Bank of America	Bank charges
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19-Jul	Deposit	15,717.97	Residential Capital	Rents
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28-Jul	Wells	(468.00)	Lori Uyeda	Contract employee
28-Jul	Wells	(90.70)	Puliz Records MGT LV	Records storage
28-Jul	Wells	(2,558.03)	Republic Services	LLC expense funding
28-Jul	Wells	(843.30)	Otis Elevator Company	LLC expense funding
31-Jul	Balance	242,329.03		

## QUARTERLY FEE SUMMARY

CASE NAME: Desert Capital REIT, Inc.

CASE NUMBER: 11-16624

MONTH OF: Jul-11

Payment Date	Cash Disbursements	Quarterly Fee Due	Check No.	Date
Apr-11	\$ -			
May-11	349,108			
Jun-11	48,978			
<b>Total Quarter</b>	<b>398,086</b>	<b>\$ 4,875</b>		
Jul-11	\$ 96,900			
Aug-11	-			
Sep-11	-			
<b>Total Quarter</b>	<b>96,900</b>			
Oct-11	\$ -			
Nov-11	-			
Dec-11	-			
<b>Total Quarter</b>	<b>-</b>	<b>\$</b>		
Jan-12	\$			
Feb-12	\$			
Mar-12	\$			
<b>Total Quarter</b>	<b>\$</b>	<b>\$</b>		

### Fee Schedule

<u>Disbursement Range</u>	<u>Quarterly Fee</u>
\$0 to \$14,999.99	\$325
\$15,000 to \$74,999.99	\$650
\$75,000 to \$149,999.99	\$975
\$150,000 to \$224,999.99	\$1,625
\$225,000 to \$299,999.99	\$1,950
\$300,000 to \$999,999.99	\$4,875
\$1,000,000 to \$1,999,999.99	\$6,500
\$2,000,000 to \$2,999,999.99	\$9,750
\$3,000,000 to \$4,999,999.99	\$10,400
\$5,000,000 to \$14,999,999.99	\$13,000
\$15,000,000 to \$29,999,999.99	\$20,000
\$30,000,000 or more	\$30,000