

Monthly Operating Report

<b>CASE NAME:</b>	Capital Salvage, Inc.
<b>CASE NUMBER:</b>	11-35869-sgj-11
<b>JUDGE:</b>	Houser

ACCRUAL BASIS

**UNITED STATES BANKRUPTCY COURT**

**NORTHERN  
DISTRICT OF  
TEXAS**

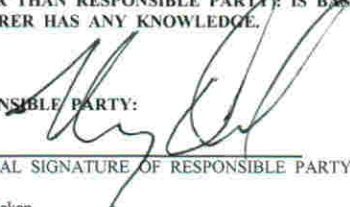
**DIVISION 6**

MONTHLY OPERATING REPORT

**MONTH ENDING: April 30, 2012**

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT (ACCRUAL BASIS-1 THROUGH ACCRUAL BASIS-7) AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE. DECLARATION OF THE PREPARER (OTHER THAN RESPONSIBLE PARTY) IS BASED ON ALL INFORMATION OF WHICH PREPARER HAS ANY KNOWLEDGE.

RESPONSIBLE PARTY:



ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

Farley Dakan  
PRINTED NAME OF RESPONSIBLE PARTY

Managing Director Mackinac Partners  
TITLE

5/17/12  
DATE

PREPARER:

ORIGINAL SIGNATURE OF PREPARER

Kathleen Haley  
PRINTED NAME OF PREPARER

TITLE

DATE

Monthly Operating Report

CASE NAME: Capital Salvage, Inc.
CASE NUMBER: 11-35869-sgj-11
JUDGE: Houser

ACCRUAL BASIS

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF TEXAS

DIVISION 6

MONTHLY OPERATING REPORT

MONTH ENDING: April 30, 2012

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Managing Director Mackinac Partners  
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Kathleen Haley  
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ACCRUAL BASIS

**UNITED STATES BANKRUPTCY COURT**

**NORTHERN  
DISTRICT OF  
TEXAS**

**DIVISION 6**

MONTHLY OPERATING REPORT

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Managing Director Mackinac Partners  
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TITLE

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DATE

**PREPARER:**

\_\_\_\_\_  
ORIGINAL SIGNATURE OF PREPARER

Kathleen Haley  
\_\_\_\_\_  
PRINTED NAME OF PREPARER

\_\_\_\_\_  
TITLE

\_\_\_\_\_  
DATE

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<b>CASE NAME:</b>	Capital Salvage, Inc
<b>CASE NUMBER:</b>	11-35869-sgj-11

ACCRUAL BASIS-1

COMPARATIVE BALANCE SHEET

ASSETS	SCHEDULE AMOUNT	3/31/12	4/30/12	5/31/12
1. UNRESTRICTED CASH	\$2,713	\$0	\$0	\$0
2. RESTRICTED CASH				
3. TOTAL CASH	\$2,713	\$0	\$0	\$0
4. ACCOUNTS RECEIVABLE (NET) **	\$99,358	\$94,628	\$93,941	
5. INVENTORY				
6. NOTES RECEIVABLE				
7. PREPAID EXPENSES		20,000	20,000	
8. OTHER (ATTACH LIST)				
9. TOTAL CURRENT ASSETS	\$102,071	\$114,628	\$113,941	\$0
10. PROPERTY, PLANT & EQUIPMENT	\$81,391,447	\$65,542,499	\$65,542,499	
11. LESS: ACCUMULATED DEPRECIATION / DEPLETION				
12. NET PROPERTY, PLANT & EQUIPMENT	\$81,391,447	\$65,542,499	\$65,542,499	\$0
13. DUE FROM INSIDERS				
14. OTHER ASSETS - NET OF AMORTIZATION (ATTACH LIST)				
15. OTHER (ATTACH LIST)				
16. TOTAL ASSETS	\$81,493,518	\$65,657,126	\$65,656,439	\$0
<b>POSTPETITION LIABILITIES</b>				
17. ACCOUNTS PAYABLE				
18. TAXES PAYABLE		\$260,493	\$435,493	
19. NOTES PAYABLE				
20. PROFESSIONAL FEES				
21. SECURED DEBT				
22. OTHER (ATTACH LIST)		\$376,998	\$420,007	\$0
23. TOTAL POSTPETITION LIABILITIES		\$637,491	\$855,500	\$0
<b>PREPETITION LIABILITIES</b>				
24. SECURED DEBT	\$111,369,164	\$95,520,027	\$95,520,027	
25. PRIORITY DEBT				
26. UNSECURED DEBT				
27. OTHER (ATTACH LIST)	\$328,753	\$300,037	\$300,037	\$0
28. TOTAL PREPETITION LIABILITIES	\$111,697,917	\$95,820,065	\$95,820,065	\$0
29. TOTAL LIABILITIES	\$111,697,917	\$96,457,556	\$96,675,565	\$0
<b>EQUITY</b>				
30. PREPETITION OWNERS' EQUITY	(\$30,204,399)	(\$30,204,399)	(\$30,204,399)	(\$30,204,399)
31. POSTPETITION CUMULATIVE PROFIT OR (LOSS)		(\$596,030)	(\$814,727)	(\$814,727)
32. DIRECT CHARGES TO EQUITY (ATTACH EXPLANATION)				
33. TOTAL EQUITY	(\$30,204,399)	(\$30,800,429)	(\$31,019,126)	(\$31,019,126)
34. TOTAL LIABILITIES & OWNERS' EQUITY	\$81,493,518	\$65,657,126	\$65,656,439	(\$31,019,126)

\* As of September 30, 2010, management has not adjusted or analyzed the allowance for loan losses or real estate held for sale. The absence of any adjustment is not consistent with accounting standards generally accepted in the United States of America.

\*\* Accounts receivable represents the performing seller financed sale of an REO property after foreclosure (Chee note)

**Monthly Operating Report**

<b>CASE NAME:</b>	Capital Salvage, Inc
<b>CASE NUMBER:</b>	

ACCRUAL BASIS-1A

MONTH: 4/30/2012

**COMPARATIVE BALANCE SHEET Supplemental Information**

<b>OTHER Prepetitioned Liabilities</b>	<b>3/31/2012</b>	<b>4/30/2012</b>	<b>5/31/2012</b>
Due to RE Loans	\$113,299	\$113,299	
Due to B-4 Partners	\$171,927	\$171,927	
Due to Bar-K	\$14,812	\$14,812	
<b>TOTAL</b>	<b>\$300,037</b>	<b>\$300,037</b>	<b>\$0</b>

<b>OTHER Postpetitioned Liabilities</b>	<b>3/31/2012</b>	<b>4/30/2012</b>	<b>5/31/2012</b>
Due to RE Loans	376,998.28	420,007.48	
<b>TOTAL</b>	<b>\$376,998</b>	<b>\$420,007</b>	<b>\$0</b>

**Monthly Operating Report**

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ACCRUAL BASIS-2

**INCOME STATEMENT**

	3/31/2012	4/30/2012	5/31/2012	MONTH
<b>REVENUES</b>				
1. GROSS REVENUES	\$397	\$394		
2. LESS: RETURNS & DISCOUNTS				
3. NET REVENUE	\$397	\$394	\$0	\$0
<b>COST OF GOODS SOLD</b>				
4. MATERIAL				
5. DIRECT LABOR				
6. DIRECT OVERHEAD				
7. TOTAL COST OF GOODS SOLD	\$0	\$0	\$0	\$0
8. GROSS PROFIT	\$397	\$394	\$0	\$0
<b>OPERATING EXPENSES</b>				
9. OFFICER / INSIDER COMPENSATION				
10. SELLING & MARKETING				
11. GENERAL & ADMINISTRATIVE	44,946	216,666		
12. RENT & LEASE				
13. OTHER (ATTACH LIST)				
14. TOTAL OPERATING EXPENSES	\$44,946	\$216,666	\$0	\$0
15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE	(\$44,549)	(\$216,271)	\$0	\$0
<b>OTHER INCOME &amp; EXPENSES</b>				
16. NON-OPERATING INCOME (ATT. LIST) *				
17. NON-OPERATING EXPENSE (ATT. LIST)				
18. INTEREST EXPENSE				
19. DEPRECIATION / DEPLETION				
20. AMORTIZATION				
21. OTHER (ATTACH LIST)				
22. NET OTHER INCOME & EXPENSES	\$0	\$0	\$0	\$0
<b>REORGANIZATION EXPENSES</b>				
23. PROFESSIONAL FEES				
24. U.S. TRUSTEE FEES		\$1,625		
25. OTHER (ATTACH LIST)				
26. TOTAL REORGANIZATION EXPENSES	\$0	\$1,625	\$0	\$0
27. INCOME TAX		\$800		
28. NET PROFIT (LOSS)	(\$44,549)	(\$218,696)	\$0	\$0

**Monthly Operating Report**

<b>CASE NAME:</b>	Capital Salvage, Inc
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**ACCRUAL BASIS-3**

CASH RECEIPTS AND DISBURSEMENTS	3/31/12	4/30/12	5/31/12	QUARTER TOTAL
	1. CASH - BEGINNING OF MONTH	\$0	\$0	\$0
<b>RECEIPTS FROM OPERATIONS</b>				
2. CASH SALES	\$397	\$394		\$791
<b>COLLECTION OF ACCOUNTS RECEIVABLE</b>				
3. PREPETITION	\$684	\$687		\$1,371
4. POSTPETITION				\$0
5. TOTAL OPERATING RECEIPTS	\$1,081	\$1,081	\$0	\$2,163
<b>NON - OPERATING RECEIPTS</b>				
6. LOANS & ADVANCES (ATTACH LIST)	\$52,428	\$44,091	\$0	\$96,518
7. SALE OF ASSETS	\$731,175	\$0	\$0	\$731,175
8. OTHER (ATTACH LIST)	-	-	-	\$0
9. TOTAL NON-OPERATING RECEIPTS	\$783,603	\$44,091	\$0	\$827,693
10. TOTAL RECEIPTS	\$784,684	\$45,172	\$0	\$829,856
11. TOTAL CASH AVAILABLE	\$784,684	\$45,172	\$0	\$829,856
<b>OPERATING DISBURSEMENTS</b>				
12. NET PAYROLL				\$0
13. PAYROLL TAXES PAID				\$0
14. SALES, USE & OTHER TAXES PAID				\$0
15. SECURED / RENTAL / LEASES				\$0
16. UTILITIES	3,805	3,901		7,706
17. INSURANCE	17,823	7,610		25,433
18. INVENTORY PURCHASES				\$0
19. VEHICLE EXPENSES				\$0
20. TRAVEL				\$0
21. ENTERTAINMENT				\$0
22. REPAIRS & MAINTENANCE				\$0
23. SUPPLIES				\$0
24. ADVERTISING				\$0
25. OTHER (ATTACH LIST)	763,056	32,036	-	795,092
26. TOTAL OPERATING DISBURSEMENTS	\$784,684	\$43,547	\$0	\$828,231
<b>REORGANIZATION EXPENSES</b>				
27. PROFESSIONAL FEES				\$0
28. U.S. TRUSTEE FEES		1,625.00		\$1,625
29. OTHER (ATTACH LIST)				\$0
30. TOTAL REORGANIZATION EXPENSES	\$0	\$1,625	\$0	\$1,625
31. TOTAL DISBURSEMENTS	\$784,684	\$45,172	\$0	\$829,856
32. NET CASH FLOW	\$0	\$0	\$0	\$0
33. CASH - END OF MONTH	\$0	\$0	\$0	\$0

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ACCRUAL BASIS-3A

MONTH: 4/30/2012

<b>Loan receipts</b>	<b>3/31/12</b>	<b>4/30/12</b>	<b>5/31/12</b>
RE Loans advances for operating expenses	52,428	44,091	
<b>TOTAL</b>	52,428	44,091	-
<b>Other receipts</b>	<b>3/31/12</b>	<b>4/30/12</b>	<b>5/31/12</b>
		-	-
<b>TOTAL</b>	-	-	-
<b>OPERATING DISBURSEMENTS OTHER</b>			
SECURITY	13,908	13,908	
PREPAID EXPENSES	-		
PROPERTY MANAGEMENT	10,500	10,500	
GENERAL MAINTENANCE	5,000	5,000	
RE Loans advance for operating expenses	1,081	1,081	
Payment to RE Loans on debt on Pecos Creek	731,175		
Payment on Bravo Marshall	-		
Legal	270	746	
Taxes	1,122	800	
<b>TOTAL</b>	763,056	32,036	-



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ACCRUAL BASIS-4

ACCOUNTS RECEIVABLE AGING	SCHEDULE AMOUNT	MONTH	MONTH	MONTH
1. 0-30				
2. 31-60				
3. 61-90				
4. 91+				
5. TOTAL ACCOUNTS RECEIVABLE	\$0	\$0	\$0	\$0
6. AMOUNT CONSIDERED UNCOLLECTIBLE				
7. ACCOUNTS RECEIVABLE (NET)	\$0	\$0	\$0	\$0

AGING OF POSTPETITION TAXES AND PAYABLES					MONTH:	4/30/2012
TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL	
1. FEDERAL						
2. STATE	\$0				\$0	
3. LOCAL						
4. OTHER (ATTACH LIST) - Prope	175,000	20,000		240,493	435,493	
5. TOTAL TAXES PAYABLE	\$175,000	\$20,000	\$0	\$240,493	\$435,493	
6. ACCOUNTS PAYABLE	\$0	\$0	\$0	\$0	\$0	

STATUS OF POSTPETITION TAXES					MONTH:	4/30/2012
	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY		
<b>FEDERAL</b>						
1. WITHHOLDING**						
2. FICA-EMPLOYEE**						
3. FICA-EMPLOYER**						
4. UNEMPLOYMENT						
5. INCOME						
6. OTHER (ATTACH LIST)						
7. TOTAL FEDERAL TAXES	\$0	\$0	\$0	\$0	\$0	
<b>STATE AND LOCAL</b>						
8. WITHHOLDING						
9. SALES						
10. EXCISE						
11. UNEMPLOYMENT						
12. REAL PROPERTY	260,493	175,000		435,493		
13. PERSONAL PROPERTY						
14. OTHER - Franchise tax	\$0			\$0		
15. TOTAL STATE & LOCAL	\$260,493	\$175,000	\$0	\$435,493		
16. TOTAL TAXES	\$260,493	\$175,000	\$0	\$435,493		

\* The beginning tax liability should represent the liability from the prior month or, if this is the first operating report, the amount should be zero.

\*\* Attach photocopies of IRS Form 6123 or your FTD coupon and payment receipt to verify payment or deposit.

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**ACCRUAL BASIS-5**

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

**MONTH:** 30-Apr-12

<b>BANK RECONCILIATIONS</b>	Account #1	Account #2	Account #3	
<b>A. BANK:</b>				<b>TOTAL</b>
<b>B. ACCOUNT NUMBER:</b>				
<b>C. PURPOSE (TYPE):</b>				
1. BALANCE PER BANK STATEMENT				
2. ADD: TOTAL DEPOSITS NOT CREDITED				
3. SUBTRACT: OUTSTANDING CHECKS				
4. OTHER RECONCILING ITEMS				
5. MONTH END BALANCE PER BOOKS		\$0	\$0	\$0
6. NUMBER OF LAST CHECK WRITTEN				

<b>INVESTMENT ACCOUNTS</b>	DATE OF PURCHASE	TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
7.				
8.				
9.				
10.				
11. TOTAL INVESTMENTS			\$0	\$0

<b>CASH</b>	
12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	\$0

**Monthly Operating Report**

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ACCRUAL BASIS-6

MONTH: 4/30/2012

**PAYMENTS TO INSIDERS AND PROFESSIONALS**

OF THE TOTAL DISBURSEMENTS SHOWN FOR THE MONTH, LIST THE AMOUNT PAID TO INSIDERS (AS DEFINED IN SECTION 101 (31) (A)-(F) OF THE U.S. BANKRUPTCY CODE) AND TO PROFESSIONALS. ALSO, FOR PAYMENTS TO INSIDERS, IDENTIFY THE TYPE OF COMPENSATION PAID (e.g. SALARY, BONUS, COMMISSIONS, INSURANCE, HOUSING ALLOWANCE, TRAVEL, CAR ALLOWANCE, ETC.). ATTACH ADDITIONAL SHEETS IF NECESSARY.

INSIDERS			
NAME	TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID TO DATE
1. RE Loans, LLC	loan payment applied to operating expenses advanced	\$1,081	\$77,570
2. RE Loans, LLC	loan payments applied to note payable balance		\$5,808,953
3. RE Loans, LLC	prepetition account closing applied to credit line		\$3,192
4. RE Loans, LLC	Tax reimbursement applied to note payable balance		\$59,905
5.			
6. TOTAL PAYMENTS TO INSIDERS		\$1,081	\$5,949,619

PROFESSIONALS					
NAME	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID *
1.					\$0
2.					
3.					
4.					
5.					
6. TOTAL PAYMENTS TO PROFESSIONALS		\$0	\$0	\$0	\$0

\* INCLUDE ALL FEES INCURRED, BOTH APPROVED AND UNAPPROVED

**POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS**

NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENTS DUE	AMOUNTS PAID DURING MONTH	TOTAL UNPAID POSTPETITION
1. RE Loans, LLC - All American Bottle Water			\$23,725,459
2. RE Loans, LLC - Zohouri			\$25,673,158
3. RE Loans, LLC - Bravo Marshall			\$17,841,438
4. RE Loans, LLC - Otay Ranch			\$20,257,863
5. RE Loans, LLC - Perdido Village			\$6,214,926
6.			
7. TOTAL	\$0	\$0	\$93,712,845

**Monthly Operating Report**

<b>CASE NAME:</b>	Capital Salvage, LLC
<b>CASE NUMBER:</b>	11-35869-sgj-11

ACCRUAL BASIS-7

MONTH: 4/30/2012

**QUESTIONNAIRE**

	YES	NO
1. HAVE ANY ASSETS BEEN SOLD OR TRANSFERRED OUTSIDE THE NORMAL COURSE OF BUSINESS THIS REPORTING PERIOD?		X
2. HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT?		X
3. ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES?		X
4. HAVE ANY PAYMENTS BEEN MADE ON PREPETITION LIABILITIES THIS REPORTING PERIOD?	X	
5. HAVE ANY POSTPETITION LOANS BEEN RECEIVED BY THE DEBTOR FROM ANY PARTY?	X	
6. ARE ANY POSTPETITION PAYROLL TAXES PAST DUE?		X
7. ARE ANY POSTPETITION STATE OR FEDERAL INCOME TAXES PAST DUE?		X
8. ARE ANY POSTPETITION REAL ESTATE TAXES PAST DUE?	X	
9. ARE ANY OTHER POSTPETITION TAXES PAST DUE?		X
10. ARE ANY AMOUNTS OWED TO POSTPETITION CREDITORS DELINQUENT?		X
11. HAVE ANY PREPETITION TAXES BEEN PAID DURING THE REPORTING PERIOD?		X
12. ARE ANY WAGE PAYMENTS PAST DUE?		X

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "YES," PROVIDE A DETAILED EXPLANATION OF EACH ITEM. ATTACH ADDITIONAL SHEETS IF NECESSARY.

- #4 - Payments came in on Pecos Creek and Chee that reduced the amount of the note payable by the respective payments during March and April.
- #5 - RE Loans advanced funds for operating expenses.
- #8 - Capital Salvage has had real property taxes come due at various times since the filing date

**INSURANCE**

	YES	NO
1. ARE WORKER'S COMPENSATION, GENERAL LIABILITY AND OTHER NECESSARY INSURANCE COVERAGES IN EFFECT?	X	
2. ARE ALL PREMIUM PAYMENTS PAID CURRENT?		
3. PLEASE ITEMIZE POLICIES BELOW.		

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "NO," OR IF ANY POLICIES HAVE BEEN CANCELLED OR NOT RENEWED DURING THIS REPORTING PERIOD, PROVIDE AN EXPLANATION BELOW. ATTACH ADDITIONAL SHEETS IF NECESSARY.

INSTALLMENT PAYMENTS			
TYPE OF POLICY	CARRIER	PERIOD COVERED	PAYMENT AMOUNT & FREQUENCY
Commercial General Liability**	Century Surety Co	6/12/11-6/12/12	\$ 4,866.51 Monthly
Property - All American	National Fire & Marine Insurance	8/18/11-8/18/12	\$ 7,610.02 Monthly
Liability - All American	United Specialty Insurance Co	8/18/11-8/18/12	Included in payment of property
Property - Pecos Creek	American Modern Insurance Co	3/20/12-6/20/12	\$ 10,213.00 Quarterly

\*\* General liability policy covers RE Loans, Capital Salvage and RE Futures. The monthly premium is the total monthly policy premium