Todd C. Ringstad (State Bar No. 97345)
todd@ringstadlaw.com
Christopher A. Minier (State Bar No. 190705)
cminier@ringstadlaw.com
RINGSTAD & SANDERS, LLP
2030 Main Street, 12th Floor
Irvine, CA 92614
Telephone: 949-851-7450
Facsimile: 949-851-6926

General Insolvency Counsel for F&F, LLC,
Debtor and Debtor-in-Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA – RIVERSIDE DIVISION

In re

F & F, LLC, a California Limited Liability Company,

Debtor and Debtor-in-possession.

CASE NO. 6:09-38204 TD

Chapter 11 Proceeding

DEBTOR'S SECOND AMENDED DISCLOSURE STATEMENT DESCRIBING ITS FIRST AMENDED CHAPTER 11 PLAN OF REORGANIZATION

Disclosure Statement Hearing

Date: June 10, 2010
Time: 10:00 a.m.
Place: Courtroom 225
3420 Twelfth Street
Riverside, California 92501

Plan Confirmation Hearing
See Disclosure Statement for Voting and Objecting Procedures

Date:
Time
Place: Courtroom 225
3420 Twelfth Street
Riverside, California 90012

TABLE OF CONTENTS

I.	**INTRODUCTION**		4
	A.	Purpose of This Document	4
	B.	Deadlines for Voting and Objection Date of Plan Confirmation Hearing	5
		1. Time and Place of the Confirmation Hearing	6
		2. Deadline for Voting For or Against Plan	6
		3. Deadline for Objecting to the Confirmation of the Plan	6
		4. Identity of Person to Contact for More Information Regarding the Plan	6
	C.	Disclaimer	6
II.	**BACKGROUND**		7
	A.	Description and History of the Debtor's Business	7
	B.	The Construction Loan, and the Circumstances that Led to Debtor's Chapter 11 Filing	8
		1. Construction and Loan Commencement of Debtor's Bankruptcy Case	8
		2. The Suretec Litigation	11
		3. The Mechanic's Lien Litigation	11
		4. The Malpractice Litigation	12
		5. Encumbrances Against the Property	14
	C.	Principals/Affiliates of Debtor's Business	14
	D.	Management of the Debtor Before and After the Bankruptcy	15
	E.	Summary of Debtor's Anticipated Recapitalization and Means for the Funding of the Plan	15
		1. Recapitalization of the Debtor and the New Loan	15
	F.	Significant Events During the Bankruptcy	16
		1. Bankruptcy Proceedings	16
		2. Other Legal Proceedings	17
		3. Actual and Projected Recovery of Preferential or Fraudulent Transfers	18
		4. Procedures Implemented to Resolve Financial Problems	19
		5. Current and Historical Financial Conditions	19
III.	**SUMMARY OF THE PLAN OF REORGANIZATION**		19
	A.	What Creditors and Interest Holders Will Receive Under the Proposed Plan	19
	B.	Unclassified Claims	20
		1. Administrative Expenses	21
		2. Priority Tax Claims	21
	C.	Classified Claims and Interests	21
		Classes of Secured Claims	21
		1. Class No. 1: Secured Claim of San Bernardino County Assessor	21
		2. Class No. 2: Secured Priority Claims of Mechanics' Lien Claimants	22
		3. Class No. 3: Secured Claim of U.S. Hung Wui Investments, Inc.	24

4.	Class No. 4: Secured Junior Priority Claims of Mechanics's Lien Claimants	27
5.	Classes of Priority Unsecured Claims	29
6.	Class No. 5: Class of General Unsecured Claims	30
7.	Class of Interest Holders: Class No. 6:	32
D.	Means of Effectuating the Plan	33
1.	Funding for the Plan	33
2.	Post-Confirmation Management	37
3.	Disbursing Agent	37
E.	Risk Factors	37
F.	Other Provisions of the Plan	38
1.	Executory Contracts and Unexpired Leases	38
a.	Assumptions	38
b.	Rejections	39
2.	Changes in Rates Subject to Regulatory Commission	39
3.	Retention of Jurisdiction	39
G.	Tax Consequences of Plan	39
IV.	**CONFIRMATION REQUIREMENTS AND PROCEDURES**	40
A.	Who May Vote or Object	40
1.	Who May Object to Confirmation of the Plan	40
2.	Who May Vote to Accept/Reject of the Plan	41
a.	What is an Allowed Clam/Interest	41
b.	What is an Impaired Claim/Interest	41
3.	Who is Not Entitled to Vote	42
4.	Who Can Vote in More Than One Class	42
5.	Votes Necessary to Confirm the Plan	42
6.	Votes Necessary for a Class to Accept the Plan	42
7.	Treatment of Nonaccepting Classes	43
8.	Request for Confirmation Despite Nonacceptance by Impaired Class(es)	43
B.	Liquidation of Analysis	43
C.	Feasibility	47
V.	**EFFECT OF CONFIRMATION OF PLAN**	51
A.	Discharge	51
B.	Revesting of Property in the Debtor	51
C.	Modification of Plan	51
D.	Post-Confirmation Status Report	52
E.	Quarterly Fees	52
F.	Post-Confirmation Conversion/Dismissal	52
G.	Final Decree	53
DECLARATION OF CHOUNG FANN YIK		54

I.

INTRODUCTION

F & F, LLC, a California Limited Liability Company (the "Debtor" and/or the "Proponent"), is the Debtor in this Chapter 11 bankruptcy case. On November 20, 2009 (the "Petition Date"), the Debtor commenced this proceeding by filing a voluntary petition under Chapter 11 the United States Bankruptcy Code ("Bankruptcy Code"), 11 U.S.C. § 101 et seq., with the United States Bankruptcy Court for the Central District of California, Riverside Division (the "Court"). Chapter 11 allows the Debtor, and under some circumstances, creditors and others parties in interest, to propose a plan of reorganization (the "Plan"). The Plan may provide for the Debtor to reorganize by continuing to operate, to liquidate by selling assets of the estate, or a combination of both. The Debtor is the party proposing the Plan sent to you in the same envelope as this document. THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE ENCLOSED PLAN.

This is a reorganizing Plan. In other words, the Proponent seeks to accomplish payments under the Plan by obtaining a capital infusion from new members, obtaining a New Loan secured by the Debtor's commercial real property, continuing efforts to lease up and improve the profitability of the Proponent's real property, and thereafter making payments over time to its secured and unsecured creditors to satisfy their respective claims in the amounts described herein and in the Plan. The Effective Date of the proposed Plan is 30 calendar days after the United States Bankruptcy Court enters an Order confirming the Debtor's Plan (the "Confirmation Order"), unless such day falls on a weekend or legal holiday, in which case the Effective Date shall be the first business day following such weekend or legal holiday.

A. Purpose of This Document.

This Disclosure Statement summarizes what is in the Plan, and tells you certain information relating to the Plan and the process the Court follows in determining whether or not to confirm the Plan.

READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO

KNOW ABOUT:

(1) WHO CAN VOTE OR OBJECT,

(2) WHAT THE TREATMENT OF YOUR CLAIM IS (i.e., what your claim will receive if the Plan is confirmed), AND HOW THIS TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN LIQUIDATION,

(3) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY,

(4) WHAT THINGS THE COURT WILL LOOK AT TO DECIDE WHETHER OR NOT TO CONFIRM THE PLAN,

(5) WHAT IS THE EFFECT OF CONFIRMATION, AND

(6) WHETHER THIS PLAN IS FEASIBLE.

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own lawyer to obtain more specific advice on how this Plan will affect you and what is the best course of action for you.

Be sure to read the Plan as well as the Disclosure Statement. If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.

The Code requires a Disclosure Statement to contain "adequate information" concerning the Plan. The Bankruptcy Court ("Court") has approved this document as an adequate Disclosure Statement, containing enough information to enable parties affected by the Plan to make an informed judgment about the Plan. Any party can now solicit votes for or against the Plan.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON THE DEBTOR AND ON ALL CREDITORS AND INTEREST HOLDERS IN THIS CASE.

1. Time and Place of the Confirmation Hearing.

The hearing where the Court will determine whether or not to confirm the Plan will take place on _____ , at _____{A.M./P.M.}, in Courtroom 225 of the United States Bankruptcy Court located at 3420 Twelfth Street, Riverside, California 92501.

2. Deadline For Voting For or Against the Plan.

If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and return the ballot in the enclosed envelope to the Debtor's general insolvency counsel, Todd C. Ringstad at Ringstad & Sanders, LLP, 2030 Main Street, Suite 1200, Irvine, California 92614.

Your ballot must be received by _____, 2010, or it will not be counted.

3. Deadline For Objecting to the Confirmation of the Plan.

Objections to the confirmation of the Plan must be filed with the Court and served upon Debtor's general insolvency counsel, Todd C. Ringstad at Ringstad & Sanders, LLP, 2030 Main Street, Suite 1200, Irvine, California 92614, on or before _____, 2010.

4. Identity of Person to Contact for More Information Regarding the Plan.

Any interested party desiring further information about the Plan should contact Debtor's general insolvency counsel, Todd C. Ringstad Esq., Ringstad & Sanders, LLP, 2030 Main Street, Suite 1200, Irvine, California 92614, telephone # (949) 851-7450.

C. Disclaimer.

The financial data relied upon in formulating the Plan is based on the Debtor's books and records, the debtor's financial statements and liquidation analysis, the Debtor's projections for the expenses and revenues associated with the ongoing operation of its commercial real property, and the Debtor's proposed recapitalization through an infusion of cash from one or more New Members and a New Loan secured by the Debtor's real property. The information contained in this Disclosure Statement has been provided by Choung Fann Yik, the Managing Member of the Debtor, Hoeng "Bria" Yik, a member of the Debtor that manages its day-to-day operations, and Debtor's accountants, Advance Tax, Inc.

///

The Plan Proponent represents that everything stated in the Disclosure Statement is true to the Proponent's best knowledge. The Court has not yet determined whether or not the Plan is confirmable and makes no recommendation as to whether or not you should support or oppose the Plan.

II.

BACKGROUND

A. Description and History of the Debtor's Business.

The Debtor is a California limited liability company, which was formed in 2005.

The principal asset of the Debtor is a commercial/retail real property located at 11910-11960 Foothill Boulevard, Ranch Cucamonga, California 91730 (the "Property" or "Victoria Promenade").

Debtor purchased the Property in 2005. At that time, the Property consisted of 10 acres of undeveloped land. The Property is in a desirable commercial location one-half mile from the Victoria Gardens Shopping Mall and also close to Interstate 15. Over the last 4 years, the Debtor has successfully obtained development entitlements on the Property and transformed it into a multi-building retail shopping center known as the Victoria Promenade, which has approximately 138,000 total square feet of retail space. The Debtor's members have contributed nearly their entire life savings, amounting to a combined $8.2 million, towards the acquisition and development of the Property. Attached hereto as Exhibit "A" is a leasing brochure for Victoria Promenade providing photographs and additional information about the Property.

Approximately one year ago, the Debtor's first tenant started occupying space at the Property. Debtor has been in the "lease-up" process since that time, and is currently in the business of leasing retail space at the Property. The Property is currently approximately 60% occupied. Approximately 23% of leaseable retail square footage is presently occupied. There is also a proposed 6,700 square foot restaurant pad located on the Property that remains to be developed.

Currently, tenants of the Debtor that lease space at the Property are operating a: (1) four

story, 118 room Four Points by Sheraton Hotel; (2) Union 76 gas station and convenience store; (3) Color Tiles store; (4) Chronic Tacos shop; (5) Subway sandwich shop; (6) Serenity Nails & Spa; (7) Edward Jones financial planning; and (8) Farmers Insurance brokerage.

In addition, as soon as tenant improvements can be completed, it is anticipated that a King of Egypt barber shop will start occupying space at the Property in the very near future.

Two of the foregoing businesses leasing space at the Property are owned and operated by entities that are owned by insiders of the Debtor. These two tenants are the Sheraton Hotel and Union 76 gas station and convenience store. More specifically, the Debtor's co-managing members are the sole owners of an entity known as 128 LLC, a California limited liability company. 128 LLC, operates a Four Points by Sheraton Hotel franchise at the Property under a lease from the Debtor. 128 LLC has hired an independent third-party management company, Richfield Hospitality, Inc., to run the day to day operations of the hotel.

Similarly, Debtor's co-managing members are the sole owners of an entity known as 618 Investment, Inc. ("618 Investment"). 618 Investment operates a Union 76 service station franchise and convenience store at the Property under a lease with the Debtor.

The Property is currently in the possession of a receiver, Gary Elam, appointed by the Superior Court on the motion of USHW. The receiver has commenced unlawful detainer proceedings that are currently pending against three tenants: 128 LLC, 618 Investment and Sereneity Nails & Spa. 128 LLC and 618 Investments are attempting to negotiate a cure and revised lease terms with the receiver. Additionally, KiwiFrost Frozen Yogurt and Egyptian Day Spa and Hair Salon recently abandoned space in the Property.

B. The Construction Loan, and the Circumstances that Led to Debtor's Chapter 11 Bankruptcy Filing.

1. The Construction Loan and Commencement of Debtor's Bankruptcy Case.

In order to develop the Property, the Debtor obtained a construction loan from East West Bank in the maximum amount of $34.85 Million secured by a first priority Deed of Trust encumbering the Property (the "Construction Loan"). The Construction Loan was an interest-only loan that matured in 24 months, but allowed the Debtor the option of extending its term by

an additional six months. Debtor ultimately exercised its right to extend the term of the Construction Loan for the additional six month period, resulting in a maturity date of December 2009. The Construction Loan was used for the development of the Property and also to satisfy amounts owed on an earlier secured loan from Far West Bank. The Construction Loan also provided for an interest reserve to be withheld from its proceeds.

The hard-cost construction budget for the development of the Property was originally approximately $17 Million. Unfortunately, an additional $5 Million of change orders dramatically increased the projected cost of construction and delayed the completion of the project. The vast majority of these change orders were required by the Debtor's first general contractor, Patterson Builders. Patterson Builders eventually abandoned the Debtor's development project which, in turn, resulted in additional delays and cost overruns as the Debtor's was forced to locate and retain a substitute contractor to complete the job. In addition, although Patterson Builders was being paid from the proceeds of the Construction Loan, it failed to make payments to a significant number of its subcontractors. These subcontractors of Patterson Builders then asserted mechanic's liens and bonded stop notice claims against the Property. In addition, Patterson Builders itself has asserted a mechanic's lien against the Property. Hereafter the foregoing machanics' liens and bonded stop notice claims of Patterson Builders and its suppliers and subcontractors (and any other party asserting a similar claim) shall collectively be referred to as the "Mechanics' Liens"). The recordation of the Mechanics' Liens caused East West Bank to declare that Debtor was in default under the Construction Loan.

East West Bank also contends that Debtor defaulted in its payment obligations under the Construction Loan in July of 2009. This alleged monetary default under the Construction Loan by Debtor resulted from: (i) the above-described cost overruns in the development of the Property; and (ii) the improper disbursement of funds from the Construction Loan by East West Bank, as described more fully below. As a result, East West Bank recorded a Notice of Default in August of 2009 and commenced an action against the Debtor for the appointment of a receiver and for judicial foreclosure in San Bernardino County Superior Court. This judicial foreclosure action is commonly known as *U.S. Hung Wui Investments, Inc. v. F&F, LLC*, San Bernardino

Superior Court Case No. CIV RS 909345 (the "Foreclosure Action"). Debtor has filed a cross-complaint in the Foreclosure Action against East West Bank and the subsequent assignee East West Bank's interest under the Construction Loan and Deed of Trust, U.S. Hung Wui Investments, Inc. ("USHW"). Debtor's cross-complaint in the Foreclosure Action alleges causes of action for: (i) breach of contract; (2) negligence; (3) breach of fiduciary duty; and (4) Unfair Business Practices. Debtor's cross-complaint in the Foreclosure Action is based upon claims of: (i) the bank's improper disbursement of funds from the Construction Loan resulting in Debtor's eventual default on its payment obligations under the loan; and (ii) the bank's failure to grant Debtor a promised extension of the maturity date of the Construction Loan, as described more fully below.

For a significant amount of time prior to Debtor's alleged default under the Construction Loan, Debtor had been engaged in negotiations with East West Bank to further extend the maturity of the Construction Loan for a period of 2 to 5 years. During these negotiations, East West Bank repeatedly represented to the Debtor that it would agree to a two-year extension of the maturity of the Construction Loan. However, without warning or explanation, on September 30, 2009, East West Bank sold its interest in the Construction Loan Promissory Note and Deed of Trust to USHW for a steeply discounted $22.5 Million. Upon its purchase of the Promissory Note from East West bank, USHW was substituted in as the plaintiff in the Foreclosure Action. East West Bank's sale of the note and Deed of Trust destroyed any hope that Debtor had to extend the maturity of the loan.

In October of 2009, Debtor offered to make regular monthly interest payments at the contractual non-default rate to USHW in order to provide it with adequate protection of its interest pending resolution of the Complaint and Debtor's Cross-Complaint in the Foreclosure Action. However, USHW rejected Debtor's offer of interest payments and, instead, moved the Superior Court for the appointment of a receiver.

On or about November 18, 2009, on USHW's motion the Superior Court in the Foreclosure Action entered an order appointing a receiver for the Property. On November 20, 2009 (the "Petition Date"), the Debtor commenced its instant voluntary Chapter 11 bankruptcy

case in order to restructure its financial affairs, obtain a capital infusion from new members and preserve the Property for the benefit of all secured and unsecured creditors.

2. The Suretec Litigation.

In addition to the Foreclosure Action, a second prepetition lawsuit (the "Suretec Action") was also commenced against the Debtor by Suretec Insurance Company ("Suretec"), which issued a construction bond for the Debtor's development project. When certain of Patterson Builder's unpaid subcontractors started asserting claims against Suretec, Suretec sued the Debtor and its managing members for indemnity. This action is presently pending in the United States District Court for the Central District of California, Eastern Division, and is commonly known as *Surtec Insurance Company v. F&F, LLC, et al.*, U.S.D.C. Case No. ED CV 09-00880 SGL (OPx).

3. The Mechanic's Lien Litigation.

In addition to the Foreclosure Action and the Suretec Action, Debtor is involved in a third litigation matter.

As a result of the above-described actions of Patterson in failing to pay its subcontractors and abandoning the development project, approximately 40 of its subcontractors and suppliers asserted or attempted to assert Mechanic's Liens against the Property. Attached hereto as Exhibit "B" is list prepared by the Debtor of all known perfected and unperfected Mechanics' Lien claims that have been asserted in connection with the development of the Property.

Further, approximately 28 of the unpaid subcontractors and suppliers that had recorded Mechanics' Liens against the Property commenced separate lawsuits in San Bernardino Superior Court against Patterson Builders, Debtor, East West Bank, USHW, Surtec and others to, among other things, foreclose on the parties' respective Mechanics' Liens. These Mechanics' Lien foreclosure actions have been consolidated and are currently pending as the action commonly known as *Beta Construction, Inc. v. Patterson Builders, et al.*, S.B.S.C. Consolidated Case No. CIVRS 812528 (the "Mechanics' Lien Litigation").

Virtually all of the parties' complaints filed in the Mechanics' Lien Litigation plead

causes of action for: (A) breach of contract; (B) foreclosure of mechanic's lien; (C) account stated / open book account; and (D) quantum meruit / unjust enrichment. Patterson Builders and most, if not all, of the subcontractor plaintiffs contend that the Mechanics' Liens that they hold against the Debtor's Property are superior to, and take priority over, the lien held by USHW as assignee of East West Bank's rights under the Construction Loan and Deed of Trust. USHW disputes that these Mechanics' Liens have priority above the lien held by USHW against the Property.

The total amount of perfected and unperfected Mechanics' Liens asserted by parties in connection with the development of the Property total approximately $6.8 million.[1] However, the Debtor believes that there is some overlap and/or duplication of the Mechanics' Liens that have been asserted, and that the true total of Mechanics' Lien claims may actually be lower than the $6.8 million combined total asserted.

On or about January 31, 2010, counsel for Patterson Builders filed a motion for relief from the Bankruptcy Code's automatic stay provision [11 U.S.C. section 362] in order to permit the Mechanic's Lien Litigation to continue to be prosecuted before the San Bernardino County Superior Court. The Debtor consented to allow the Mechanic's Lien Litigation to go forward to determine the priority, validity and amount of the Mechanics' Liens. The Bankruptcy Court entered an Order granting Patterson Builder's motion for relief from the automatic stay on March

[1] Debtor's former contractor, Patterson Builders, has recorded the following two mechanic's liens against the Property: (1) a February 13, 2009, mechanic's lien recorded in the amount of $2,397,991.29; and (2) a May 12, 2009, Mechanic's lien recorded in the amount of $748,045. These two mechanic's liens total $3,146,036.29. Both of these mechanic's liens have been provided for in Debtor's Plan and Disclosure Statement [See Exhibit "B" hereto]. However, Patterson has filed a Proof of Claim against Debtor's bankruptcy estate in the total "secured" amount of approximately $16.2 million. Patterson apparently contends in its Proof of Claim that the entire $16 million amount of its alleged claim is secured by the Property by virtue of its mechanic's liens. Debtor disputes that it owes Patterson anything, and Patterson's Claims against the Debtor are currently the subject of the Mechanics' Lien Litigation. Debtor contends that Patterson has already been paid approximately $21,500,000 on a $22,500,000 contract and the Debtor believes that Patterson's contention that it is owed an additional $16.2 million is without merit and lacks any legal or factual support. In any event, in the Mechanics' Lien Litigation a bifurcated trial on the issues of the validity and priority of liens is currently scheduled to begin on June 21, 2010.

12, 2010. The automatic stay remains in effect as to any effort to foreclose upon, or enforce, any of the Mechanics' Liens.

The Superior Court in the Mechanic's Lien Litigation has bifurcated the issue of the priority of the parties' respective liens, bonding and equitable subrogation, and a trial is currently scheduled to begin thereon on June 21, 2010.

4. The Malpractice Litigation.

In November of 2008, while still the Debtor's general contractor, Patterson Builders demanded additional money in order to continue work on the Property. However, Patterson Builders had not submitted required lien releases for at least two months of subcontractor work for which Patterson had already received payment. To resolve the conflict between the parties, East West Bank, Debtor and Patterson entered into a Term Sheet Re Resolution of Disputes that allowed Patterson to receive a total of nearly $5 million without first supplying lien releases for its subcontractors and suppliers. However, under the Term Sheet, Patterson was to make certain payments to its subcontractors and suppliers, and to obtain lien releases from these parties within 30 to 60 days. Instead of complying with its obligations under the Term Sheet, Patterson took the money paid to it under the Term Sheet, failed to pay its subcontractors and suppliers, and abandoned the Debtor's development project in February 2009.

Patterson Builders' abandonment of the Debtor's development project resulted in additional delays and cost overruns as the Debtor's was forced to locate and retain a substitute contractor to complete the job. As already discussed, the cost overruns, delays and mechanic's liens that resulted from Patterson's failure to pay its subcontractors and suppliers, as well as Patterson's abandonment of Debtor's development project, ultimately caused East West Bank to declare Debtor in default under the Construction Loan. This alleged default, in turn, resulted in East West Bank's initiation of the Foreclosure Action and other efforts by East West Bank (and subsequently USHW) to foreclose on their security interests in the Property.

Debtor was represented in the negotiation and execution of the Term Sheet Re Resolution of Disputes by the law firm of Atkinson, Andelson, Loya, Ruud and Romo, and its attorneys Matthew J. Steiner and Carolyn M. Huestis (hereafter collectively "Steiner"). Debtor contends

that it constituted professional negligence for Steiner to have advised Debtor to enter into and execute the Term Sheet, and that the Debtor suffered, and continues to suffer, substantial economic damage as the result of Steiner's professional negligence. Accordingly, in or about November of 2009, Debtor initiated a lawsuit against Steiner in the Los Angeles County Superior Court alleging caused of action for: (i) breach of written contract; (ii) professional negligence; and (iii) breach of fiduciary duty. This litigation is currently pending and is commonly known *as F&F, LLC et al. v. Steiner, et al.*, L.A.S.C. Case No. VC054920 (hereafter the "Steiner Litigation").

Although Debtor's claims in the Steiner Litigation are currently contingent and unliquidated, Debtor believes that these claims may have substantial value. Under the terms of Debtor's Plan, any net recovery of funds by the Debtor from the Steiner Litigation, or from the prosecution of any other prepetition litigation claims held by the Debtor (other than claims arising from rental income and related charges due from current, former or future tenants of the Debtor), shall constitute the "Litigation Proceeds," and shall be distributed to Debtor's creditors pursuant to the terms of the Plan.

5. Encumbrances Against the Property.

The Debtor's real Property is encumbered by the following liens:

Creditor:	**Approx. Principal Outstanding as of Petition Date**
San Bernardino Tax Collector – Real Property Taxes	$ 250,000
Mechanic's Liens of Patterson Builders, and Subcontractors and Suppliers of Patterson Builders in the face amount of $6.8 million	$ 5.6 million (estimated amount of total non-duplicative claims)
U.S. Hung Wui Investments, Inc.	$ 36,850,000 (disputed)
Junior Mechani's Liens	$ To be Determined

In connection with its motion for relief from the Bankruptcy Code's automatic stay,

described in more detail below, USHW had an appraisal of the Property performed. This appraisal concluded that the Property had a fair market vale of $25,910,000 as of December 28, 2009.

C. Principals/Affiliates of Debtor's Business.

The Debtor is a California limited liability company, which was formed in 2005.

The current members of the Debtor are: (1) Choung Fann Yik, Co-Managing Member; (2) Ying Faung Ley, Co-Managing Member; (3) Ty Yik, Member; (4) Hoeng "Bria' Yik, Member; (5) Vann Yik, Member; and (6) Sharon Yik, Member. Each of the Debtor's members owns a $1/6^{th}$ membership interest in the Debtor.

D. Management of the Debtor Before and After the Bankruptcy.

The managing members of the Debtor prior to the filing of the Debtor's bankruptcy case, and during the pendancy of the case, have been, and will continue to be, Choung Fann Yik and Ying Faung Ley. Post-confirmation, the Reorganized Debtor will be managed by its managing member or members, who shall be selected by a majority vote of the new members of the Debtor based on the percentage of ownership interests in the Reorganized Debtor of such new members. The identity of the managing member or members of the Reorganized Debtor may be changed from time to time by majority vote in percentage ownership interest of the members of the Reorganized Debtor.

E. Summary of Debtor's Anticipated Recapitalization and Means for the Funding of the Plan.

1. Recapitalization of the Debtor and the New Loan.

On the Effective Date of the Plan, new members (the "New Members") will acquire ownership of 100% of the membership interest in the Reorganized Debtor. In return, the New

Members will make a capital contribution of not less than $3,000,000 to the Reorganized Debtor on the Effective Date. In addition, within 60 days following the Effective Date of the Plan, Debtor will obtain a New Loan secured by the Property with a Deed of Trust having priority over the Class 3 secured claim of USHW. The New Loan shall be authorized up to $6 million, but the Debtor presently estimates that a loan of approximately $4,050,000 would be sufficient to meet the obligations under the Plan. The proceeds of the New Loan and the capital contribution to be made by the New Members will be used to fund the Mechanics' Lien Fund and the Interest Reserve Fund, both of which are described in greater detail below. The Mechanics' Lien Fund and the Interest Reserve Fund, together with the proceeds of the New Loan, the ongoing rental income generated by the Property and the below-described net Litigation Proceeds and Avoidance Action Recoveries, shall be used to make all payments to Debtor's creditors under the Plan.

F. Significant Events During the Bankruptcy.

1. Bankruptcy Proceedings.

The following is a chronological list of significant events which have occurred during this case:

Debtor's voluntary Chapter 11 petition was filed on November 20, 2009. Schedules, the Statement of Financial Affairs and related documents and disclosures were filed by the Debtor on December 7, 2009, and subsequently amended on January 25, 2010.

On December 18, 2009, Debtor filed its application for an Order authorizing it to employ Ringstad & Sanders, LLP, as its general insolvency counsel. On December 31, 2009, USHW filed an objection to the Debtor's application and a hearing was held thereon on February 25, 2010. At the hearing, the Court approved the application to employ Ringstad & Sanders, LLP as Debtor's general insolvency counsel. On March 22, 2010, the Court entered an Order authorizing the Debtor to employ Ringstad & Sanders LLP as its general bankruptcy counsel. In this Order, the Court also authorized the Debtor to obtain an unsecured loan in the amount of

$50,000 for the purpose of paying a supplemental attorney fee retainer to Ringstad & Sanders LLP, and to borrow such other sums from time to time as may be required for Debtor's payment of ongoing attorneys' fees, with such sums being repaid as nonpriority unsecured prepetition obligations of the Debtor.

The Bankruptcy Code section 341(a) meeting of creditors was held and concluded on December 29, 2009.

On January 21, 2010, USHW filed a motion for relief from the automatic stay seeking to continue its efforts on foreclose of the Debtor's Property under its Deed of Trust. Debtor filed an opposition to this motion on January 28, 2010, and a hearing was held thereon on February 25, 2010. At the conclusion of this hearing the Court announced that it would grant USHW's stay relief motion. On March 3, 2010, the Court entered an Order granting USHW's motion for relief from the automatic stay. On March 4, 2010, Debtor filed an appeal from this Order with the Bankruptcy Appellate Panel for the Ninth Circuit (the "BAP"). This appeal is entitled *F&F, LLC v. U.S. Hung Wui Investments, Inc.,* BAP No. cc-10-1083 (the "BAP Appeal"). On March 10, 2010, upon Debtor's emergency motion, the BAP issued an Order granting a temporary stay pending appeal of the Bankruptcy Court's Order granting USHW's stay relief motion. On March 9, 2010, the BAP entered an Order granting a full stay pending appeal of the Bankruptcy Court's Order granting USHW's stay relief motion conditioned upon payments to USHW in the amount of $63,904.17 per month.

On January 28, 2010, the Debtor filed its motion for an extension of the 90-day period established by 11 U.S.C. section 362(d)(3). Following a hearing on the motion, the Court entered an Order that provides that the last day for the Debtor to file a Plan or to commence interest payments to USHW in compliance with 11 U.S.C. section 362(d)(3) is March 20, 2010.

On or about January 31, 2010, counsel for Patterson Builders filed a motion for relief from the Bankruptcy Code's automatic stay provision [11 U.S.C. section 362] in order to permit the Mechanic's Lien Litigation to continue to be prosecuted before the San Bernardino County Superior Court. The Debtor consented to allow the Mechanic's Lien Litigation to go forward to determine the priority, validity and amount of the Mechanics' Liens. The Bankruptcy Court

entered an Order granting Patterson Builder's motion for relief from the automatic stay on March 12, 2010. The automatic stay remains in effect as to any effort to foreclose upon, or enforce, any of the Mechanics' Liens.

On February 28, 2010, Debtor filed a motion for Court approval of a stipulation between the Debtor and USHW authorizing Debtor's limited use of cash collateral in order to preserve the Property and provide for its continued operation. On March 11, 2010, Surtec Insurance Company filed a limited opposition to this motion. On April 1, 2010, the Court entered an Order approving the stipulation between the Debtor and USHW.

In addition, the above-described BAP Appeal also remains pending.

2. Other Legal Proceedings.

In addition to the proceedings discussed above, the Debtor is currently involved in the following legal proceedings:

U.S. Hung Wui Investments, Inc. v. F&F, LLC, et al., L.A.S.C. Case No. BC423451. This is an action initiated by USHW against the Debtor and its co-manager guarantors for Debtor's alleged breach under its Construction Loan Agreement with East West Bank.

3. Actual and Projected Recovery of Preferential or Fraudulent Transfers.

Pursuant to certain provisions of the Bankruptcy Code, including 11 U.S.C. sections 547, 550 and 551, the Debtor has standing to file actions to avoid and recover certain funds that may have been transferred from it to Debtor's within up to one-year prior to the Petition Date, i.e., "preferential transfers." The Debtor has not yet undertaken an analysis of any such claims that it may hold, and has not yet made a determination regarding whether such claims, to the extent that they might exist, could be prosecuted so as to result in a net benefit for the bankruptcy estate and its creditors.

Similarly, under certain provisions of applicable Bankruptcy and California law, the Debtor also has standing to file actions to avoid and recover "fraudulent transfers" of the Debtor's assets made within certain periods prior to the Petition Date, if the Debtor did not receive reasonably equivalent value in exchange for any such transfers. The Debtor has not yet undertaken an analysis of any such claims that it may hold, and has not yet made a determination

regarding whether such claims, to the extent that they might exist, could be prosecuted so as to result in a net benefit for the bankruptcy estate and its creditors. (Hereinafter, the above-described preference avoidance claims and fraudulent transfer claims shall collectively be referred to as the "Avoidance Claims.").

Under the Debtor's Plan, any and all Avoidance Claims, along with any other prepetition claims and causes of action that the Debtor and bankruptcy estate may hold, shall be preserved and shall vest in the Reorganized Debtor. All such claims may be pursued either before or after the Effective Date of the Plan.

Hereinafter, any net proceeds, in excess of attorneys' fees, expert fees, related costs and court costs, arising from the prosecution of any and all Avoidance Claims shall be referred to as the "Avoidance Action Recoveries."

Any and all net Avoidance Action Recoveries shall be distributed on a pro rata basis to Class 5 general unsecured creditors under Debtor's Plan.

4. Procedures Implemented to Resolve Financial Problems.

In an effort to fix the problems that led to the bankruptcy filing, the Debtor has secured a capital infusion from new members in the total amount of $3,000,000 in order to provide additional capitalization of the Debtor and fund necessary payments to certain classes of creditors under the Plan. In addition, within 60 days following the Effective Date of the Plan, the Debtor will obtain the New Loan in an amount up to $6,000,000. The New Loan shall be secured by a Deed of Trust having priority over the security interest of USHW under its Construction Deed of Trust. Further, Debtor is continuing its efforts to lease up and improve the profitability of its commercial real Property in order to increase future cash flow. After confirmation of its Plan, the Reorganized Debtor will also continue to prosecute the Steiner Litigation for the benefit of the estate and its creditors, and shall also undertake an examination the Preference Avoidance claims and Fraudulent Transfer Claims that it may hold in order to determine whether or not such claims may be prosecuted so as to result in a net benefit for Debtor's prepetition creditors.

5. Current and Historical Financial Conditions.

The identity and fair market value of the estate's assets are listed in Exhibit C. See also the Debtor's financial statements set forth in Exhibit D, which information was prepared by the Debtor's accountants Advance Tax, Inc. This financial information is unaudited.

It should be noted that because Debtor has only been operating for a little more than one-year, the extent of the financial records which Debtor is able to provide in support of its Plan are limited. Accordingly, Debtor is only able to provide its financial statements for calendar year 2009, and such statements are attached hereto as Exhibit D.

III.

SUMMARY OF THE PLAN OF REORGANIZATION

A. What Creditors and Interest Holders Will Receive Under The Proposed Plan.

As required by the Bankruptcy Code, the Plan classifies claims and interests in various classes according to their right to priority. The Plan states whether each class of claims or interests is impaired or unimpaired. The Plan provides the treatment each class will receive.

B. Unclassified Claims.

Certain types of claims are not placed into voting classes; instead they are unclassified. They are not considered impaired and they do not vote on the Plan because they are automatically entitled to specific treatment provided for them in the Bankruptcy Code. As such, the Proponent has not placed the following claims in a class.

1. Administrative Expenses.

Administrative expenses are claims for costs or expenses of administering the Debtor's Chapter 11 case which are allowed under Code Section 507(a)(1). The Code requires that all administrative claims be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists all of the Debtor's § 507(a)(1) administrative claims and their treatment under this Plan.

Name	Amount Owed	Treatment

Ringstad & Sanders, LLP	$ To be determined	Payment in full on the later of the Effective Date or entry of an Order approving the Final Fee Application of the firm or as otherwise agreed by the holder of the claim.
Clerk's Office Fees	$ To be determined	Paid in full on Effective Date
Office of the U.S. Trustee Fees	$ To be determined	Paid in full on Effective Date
TOTAL	$	

Court Approval of Fees Required:

The Court must approve all professional fees listed in this chart. For all fees except Clerk's Office fees and U.S. Trustee's fees, the professional in question must file and serve a properly noticed fee application and the Court must rule on the application. Only the amount of fees allowed by the Court will be required to be paid under the Plan.

2. Priority Tax Claims.

Priority tax claims are certain unsecured income, employment and other taxes described by Code Section 507(a)(8). The Code requires that each holder of such a 507(a)(8)priority tax claim receive the present value of such claim in deferred cash payments, over a period not exceeding five years from the date of the commencement of the Debtor's bankruptcy case, and in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.

The Debtor initially scheduled the San Bernardino Assessor as holding an unsecured priority claim for unpaid real property taxes in the amount of $135,310.00. The Debtor has determined that the San Bernardino County Assessor holds a first priority lien for the unpaid real property taxes in the approximate amount of $250,000. The claim of the San Bernardino County Assessor is therefore a secured claim and is included in Class 1, below. The Debtor therefore believes that it has no outstanding unclassified priority tax claims.

C. Classified Claims and Interests.

Classes of Secured Claims.

Secured claims are claims secured by liens on property of the estate. The following is a

description of all classes of Debtor's secured pre-petition claims and their treatment under this Plan:

1. Class 1: Secured Claim of San Bernardino County Assessor.

Class 1 is the allowed secured claim of the San Bernardino County Assessor (the "County"). The claim will be paid in full, with interest as authorized under applicable law, as follows: The claim will be paid in five annual installments, each in the amount of 1/5th of the claim amount plus accrued interest thereon at the rate of 18% per annum. The first installment will be due on or before April 10 of the first year following the Effective Date, and subsequent annual installments will be due on or before April 10 of each of the next four years thereafter. Any fees and charges of the County for the installment plan will be paid as incurred. At Debtor's sole discretion, Debtor may pay the claim of the Class 1 Claimant from the proceeds of the New Loan, described in greater detail below.

Until paid, the County shall retain its lien securing its claim, unmodified, to the extent of the allowed amount of the County's claim as determined by the Bankruptcy Court.

Any secured real property taxes payable by the Debtor for the 2010 – 2011 tax year, and years thereafter, shall be timely paid by the Debtor in the ordinary course of business. Any failure by the Debtor to make a payment to the County pursuant to the terms of this Plan shall constitute an Event of Default. If the Debtor faisl to cure and Event of Default concerning its obligation to make payments under its Plan to the County within ten days after service of written notice of default, then the County shall be entitled to enforce the entire amount of its claim, plus all penalties and interest accrued under state law, against the Debtor in accordance with applicable state law remedies.

//

//

//

//

//

//

//

//

//

//

//

//

//

CLASS#	DESCRIPTION	INSIDERS (Y/N)	IMPAIRED (Y/N)	TREATMENT
1	**Secured claim of:** County of San Bernardino Assessor **Collateral description:** The Property **Collateral value:** Estimated $26,000,000 **Priority of security interest:** First **Total claim amount (est.):** $249,965	No	Yes	The claim will be paid in full, with interest as authorized under applicable law, as follows: The claim will be paid in five annual installments, each in the amount of 1/5th of the claim amount plus accrued interest thereon at the rate of 18% per annum. The first installment will be due on or before April 10 of the first year following the Effective Date, and subsequent annual installments will be due on or before April 10 of each of the next four years thereafter. Any fees and charges of the County for the installment plan will be paid as incurred. The Debtor reserves the right to prepay the claim in full or in part at any time, without penalty. **Estimated amount of first installment:** $94,978 **Treatment of lien:** Retained until claim is paid.

2. Class 2: Secured Priority Claims of Mechanics' Lien Claimants.

Class 2 consists of he allowed secured claims of each claimant holding a valid secured

claim based upon the provision of goods or services to the Debtor and/or the Property, and who timely took all actions that such claimant was required to take prior to November 20, 2009 in order to perfect a statutory lien against the Property, and whose security interest has priority over the secured claim of the Class 3 claimant (the "Priority Mechanics' Lien Claims").

The Class 2 Priority Mechanics' Lien Claims will be paid in full as follows:

Each holder of a Class 2 Claim shall be paid in full, including any interest to which the holder of the claim is lawfully entitled, no later than the later of: 90 days following the Effective Date or 60 days following the date on which a judgment of a court of competent jurisdiction finally determining and allowing the secured claim of such holder, both as to validity and priority of the lien and as to amount of claim, has become final in all respects and not subject to appeal. Alternatively, any holder of a Class 2 Claim may be paid at any time in an amount which the holder of the Claim agrees to accept and the Reorganized Debtor agrees to pay. The source of payment of all Class 2 Claims shall be the Mechanics' Lien Fund, which is described in greater detail below.

Each holder of a Class 2 Claim shall retain their lien until the funding of the New Loan, which is described in greater detail in Section II.D. of this Plan. Upon the funding of the New Loan, the lien of each Class 2 Claimant against the Property shall be deemed released, and each holder of a Class 2 Claim shall be deemed to have a perfected security interest in the Mechanics Lien Fund, with the same validity, priority and amount as such holder's lien against the Property, until such claim is paid in accordance with this Plan.

Upon payment of each Class 2 claim, the Reorganized Debtor shall be deemed to be subrogated to all rights of each paid Class 2 claim against any other parties arising from such claim.

//

//

//

//

//

CLASS#	DESCRIPTION	INSIDERS (Y/N)	IMPAIRED (Y/N)	TREATMENT
2	**Secured claim of:** Priority Mechanics' Lien Claims **Collateral description:** Debtor's real property (approx. 11 acres) **Collateral value:** Estimated $26,000,000 **Priority of security interest:** Second **Total claim amount:** $ To be determined.[2]	No	Yes	**Treatment of lien:** [See detailed description of treatment of claim and lien, above]

3. Class 3: Secured Claim of U.S. Hung Wui Investments, Inc.

Class 3 consists of the allowed secured claim of U.S. Hung Wui Investments, Inc.

[2] Debtor estimates that total valid Class 2 claims are approximately $4.5 million. However, Debtor's former contractor, Patterson Builders, has filed a Proof of Claim against Debtor's bankruptcy estate in the total "secured" amount of approximately $16.2 million. Patterson apparently contends that the entire $16.2 million amount alleged in its Proof of Claim is a Class 2 claim that is secured by the Property by virtue of mechanic's liens recorded by Patterson. However, Patterson has only recorded the following two mechanic's liens against the Property: (1) a February 13, 2009, mechanic's lien recorded in the amount of $2,397,991.29; and (2) a May 12, 2009, Mechanic's lien recorded in the amount of $748,045. These two mechanic's liens total only $3,146,036.29. The amount of both of these recorded mechanic's liens have been provided for in Debtor's Plan and Disclosure Statement [See Exhibit "B" hereto]. Debtor disputes that it owes Patterson anything, and Patterson's Claims against the Debtor are currently the subject of the hotly contested Mechanics' Lien Litigation. Debtor contends that Patterson has already been paid approximately $21,500,000 on a $22,500,000 contract and the Debtor believes that Patterson's contention that it is owed an additional $16.2 million lacks all legal and factual support. In the Mechanics' Lien Litigation a bifurcated trial on the issues of the validity and priority of liens is currently scheduled to begin on June 21, 2010.

("USHW"). The amount of the allowed secured claim will be the value of USHW's interest in the Property on the date of the hearing on confirmation of the Plan (the "Confirmation Date") in accordance with 11 U.S.C. § 506(a)(1), except as otherwise set forth herein.

Except as otherwise provided herein, the Class 3 Claim will be paid as follows:

The Class 3 Claim will accrued interest at the non-default rate of interest provided by the promissory note held by USHW on the Confirmation Date, or such other rate as the Court may determine at the Confirmation Hearing is necessary in order to provide USHW with deferred cash payments having a value, as of the Effective Date of the Plan, of at least the value, as of the Effective Date, of the interest of USHW in the Property. The holder of the Class 3 Claim shall receive deferred cash payments in monthly installments which shall commence on the first day of the first full month following the Effective Date. Each monthly installment is due on the first day of the month and delinquent if not paid by the fifteenth day of the month. The first twelve installments shall be equal to the monthly accruing interest and shall not include any portion of the principal. Following the first anniversary of the Effective Date (the "First Anniversary Date") of the Plan, the Reorganized Debtor shall commence monthly installment payments equal to the amount required to amortize and pay in full the Class 2 Claim over a period of 30 years from the First Anniversary Date. Except as otherwise provided herein, the balance of unpaid principal and any accrued unpaid interest on the Class 3 Claim shall become fully due and payable on the tenth anniversary of the Effective Date of the Plan.

1111(b) Election

In the event that the holder of the Class 3 Claim makes a timely election under Section 1111(b) of the Bankruptcy Code, then notwithstanding the foregoing, the Class 3 Claim shall be paid as follows:

The holder of the Class 3 Claim shall receive deferred cash payments in monthly installments which shall commence on the first day of the first full month following the Effective Date. Each monthly installment is due on the first day of the month and delinquent if not paid by the fifteenth day of the month. The first twelve installments shall be equal to the monthly accruing interest and shall not include any portion of the principal. Following the first

anniversary of the Effective Date (the "First Anniversary Date") of the Plan, the Reorganized Debtor shall commence monthly installment payments equal to the amount required to amortize and pay in full the Class 2 Claim over a period of 360 monthly installments from the First Anniversary Date. On the first day of the 241st month following the First Anniversary Date, the holder of the Class 3 Claim shall receive a final payment equal to the greater of: (a) the amount of such holder's Allowed Claim in accordance with Section 1111(b)(2) less all payments made by the Reorganized Debtor to the holder of the Class 3 Allowed Claim under the terms of this Plan; and (b) the amount necessary, together with all payments made to the holder of the Class 3 claim under this Plan, to provide the holder of the Class 3 Claim with the present value of the Class 3 as of the Effective Date as determined by the Bankruptcy Court at the Confirmation Hearing.

Cure of Defaults and Enforcement of Loan Documents

All outstanding defaults under the loan documents held by the holder of the Class 3 Claim will be deemed cured by the confirmation of this Plan and the making of payments as described herein. All terms and conditions of the loan documents shall continue to apply, except for those terms and conditions that conflict with the terms of this Plan, in which case the terms of this Plan shall control. All provisions concerning release prices for partial releases from the Deed of Trust held by the holder of the Class 3 Claim shall be fully enforceable, except that the release prices shall be the value of each parcel as of the Confirmation Date, as determined by the Bankruptcy Court or agreement of the Debtor and the Class 3 Claimant.

Retention of Lien and Subordination to New Loan

Except as otherwise provided herein, the Class 3 Claimant will retain its lien with its existing level of priority. Upon the funding of the New Loan, described in greater detail elsewhere herein, the lien of the deed of trust of the Class 3 Claimant will be deemed to be subordinate to the lien of the deed of trust securing the New Loan.

//

//

//

CLASS#	DESCRIPTION	INSIDERS (Y/N)	IMPAIRED (Y/N)	TREATMENT
3	**Secured claim of:** USHW **Collateral description:** Debtor's real property **Collateral value:** Estimated $26,000,000 **Priority of security interest:** Third **Total claim amount:** $ To be determined.	No	Yes	[See detailed description of treatment of claim, above.] **Payment Interval:** Monthly **Date of Commencement of Payments:** The first day of the first full month following the Effective Date. **Interest Rate:** The non-default rate of interest provided by the promissory note held by USHW on the Confirmation Date, or such other rate as the Court may determine at the Confirmation Hearing is necessary in order to provide USHW with deferred cash payments having a value, as of the Effective Date of the Plan, of at least the value, as of the Effective Date, of the interest of USHW in the Property. **Maturity Date:** The tenth anniversary of the Effective Date of the Plan, unless the holder of the claim makes a timely election under Section 1111(b) of the Bankruptcy Code, in which case the Maturity Date shall the first day of the 241st month following the First Anniversary Date **Retention of Lien:** The Class 3 Claimant will retain its lien with its existing level of priority. Upon the funding of the New Loan, the lien of the deed of trust of the Class 3 Claimant will be subordinated to the deed of trust securing the New Loan.

4. Class 4: Secured Junior Priority Claims of Mechanics' Lien Claimants.

Class 4 consists of the allowed secured claims of each claimant holding a secured claim based upon the provision of goods or services to the Debtor and/or the Property, who timely took all actions that such claimant was required to take prior to November 20, 2009 in order to perfect

a statutory lien against the Property, and whose claim is junior in priority to the secured claim of the Class 3 claimant (the "Junior Mechanics' Lien Claims"). The amount of the allowed secured claim of each Class 4 claimant will be the value of the claimant's interest in the Property on the date of the hearing on confirmation of the Plan (the "Confirmation Date") in accordance with 11 U.S.C. § 506(a)(1). If the value of the claimant's interest in the Property as of the Confirmation Date is determined to be of inconsequential value in accordance with 11 U.S.C. § 506(a)(1), then the amount of the allowed claim of such claimant will be treated as a general unsecured (Class 5) claim. Any amount by which the claimant's allowed claim exceeds the value of the claimant's interest in the Property will be treated as a general unsecured (Class 5) claim.

The Class 4 Junior Mechanics' Lien Claims will be paid in full as follows:

Each holder of a Class 4 Claim shall be paid in full, including any interest to which the holder of the claim is lawfully entitled, not later than the last to occur of: (i) sixty (60) days following the payment of all Class 4 Priority Mechanics' Lien Claims in accordance with the terms of this Plan, or (ii) 60 days following the date on which a judgment of a court of competent jurisdiction finally determining and allowing the secured claim of such holder, has become final in all respects and not subject to appeal. Alternatively, any holder of a Class 4 Claim may be paid at any time in an amount which the holder of the Claim agrees to accept and the Reorganized Debtor agrees to pay. The source of payment of all Class 4 Claims shall be the Mechanics' Lien Fund, which is described in greater detail below.

Each holder of a Class 4 Claim shall retain their lien, to the extent of the value of their interest in the Property, until the funding of the New Loan, which is described in greater detail below. If the value of the holder of the Class 4 Claim's interest in the Property is determined to be of inconsequential value, then the security interest of the holder of the Class 4 Claim in the Property will be deemed released upon the Effective Date of the Plan. If the value of the Property on the Confirmation Date is less than the total Allowed Secured Claims of the Class 1, 2, and 3 Claimants, then the lien of each mechanics' lien claimant whose claim was properly perfected but whose claim is junior in priority to the claims of the Class 1, 2 and 3 claimants will be of inconsequential value, and will be treated as a Class 5 general unsecured claim. Also, the

claim of any mechanics' lien claimant who failed to timely take all actions required to properly perfect a security interest in the Property will be treated as a Class 5 general unsecured claim.

Upon the funding of the New Loan, the lien of each Class 4 Claimant against the Property shall be deemed released, and each holder of a Class 4 Claim shall be deemed to have a perfected security interest in the Mechanics Lien Fund, with the same validity, priority and amount as such holder's lien against the Property, until such claim is paid in accordance with this Plan.

Upon payment of each Class 4 claim, the Reorganized Debtor shall be deemed to be subrogated to all rights of each paid Class 4 claim against any other parties arising from such claim.

CLASS#	DESCRIPTION	INSIDERS (Y/N)	IMPAIRED (Y/N)	TREATMENT
4	**Secured claim of:** Junior Priority Mechanics' Lien Claims **Collateral description:** The Property **Collateral value:** Estimated $26,000,000 **Priority of security interest:** Fourth **Total claim amount:** $ To be determined.	No	Yes	**Treatment of lien:** Retained until claim is paid.

5. Classes of Priority Unsecured Claims.

Certain priority claims that are referred to in Code Sections 507(a)(3), (4), (5), (6), and (7) are required to be placed in classes. These types of claims are entitled to priority treatment as follows: the Code requires that each holder of such a claim receive cash on the Effective Date

equal to the allowed amount of such claim. However, a class of unsecured priority claim holders may vote to accept deferred cash payments of a value, as of the Effective Date, equal to the allowed amount of such claims.

The Debtor is unaware of any other priority claims of the types listed in Sections 507(a)(3), (4), (5), (6), and (7).

6. Class 5: Class of General Unsecured Claims.

Class 5 consists of all allowed unsecured claims not entitled to priority under Code Section 507(a). In this case, Class 5 general unsecured claims include the allowed claim of any mechanics' lien claimant to the extent such claim is unsecured, either because the claimant failed to take the appropriate actions required under applicable law to perfect a secured claim, or because the value of the claimant's interest in the Property is of inconsequential value.

Class 5 claimants will receive a pro rata payment from the Mechanics' Lien Fund on the Fund Distribution Date, which shall occur not later than sixty (60) days following satisfaction of all Class 2 and Class 4 Secured Claims from the Mechanics' Lien Fund. On the Fund Distribution Date, all funds remaining in the Mechanics' Lien Fund will be distributed pro rata to the holders of allowed Class 5 claims. If, on the Fund Distribution Date, there are any disputed claims that would, if allowed, be considered Class 5 claims, then the Reorganized Debtor shall reserve the full pro rata share to which such claimant would be entitled on the Fund Distribution Date, and shall, within 30 days following allowance of such claim, distribute the pro rata share to which such claimant is entitled. The Reorganized Debtor shall make supplemental pro rata distributions to Class 5 claimants of all amounts reserved to pay disputed claims as such amounts become available for payment to Class 5 Claims due to disallowance of all or a portion of the disputed claim, which supplemental distribution shall occur not later than 30 days following the final allowance or disallowance of the last disputed claim that would, if allowed, be considered a Class 5 Claim.

Class 5 General Unsecured Creditors will also receive, to the extent of available funds, a pro rata supplemental distribution on the Supplemental Distribution Date. The source of the pro rata supplemental distribution will be the Net Proceeds available for distribution in the Litigation

Fund as described below and in Section II.D. of the Plan The Supplemental Distribution Date will occur not later than 60 days following receipt of the Net Proceeds to be distributed. Net proceeds shall mean the amount collected in connection with any litigation claims as described above, and in Section II.D. of the Plan, less all attorneys' fees, costs, other professional fees and costs incurred in collecting the claim, and any anticipated taxes on the amounts collected. In the event that the funds available for distribution under this paragraph constitute only a portion of the anticipated total Net Proceeds, then the Reorganized Debtor may hold such funds from time to time in the discretion of the Reorganized Debtor, until sufficient funds are available for distribution. In the event that the funds available for distribution exceed $50,000, then the Reorganized Debtor shall distribute such funds within 60 days following the date such funds became available for distribution, notwithstanding the fact that the Reorganized Debtor anticipates receipt of additional funds.

Class 5 General Unsecured Creditors will also receive, to the extent of available funds, pro rata supplemental distributions of 50% of Net Operating Profits for each full twelve calendar month period following the Effective Date for the first five years following the Effective Date. The amount of each annual distribution shall be determined and the distribution completed on or before 90th day following the end of the particular twelve calendar month period. Net Operating Profits shall be all income actually received from the operation of the Property during the applicable twelve calendar month period, less all actual operating expenses incurred and paid, all taxes, debt service, management fees, commissions, professional fees and costs and other expenses incurred during the applicable period, and a reasonable reserve for anticipated expenses, including anticipated tenant improvements.

///

///

///

CLASS#	DESCRIPTION	IMPAIRED (Y/N)	TREATMENT
5	General unsecured claims Total amt of claims = To be determined.[3]	Yes	[See detailed description of treatment of claim, above.] **Date of Distribution:** The Fund Distribution Date, *i.e.*, not later than sixty (60) days following satisfaction of all Class 2 and Class 4 Claims from the Mechanics' Lien Fund and the Supplemental Distribution Date as defined above.

7. Class of Interest Holders: Class No. 6.

Interest holders are the parties who hold an ownership interest (i.e., equity interest) in the Debtor. If the Debtor is a corporation, entities holding preferred or common stock in the Debtor are interest holders. If the Debtor is a partnership, the interest holders include both general and limited partners. If the Debtor is an individual, the Debtor is the interest holder. In this case, the Debtor is a limited liability corporation. The interest holders are thus the members of the Debtor. Class 6 consists of the interests of the existing members of the Debtor.

Under this Plan, the membership interests of the existing members of the Debtor will be cancelled on the Effective Date of the Plan. Each Class 6 Interest Holder thus will not receive or retain any property on account of such interest.

The following chart identifies the Plan's treatment of the class of interest holders:

//

//

//

//

[3] It should be noted that included in Class 5 general unsecured claims are loans made to the Debtor by its member(s) in the approximate amount amount of $2,000,000. These loans remain unpaid, and such loans will not be subordinated to the other claims in this class but, instead, will be treated in parity with all other nonpriority prepetition Class 5 claims.

CLASS#	DESCRIPTION	IMPAIRED (Y/N)	TREATMENT
6	Interest holders	Yes	The interests of all existing Members will be cancelled on the Effective Date of the Plan.

D. Means of Effectuating the Plan.

1. Funding for the Plan.

The Plan will be funded by the following:

On the Effective Date of the Plan, new members (the "New Members") will acquire ownership of 100% of the membership interest in the Reorganized Debtor. In return, the New Members will make a capital contribution of not less than $3,000,000 to the Reorganized Debtor on the Effective Date. The identity of each New Member, the percentage interest in the Reorganized Debtor of such New Member, and the minimum capital contribution of such New Member is as follows:

Name	% Interest	Capital Contribution
Kevin Kaing and Lor Yik	33.34%	$1,000,000
Thai Ly and Kathy Yam	25.00%	$750,000
Jimmy Ly and Jennifer Ly	25.00%	$750,000
Peou Ngoy and Phou Chy Yik	16.66%	$500,000
Total	**100.00%**	$3,000,000

All of the eight New Members are related to the Debtor's current co-managing members by blood or marriage. The New Members are parties known to the Debtor that are willing to invest money into the Debtor in exchange for acquiring an ownership interest in the Debtor.

The Debtor may, at any time prior to the Effective Date, substitute one or more alterative persons or entities as New Members, provided that such substitute New Members shall not be

existing members of the Debtor, and such substitute New Members shall contribute sufficient capital contribution to fully fund the Mechanics' Lien Fund and the Interest Reserve Fund.

The source of the payments to all classes of creditors described in this Plan will be:

(i) The Mechanics' Lien Fund;

(ii) The Interest Reserve Fund;

(iii) The Litigation Fund - consisting of the net Litigation Proceeds and Avoidance Action Recoveries;

(iv) The proceeds of the New Loan;

(iv) The ongoing net rental income generated by the Property.

A. The Mechanics' Lien Fund.

On the Effective Date, as part of their capital contribution the New Members will deposit not less than $1,500,000 in the Mechanics' Lien Fund from the New Member capital contribution. The net proceeds of the New Loan will also be deposited in the Mechanics' Lien Fund and described herein. The Reorganized Debtor shall maintain the Mechanics' Lien Fund in insured, interest-bearing accounts at financial institutions of the Reorganized Debtor's choosing. All accruing interest in such accounts shall be included in the funds to be distributed pursuant to the terms of this Plan. No funds will be withdrawn from or distributed from the Mechanics' Lien Fund except as provided in the Plan. The Mechanics' Lien Fund will be used for payment in full of the Class 2 Claims. Upon payment in full of the Class 2 Claims, the balance of funds remaining in the Mechanics' Lien Fund will be used for payment to Class 5 Claims as described in Section II.C.5. of this Plan, above.

As described in detail above, the Mechanic's Lien Fund shall be used to fund certain payments to creditors in Class 2, Class 4 and Class 5 under Debtor's Plan.

B. The Interest Reserve Fund.

On the Effective Date, as part of their capital contribution the New Members will deposit not less than $1,500,000 in the Interest Reserve Fun from the New Member capital contribution d. The Reorganized Debtor shall maintain the Interest Reserve Fund in one or more insured,

interest-bearing accounts at one or more financial institutions of the Reorganized Debtor's choosing. All interest accruing in such accounts shall be included in the funds to be distributed pursuant to the terms of the Plan. No funds will be withdrawn from or distributed from the Interest Reserve Fund except as provided in this Plan. Funds in the Interest Reserve Fund may be used, in addition to available net rental income, to make the payments required under the terms of this Plan to the holders of the Class 1 and Class 3 Claims. In the event that, after the First Anniversary Date, the Reorganized Debtor is able to fund consecutive payments under this Plan to the holders of the Class 1 and Class 3 Claims for not less than six consecutive months, entirely with net proceeds from available rental income generated by the Property, then the Reorganized Debtor may thereafter dissolve the Interest Reserve Fund, and distribute the funds remaining therein to the Reorganized Debtor.

C. The Litigation Fund.

The Litigation Fund shall be a fund created by the deposit of all net proceeds, in excess of attorneys' fees, expert fees, related costs and court costs, collected by the Debtor arising from: (i) the claims belonging to the Debtor and any related claims asserted in the pending Steiner Litigation described above; (ii) the Avoidance Action Recoveries resulting from Avoidance Claims, as described in detail above; and (iii) any other claims, lawsuits, rights and choses in action, whether or not any pending action to pursue such claims has been commenced on or before the Effective Date, except for claims arising from rental income and related charges due from current, former or future tenants.

The Reorganized Debtor shall maintain the Litigation Fund in one or more insured, interest-bearing accounts at one or more financial institutions of the Reorganized Debtor's choosing. All interest accruing in such accounts shall be included in the funds to be distributed pursuant to the terms of the Plan. No funds will be withdrawn from or distributed from the Interest Reserve Fund except as provided in this Plan.

All claims of the Debtor against all third parties, whether known or unknown, vested or contingent, including but not limited to claims of the Debtor and any related claims asserted in

the pending Complaint against Matthew Julian Steiner, et al., Los Angeles Superior Court Case No. VC054920, are specifically preserved under the Plan and may be pursued by the Reorganized Debtor following the confirmation of the Plan. The Reorganized Debtor may, in its sole discretion, commence or continue, dismiss, settle or abandon any action or proceeding to pursue such claims.

D. The New Loan.

Within 60 days following the Effective Date of the Plan, the Debtor will obtain a New Loan. The amount of the New Loan shall be the amount determined by the Reorganized Debtor to be the amount necessary to enable the Reorganized Debtor to meet its obligations under the Plan, but shall not exceed the amount of $6,000,000. The Debtor presently anticipates that the New Loan will be in the amount of approximately $4,050,000, but reserves the right to obtain up to $6,000,000 in the New Loan.

Attached hereto as Exhibit F is a commitment letter from Maximum Output Mortgage for the Debtor to obtain the New Loan. The New Loan shall bear interest at the rate of prime + 2.25% and is subject to confirmation of Debtor's Plan. The New Loan shall have an estimated closing date of 14 days after entry of an Order confirming Debtor's Plan. The New Loan shall be secured by a first priority Deed of Trust against the Property and shall have a 30-year amortization with a balloon payment for the balance being due in 15 years. A six-month interest reserve shall be withheld from the proceeds of the New Loan. Debtor reserves the right to seek alternative sources of the New Loan, which may be on different terms than those provided by Maximum Output Mortgage and to present such alternatives for approval at the Confirmation Hearing.

As is set forth on Exhibit "H" hereto, the amount of the New Loan is based, in part, upon Debtor's estimation of the amount of the amount and priority of the liens of the Class 2 and Class 4 Claimants. If the amount and priority of the liens of the Class 2 and Class 4 Claimants has not been determined by the Confirmation Hearing, then the Debtor shall seek an estimation by the Bankruptcy Court of the amount and priority of the liens of the claimants in these classes at the

Confirmation Hearing. The estimation of the Bankruptcy Court shall be binding only for the purpose of determining the New Loan amount.

Upon the funding of the New Loan, the New Loan will be secured by a first deed of trust against the Property, junior in priority to the existing lien of the Class 1 Claimant, but senior in priority to the lien of the Class 3 Claimant. All net proceeds of the New Loan will be placed in the Mechanics' Lien Fund and shall be used for only for the purposes described in this Plan.

E. Net Income from the Ongoing Operation of the Property.

The net income from the ongoing operation of the Property by the Reorganized Debtor shall also be used to fund certain payments to Debtors creditors under the Plan. Attached hereto as Exhibit E is a 10 year financial projection for the operation of the Property and the assumptions upon which such projections are based.

These financial projections show net cash flow prior to secured debt service ranging from an estimated low of $693,500 during 2011, and increasing to a high of $2,881,612 in 2020. These projections further show total gross income during the period ranging from a low of $1,594,978 to a high of $3,416,548.[4]

The assumptions upon which the Debtor's financial projections are based are set forth in detail in Exhibit E, and include the following: (i) an absorption period of 24 months; (ii) a stabilized vacancy rate of 10% during the entire period of the projections; (iii) a lease renewal rate of 50%; (iv) new lease terms ranging from 5 to 10 years; (v) leasing commission rates of 6%; (vi) a 3% annual increase in expense rates; (vii) a 2% annual increase in property tax and insurance expenses; and (viii) property management expenses of 5% of the base rent amounts.

2. Post-confirmation Management.

Post-confirmation, the Reorganized Debtor will be managed by its managing member or members, who shall be selected by a majority vote of the new members of the Debtor based on the percentage of ownership interests in the Reorganized Debtor of such new members. The

[4] It should be noted that the foregoing figures take into account only whole calendar years described in the financial projections attached as Exhibit "E," and do not consider the partial year of 2010 for which the financial projections provide information only for the fourth quarter.

identity of the managing member or members of the Reorganized Debtor may be changed from time to time by majority vote in percentage ownership interest of the members of the Reorganized Debtor.

3. Disbursing Agent.

The Reorganized Debtor shall act as the disbursing agent for the purpose of making all distributions provided for under the Plan. The Disbursing Agent shall serve without bond and shall receive no compensation for distribution services rendered and expenses incurred pursuant to the Plan.

E. Risk Factors.

The proposed Plan has the following risks:

Although the Debtor is confident that the New Members will make the above-described capital contributions to the Debtor totaling $3,000,000.00, and that it will be able to obtain the New Loan also described above, there is always a risk that these transactions will not be completed. For example, it is possible that one or more of the proposed New Members will back out of their commitment to make their respective capital contributions to the Debtor in exchange for membership interests in the Debtor. It is also possible that one or more of the proposed New Members may suffer financial setbacks that render them impossible to follow through with their commitment to make their promised capital contributions to the Debtor. If either of these possibilities were to occur, it could delay the Debtor's ability to consummate the proposed Plan while the Debtor sought out substitute New Members. If the Debtor were unable to find substitute New Members, it could preclude Debtor's ability to consummate the Plan.

Similarly, although the Debtor feels confident that it will obtain the New Loan from Maximum Output Mortgage, there is some risk that this entity might ultimately fail to fund the proposed New Loan. If this were to occur, it could delay Debtor's ability to consummate the Plan while it sought a substitute lender. If no substitute lender could be found by the Debtor, it could prevent Debtor from being able to perform its Plan.

Lastly, it is possible that Debtor's 10-year financial projections for the revenue and expenses associated with the operation of the Property could prove to be inaccurate to a large

enough degree so as to affect Debtor's ability to perform its Plan. Under its Plan, Debtor will rely on its future income to fund expenses associated with the operation of the Property and to make certain payments to creditors under Debtor's Plan, as described above. If Debtor's projections for the net income to be derived from the future operation of the Property prove to be inaccurately optimistic, it could impact Debtor's ability to make payments required under the Plan.

F. Other Provisions of the Plan.

1. Executory Contracts and Unexpired Leases.

a. Assumptions.

The following are the unexpired leases and executory contracts to be assumed as obligations of the reorganized Debtor under this Plan:

i. All current policies of insurance. consisting of title insurance, commercial general liability, and excess / umbrella liability insurance and automobile insurance policies; and,

ii. All existing lease agreements with all tenants of the Property.[5]

On the Effective Date, each of the unexpired leases and executory contracts listed above shall be assumed as obligations of the Reorganized Debtor. The Order of the Court confirming the Plan shall constitute an Order approving the assumption of each lease and contract listed above. If you are a party to a lease or contract to be assumed and you object to the assumption of your lease or contract, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan. See Section {I.B.3.} of this document for the specific date.

b. Rejections.

On the Effective Date, the following executory contracts and unexpired leases will be rejected: Any and all indemnity agreements whereby the Debtor indemnifies Suretec Insurance Company for obligations that Suretec may incur in connection with any and all bonds that

[5] Debtor is not seeking to assume any bonds that have been issued by Suretec Insurance Company to the Debtor or for the Debtor's benefit.

Suretec issued to the Debtor or for the benefit of the Debtor.

2. Changes in Rates Subject to Regulatory Commission Approval.

This Debtor is not subject to governmental regulatory commission approval of its rates.

3. Retention of Jurisdiction.

The Court will retain jurisdiction to the extent provided by law.

G. Tax Consequences of Plan.

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers about possible tax issues this Plan may present to the Debtor. The Proponent CANNOT and DOES NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to state completely and accurately all the tax implications of any action.

The following are the tax consequences which the Plan will have on the Debtor's tax liability:

Under the Plan, the Debtor proposes to pay its Class 1, 2, 3, 4 and 5 creditors, at least in part, from a new capital contribution to be made to the Debtor from the New Members. Debtor does not anticipate that it will incur any tax consequences from the New Members making such a capital contribution.

Under the Plan, the Debtor proposes to make certain payments to its Class 5 creditors, in part, from any Net Proceeds of any claims of the Debtor, including the claims in the Steiner Litigation and any Avoidance Claims. Any taxes on amounts collected with respect to such claims shall be deducted from the amounts collected prior to distribution under the Plan.

Under the Plan, Debtor proposes to pay Class 1, 3 and 5 creditors, in part, from rental income generated from Debtor's ongoing operation of the Property. Such income will likely be

subject to taxation as ordinary income.

If and when the Debtor sells its real Property, the Debtor may incur a realized gain upon disposition.

The Debtor cannot advise creditors as to the tax effect of the Plan upon creditors. Each creditor is urged to contact their own tax advisors regarding the tax impact of the Plan.

IV.

CONFIRMATION REQUIREMENTS AND PROCEDURES

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OR THIS PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing claims. The proponent CANNOT and DOES NOT represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Court can confirm a Plan. Some of the requirements include that the Plan must be proposed in good faith, acceptance of the Plan, whether the Plan pays creditors at least as much as creditors would receive in a Chapter 7 liquidation, and whether the Plan is feasible. These requirements are not the only requirements for confirmation.

A. Who May Vote or Object.

1. Who May Object to Confirmation of the Plan.

Any party in interest may object to the confirmation of the Plan, but as explained below not everyone is entitled to vote to accept or reject the Plan.

2. Who May Vote to Accept/Reject the Plan.

A creditor or interest holder has a right to vote for or against the Plan if that creditor or interest holder has a claim which is both (1) allowed or allowed for voting purposes and (2) classified in an impaired class.

a. What Is an Allowed Claim/Interest.

As noted above, a creditor or interest holder must first have an allowed claim or interest to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a party in interest brings a motion objecting to the claim. When an objection to a claim or interest is filed, the creditor or interest holder holding the claim or interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or interest for voting purposes.

A BAR DATE OF MARCH 25, 2010, FOR FILING A PROOF OF CLAIM IN THIS CASE HAS BEEN SET BY THE BANKRUPTCY COURT. A creditor or interest holder may have an allowed claim or interest even if a proof of claim or interest was not timely filed. A claim is deemed allowed if (1) it is scheduled on the Debtor's schedules and such claim is not scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the claim. An interest is deemed allowed if it is scheduled and no party in interest has objected to the interest. Consult Exhibit G to see how the Proponent has characterized your claim or interest.

b. What Is an Impaired Claim/Interest.

As noted above, an allowed claim or interest only has the right to vote if it is in a class that is impaired under the Plan. A class is impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class. For example, a class comprised of general unsecured claims is impaired if the Plan fails to pay the members of that class 100% of what they are owed.

In this case, the Proponent believes that classes 1, 2, 3, 4 and 5 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. Parties who dispute the Proponent's characterization of their claim or interest as being impaired or unimpaired may file an objection to the Plan contending that the Proponent has incorrectly characterized the class.

3. Who is Not Entitled to Vote.

The following four types of claims are not entitled to vote: (1) claims that have been

disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to Code sections 507(a)(1), (a)(2), and (a)(8); and (4) claims in classes that do not receive or retain any value under the Plan. Claims in unimpaired classes are not entitled to vote because such classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to Code sections 507(a)(1), (a)(2), and (a)(8) are not entitled to vote because such claims are not placed in classes and they are required to receive certain treatment specified by the Code. Claims in classes that do not receive or retain any value under the Plan do not vote because such classes are deemed to have rejected the Plan. In this case, the Class 6 Interest Holders do not receive or retain any value under the Plan and are therefore not entitled to Vote. EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

4. Who Can Vote in More Than One Class.

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim is entitled to accept or reject a Plan in both capacities by casting one ballot for the secured part of the claim and another ballot for the unsecured claim.

5. Votes Necessary to Confirm the Plan.

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cramdown" on non-accepting classes, as discussed later in Section {IV.A.8.}.

6. Votes Necessary for a Class to Accept the Plan.

A class of claims is considered to have accepted the Plan when more than one-half (1/2) in number and at least two-thirds (2/3) in dollar amount of the claims which actually voted, voted in favor of the Plan. A class of interests is considered to have accepted the Plan when at least two-thirds (2/3) in amount of the interest-holders of such class which actually voted, voted to accept the Plan.

7. Treatment of Nonaccepting Classes.

As noted above, even if one or more impaired classes do not accept the proposed Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner required by the Code. The process by which nonaccepting classes are forced to be bound by the terms of the Plan is commonly referred to as "cramdown." The Code allows the Plan to be "crammed down" on nonaccepting classes of claims or interests if it meets all consensual requirements except the voting requirements of 1129(a)(8), if at least one impaired class has accepted the Plan without counting the votes of any insiders within that class, and if the Plan does not "discriminate unfairly" and is "fair and equitable" toward each impaired class that has not voted to accept the Plan as referred to in 11 U.S.C. § 1129(b) and applicable case law.

8. Request for Confirmation Despite Nonacceptance by Impaired Class(es).

The party proposing this Plan asks the Court to confirm this Plan by cramdown on impaired classes 1, 2, 3, 4 and 5 if any of these classes do not vote to accept the Plan.

B. Liquidation Analysis.

Another confirmation requirement is the "Best Interest Test", which requires a liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an impaired class and that claimant or interest holder does not vote to accept the Plan, then that claimant or interest holder must receive or retain under the Plan property of a value not less than the amount that such holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 case, the Debtor's assets are usually sold by a Chapter 7 trustee. Secured creditors are paid first from the sales proceeds of properties on which the secured creditors have a lien. Administrative claims are paid next. Next, unsecured creditors are paid from any remaining sales proceeds, according to their rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claim in relationship to the amount of total allowed unsecured claims. Finally, interest holders receive the balance that remains after all creditors are paid, if any.

For the Court to be able to confirm this Plan, the Court must find that all creditors and

interest holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a Chapter 7 liquidation. The Plan Proponent maintains that this requirement is met here for the following reasons:

Under a Chapter 7 liquidation, if the Chapter 7 trustee were to market and sell the Debtor's Property for its current fair market value, the Class 1 secured tax claim of San Bernardino County, and Class 2 priority mechanics' lien secured creditors would receive full (100%) satisfaction of their claims, and USHW would receive partial satisfaction of its secured claim. All other junior secured creditors would receive nothing on account of their security interests because the value of the Property is less than the total amount of liens encumbering the Property. The remaining claims of such parties with liens on the Property that received no satisfaction, or only partial satisfaction, of their claims from the sale of the Property would have

7 liquidation.

In addition, Class 5 unsecured creditors are also likely to receive more in this Chapter 11 case than they would in a Chapter 7 liquidation because, in addition to the net litigation recoveries described above, creditors in this class will also receive a pro rata distribution from the Mechanics' Lien Fund to be provided from the capital contribution of the New Members, and will also receive pro rata payments of 50% of the Debtor's net operating profit for the first 60 months following the Effective Date. In a Chapter 7 liquidation, no Mechanics' Lien Fund would be established from which unsecured creditors could receive payment, and there would be no ongoing operations of the Debtor that could provide distributions to Class 5 creditors from future net profits.

Below is a demonstration, in balance sheet format, that all creditors and interest holders will receive at least as much under the Plan as such creditor or interest holder would receive under a Chapter 7 liquidation

//

//

//

//

//

//

//

//

//

//

//

ASSETS VALUE AT LIQUIDATION VALUES:	
CURRENT ASSETS - None TOTAL CURRENT ASSETS	$0.00[7]
FIXED ASSETS a. Real Property – Rancho Cucamonga, CA	$25,910,000[8]
TOTAL FIXED ASSETS	$25,910,000
OTHER ASSETS None	$0.00[9]
TOTAL ASSETS AT LIQUIDATION VALUE	**$25,910,000** ==========
Less: Secured creditor's recovery	$25,910,000 (plus any allowed interest, fees and costs)
Less: Chapter 7 trustee fees and expenses	$ 72,450.00 (est.)
Less: Chapter 11 administrative expenses	$ 40,000 (est.) =========
(1) Balance for unsecured claims	$ - 0 -

% OF THEIR CLAIMS WHICH UNSECURED CREDITORS WOULD RECEIVE OR RETAIN IN A CHAPTER 7 LIQUIDATION: = 0.0 %

% OF THEIR CLAIMS WHICH UNSECURED CREDITORS WILL RECEIVE OR RETAIN UNDER THIS PLAN: = GREATER THAN 0.0 %

[7] As of March 17, 2010, Debtor has on hand approximately $118,800 of cash. However, this cash constitutes the cash collateral of USHW and is, therefore, not available for distribution to Debtor's creditors other than USHW. Because this cash is restricted, it has not been included in the liquidation analysis.

[8] The $25,910,000.00 value ascribed to the Debtor's real Property in the chart below is based upon USHW's recent appraisal of the Property dated December 28, 2009. Debtor reserves the right to contest this value ascribed to the Property, and/or to present contradictory evidence of the current fair market value of the Property.

[9] In addition to the other assets disclosed, the bankruptcy estate also holds litigation claims in the Steiner Litigation, and may also hold certain Preference Avoidance Claims. The value of such claims, if any, is contingent and unliquidated. Accordingly, no value has been ascribed by the Debtor to such claims in the liquidation analysis chart set forth above.

Below is a demonstration, in tabular format, that all creditors and interest holders will receive at least as much under the Plan as such creditor or holder would receive under a Chapter 7 liquidation.

CLAIMS & CLASSES	PAYOUT PERCENTAGE UNDER THE PLAN	PAYOUT PERCENTAGE IN CHAPTER 7 LIQUIDATION
Administrative Claims	100%	0.0%
Priority Tax Claims	100%	0.0%
Class 1 – First priority secured tax claim of San Bernardino County Assessor	100%	100%
Class 2 – Second priority secured claim of Priority Mechanics' Liens	100%	100%
Class 3 – Third priority secured claim of USHW	100%	63% (est.)
Class 4 – Fourth priority secured claims of Junior Mechanics' Liens	100%	0.0%
Class 5 – General Unsecured Claims	Amount unknown, but greater than 0.0%	0%
Class 6 – Equity members of the Debtor	membership interest cancelled	0%

C. Feasibility.

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses which are entitled to be paid on such date. The Plan Proponent maintains that this aspect of feasibility is satisfied as illustrated here:

On the Effective Date, the Debtor estimates that it will only be required to pay a negligible amount of administrative expenses to the Office of the United States Trustee and the Bankruptcy Court Clerk's Office. Debtor anticipates that it will have sufficient unrestricted cash on hand to pay such fees on the Effective Date. Additionally, the Plan provides that any outstanding fees owed to Debtor's insolvency counsel will be paid upon entry of an Order of the Court allowing such fees under a final fee application. Because the New Loan is anticipated to fund within two weeks of the entry of an Order confirming Debtor's Plan, Debtor should have ample funds available to it to pay any outstanding professional fees allowed by the Court pursuant to a final fee application upon entry of an Order thereon post-confirmation.

As discussed above, the Tax Assessor of San Bernardino County holds a Class 1 first priority claim secured against the Property in the amount of $249,965. The Plan provides for Debtor to fully satisfy this claim, with interest, over a 5 year period. Debtor estimates that its annual payment on this claim for the 5 years following the Effective Date will be as follows:

Year 1 $94,987

Year 2 $85,988

Tear 3 $76,989

Year 4 $67,991

Year 5 $59,992

See Exhibit H, attached.

The face amount of all Class 2 Priority Mechanics' Lien claims and Class 4 Junior Mechanics' Lien Claims total approximately a combined $6.8 million. However, Debtor believes that some of these claims are overlapping and/or duplicative of each other, and that the true combined amount of such Mechanics' Liens totals approximately $5.6 million. Debtor further believes that the total amount of the Class 2 Priority Mechanics' Liens (having priority over the lien of USHW under its Deed of Trust) total approximately $4.5 million. In light of the foregoing facts, Debtor estimates that the secured value of USHW's interest in the property, i.e., the amount of USHW's Class 3 secured claim, totals $21,250,035. This estimated amount of USHW's Class 3 secured claim is calculated as follows:

$26,000,000	Estimated current value of the Property
- $249,965	Amount of Class 1 first priority secured property tas claim
-$ 4,500,000	Estimated amount of Class 2 Priority Mechanics' Liens
$21,250,035	**Total amount of USHW's Class 3 secured claim**

Under the Plan, using $2 million of the new capital to be contributed by the New Members, and also approximately $4,050,000 (including fees, costs and interest reserve) of the New Loan (which is authorized up to $6 million), Debtor will be able to establish the Mechanics' Lien Fund in an amount that is more than sufficient to satisfy all allowed Class 2 Priority Mechanics' Liens and Class 4 Junior Mechanics' Liens, as described in detail above. Thereafter, the remainder of any funds remaining in the Mechanics' Lien Fund shall be used to make a pro rata distribution to Debtor's Class 5 general unsecured creditors.

In addition to the estimated payment of to the County of San Bernardino ranging from $94,987 to $58,992 on its Class 1 secured property tax claim during the first 5 years of the Plan, Debtor will also be required to make post-confirmation of the following estimated amounts under its Plan:

A.	$741,564	One year interest-only payments to USHW on its Class 3 secured claim during the first 12 months following the Effective Date;
B.	$1,447,860	Annual interest and principal payments to USHW on its Class 3 secured claim beginning in the 13th month following the Effective Date and continuing thereafter until the balloon payment of remaining principal, due on the 10th Anniversary of the Effective Date;
C.	$275,940	Annual interest and principal payments on the New Loan.

Attached hereto as Exhibit H is a summary of the payments that Debtor must make after the Effective Date on the New Loan, the Class 1 claim and the Class 3 claim.

In summary, and in light of the foregoing, during the first 12 months following the Effective date, the Reorganized Debtor must make the following payments to secured creditors in order to perform its Plan:

New Loan	$275,940
S.B. County Tax Claim	$94,987
USHW (Class 3)	$741,564
Total	**$1,112,491**

As shown on Debtor's financial projections attached as Exhibit E, Debtor projects that it will have net income of $693,500 available from operation of the Property during 2011 to pay the foregoing required amounts with a projected shortfall of $418,991. Any shortfall will be satisfied from the $1.5 million Interest Reserve Fund that will be created from the capital contribution of the New Members.

During the second year following the Effective Date, the Reorganized Debtor must make the following payments to secured creditors in order to perform its Plan:

New Loan	$275,940
S.B. County Tax Claim	$85,998
USHW (Class 3)	$1,447,860
Total	**$1,809,788**

As shown on Debtor's financial projections attached as Exhibit E, Debtor projects that it will have net income of $1,561,213 available from operation of the Property during 2012 to pay the foregoing required amounts with a projected shortfall of $248,575. This anticipated shortfall would be covered by the $1.5 million Interest Reserve Fund.

From the information provided above and in Exhibits E and H attached hereto, during years 3 – 10 of the Plan, calculations similar to the foregoing can be performed showing that Debtor anticipates having sufficient net cash flow from operations during these years to make all remaining payments required of it under the Plan.

Under Debtor's Plan, the remaining principal owed to the Class 3 Claimant, USHW, shall become due in a balloon payment on the Tenth Anniversary of the Effective Date of the Plan. Debtor estimates, based upon certain assumptions, that the outstanding principal balance that will be owed to USHW on the tenth anniversary of the Effective Date will be $18,047,002. See

Exhibit J attached hereto. The Debtor anticipates that it will satisfy the balloon payment through a sale or refinance of the Property.

In light of the foregoing, the Debtor's Plan is feasible.

The Proponent has provided financial statements which include both historical and projected financial information. Please refer to Exhibits D, E and H for the relevant financial information. The proponent has also provided a commitment letter from Maximum Output Mortgage concerning its ability to obtain the New Loan. See Exhibit F attached hereto. In addition, the Proponent as provided amortization schedules for the New Loan (Exhibit I), and for years 2 – 10 of the repayment of the Class 3 secured claim of USHW under the Plan (Exhibit J), based upon certain assumptions set forth therein. YOU ARE ADVISED TO CONSULT WITH YOUR ACCOUNTANT OR FINANCIAL ADVISOR IF YOU HAVE ANY QUESTIONS PERTAINING TO THESE FINANCIAL STATEMENTS. THE CALCULATIONS SET FORTH HEREIN AND IN THE ATTACHMENTS HERETO ARE BASED UPON CERTAIN ASSUMPTIONS. THOSE ASSUMPTIONS WERE MADE BY WAY OF EXAMPLE FOR THE SAKE FOR THE DISCUSSION OF FEASIBILITY AND ARE NOT INTENDED TO BE BINDING ON ANY PARTY. THE DEBTOR MAY OFFER DIFFERENT CALCULATIONS BASED UPON DIFFERENT ASSUMPTIONS IN SUPPORT OF CONFIRMATION OF ITS PLAN.

V.

EFFECT OF CONFIRMATION OF PLAN

A. Discharge.

This Plan provides that upon the Effective Date, the Debtor shall be discharged of liability for payment of debts incurred before confirmation of the Plan, to the extent specified in 11 U.S.C.§1141. However, the discharge will not discharge any liability imposed by the Plan.

B. Revesting of Property in the Debtor.

Except as provided in Section {V.E.}, and except as provided elsewhere in the Plan, the confirmation of the Plan revests all of the property of the estate in the Debtor.

C. Modification of Plan.

The Proponent of the Plan may modify the Plan at any time before confirmation. However, the Court may require a new disclosure statement and/or re-voting on the Plan.

The Proponent of the Plan may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

D. Post-Confirmation Status Report.

Within 120 days of the entry of the order confirming the Plan, Plan Proponent shall file a status report with the Court explaining what progress has been made toward consummation of the confirmed Plan. The status report shall be served on the United States Trustee, the twenty largest unsecured creditors, and those parties who have requested special notice. Further status reports shall be filed every 120 days and served on the same entities.

E. Quarterly Fees.

Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) to date of confirmation shall be paid to the United States Trustee on or before the Effective Date of the plan. Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) after confirmation shall be paid to the United States Trustee in accordance with 28 U.S.C. § 1930(a)(6) until entry of a final decree, or entry of an order of dismissal or conversion to chapter 7.

F. Post-Confirmation Conversion/Dismissal.

A creditor or party in interest may bring a motion to convert or dismiss the case under § 1112(b), after the Plan is confirmed, if there is a default in performing the Plan. If the Court orders, the case converted to Chapter 7 after the Plan is confirmed, then all property that had been property of the Chapter 11 estate, and that has not been disbursed pursuant to the Plan, will revest in the Chapter 7 estate. The automatic stay will be reimposed upon the revested property, but only to the extent that relief from stay was not previously authorized by the Court during this case.

The order confirming the Plan may also be revoked under very limited circumstances. The Court may revoke the order if the order of confirmation was procured by fraud and if the party in interest brings an adversary proceeding to revoke confirmation within 180 days after the entry of the order of confirmation.

G. Final Decree.

Once the estate has been fully administered as referred to in Bankruptcy Rule 3022, the Plan Proponent, or other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case.

Dated: June 3, 2010

Respectfully Submitted.

RINGSTAD & SANDERS, LLP

By: _____
Todd C. Ringstad
General Insolvency Counsel for
F&F, LLC, Debtor and Debtor-in-Possession

Dated: June 3, 2010

F&F, LLC

By: _____
Choung Fann Yik,
Co-Managing Member

By: _____
Ying Faung Ley,
Co-Managing Member

DECLARATION OF CHOUNG FANN YIK

I, Choung Fann Yik, declare as follows:

1. The following matters are true and correct and, if called upon as a witness, I could and would competently testify thereto. I am an individual over the age of eighteen years and am competent to make this declaration. I am a co-managing member of F&F LLC, a California Limited Liability Company (the "Debtor").

2. I have read the Chapter 11 Disclosure Statement that precedes this Declaration. To the best of my knowledge, information and belief, all of the matters stated therein are true and correct.

3. Attached hereto as Exhibit A is a true and correct copy of a leasing brochure for the Debtor's commercial real property commonly known as Victoria Promenade (the "Property").

4. Attached hereto as Exhibit B is a list of all known parties asserting bonded stop notice claims and/or mechanics' liens against the Property and/or in connection with the development of the Property.

5. Attached hereto as Exhibit C is a list of all of the Debtor's assets.

6. Attached hereto as Exhibit D are true and correct copies of Debtor's unaudited financial statements.

7. Attached as Exhibit E are the Debtor's financial projections for the operation of its Property during the first 10 years following the Effective Date of Debtor's Plan, and a description of the assumptions upon which such projections are based.

8. Attached as Exhibit F is a commitment letter from Maximum Output Mortgage regarding Debtor obtaining the New Loan.

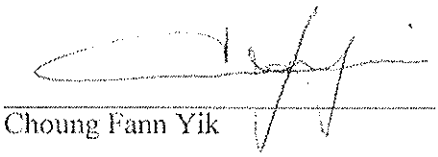
9. Attached as Exhibit G are true and correct copies of Debtor's bankruptcy Schedules D, E and F.

10. Attached as Exhibit H is a true and correct summarization and estimation of the payments that will need to be made by the Debtor after the Effective Date of the Plan on the Class 1 secured property tax claim of San Bernardino County, the Class 3 secured Claim of USHW, and the New Loan, and the assumptions upon which the foregoing are based. This exhibit also includes a summary of the method in which the Debtor has estimated the amount of the Class 3 secured claim of USHW.

11. Attached as Exhibit I is an amortization schedule for the New Loan and the anticipated amount that the Debtor will need to borrow thereunder.

12. Attached as Exhibit J is an amortization schedule for years 2 – 10 following the Effective Date of the Plan for the Class 3 secured claim of USHW.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 3rd day of June, 2010, at Arcadia, California.



Choung Fann Yik