

UNITED STATES BANKRUPTCY COURT Central District of California		Main Document Page 1 of 55		VOLUNTARY PETITION	
Name of Debtor (if individual, enter Last, First, Middle): MCF480, LLC, a California limited liability company			Name of Joint Debtor (Spouse) (Last, First, Middle):		
All Other Names used by the Debtor in the last 8 years (include married, maiden, and trade names): dba Asada Laguna Beach			All Other Names used by the Joint Debtor in the last 8 years (include married, maiden, and trade names):		
Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN)/Complete EIN (if more than one, state all): 27-3426724			Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN)/Complete EIN (if more than one, state all):		
Street Address of Debtor (No. and Street, City, and State): 480 South Coast Highway Laguna Beach, CA <div style="text-align: right;">ZIP CODE 92651</div>			Street Address of Joint Debtor (No. and Street, City, and State): <div style="text-align: right;">ZIP CODE</div>		
County of Residence or of the Principal Place of Business: Orange			County of Residence or of the Principal Place of Business:		
Mailing Address of Debtor (if different from street address): <div style="text-align: right;">ZIP CODE</div>			Mailing Address of Joint Debtor (if different from street address): <div style="text-align: right;">ZIP CODE</div>		
Location of Principal Assets of Business Debtor (if different from street address above): <div style="text-align: right;">ZIP CODE</div>					
Type of Debtor (Form of Organization) (Check one box.) <input type="checkbox"/> Individual (includes Joint Debtors) <i>See Exhibit D on page 2 of this form.</i> <input checked="" type="checkbox"/> Corporation (includes LLC and LLP) <input type="checkbox"/> Partnership <input type="checkbox"/> Other (If debtor is not one of the above entities, check this box and state type of entity below.)		Nature of Business (Check one box.) <input type="checkbox"/> Health Care Business <input type="checkbox"/> Single Asset Real Estate as defined in 11 U.S.C. § 101(51B) <input type="checkbox"/> Railroad <input type="checkbox"/> Stockbroker <input type="checkbox"/> Commodity Broker <input type="checkbox"/> Clearing Bank <input checked="" type="checkbox"/> Other		Chapter of Bankruptcy Code Under Which the Petition is Filed (Check one box.) <input type="checkbox"/> Chapter 7 <input type="checkbox"/> Chapter 9 <input checked="" type="checkbox"/> Chapter 11 <input type="checkbox"/> Chapter 12 <input type="checkbox"/> Chapter 13 <input type="checkbox"/> Chapter 15 Petition for Recognition of a Foreign Main Proceeding <input type="checkbox"/> Chapter 15 Petition for Recognition of a Foreign Nonmain Proceeding	
Chapter 15 Debtors Country of debtor's center of main interests: Each country in which a foreign proceeding by, regarding, or against debtor is pending:		Tax-Exempt Entity (Check box, if applicable.) <input type="checkbox"/> Debtor is a tax-exempt organization under title 26 of the United States Code (the Internal Revenue Code).		Nature of Debts (Check one box.) <input type="checkbox"/> Debts are primarily consumer debts, defined in 11 U.S.C. § 101(8) as "incurred by an individual primarily for a personal, family, or household purpose." <input checked="" type="checkbox"/> Debts are primarily business debts.	
Filing Fee (Check one box.) <input checked="" type="checkbox"/> Full Filing Fee attached. <input type="checkbox"/> Filing Fee to be paid in installments (applicable to individuals only). Must attach signed application for the court's consideration certifying that the debtor is unable to pay fee except in installments. Rule 1006(b). See Official Form 3A. <input type="checkbox"/> Filing Fee waiver requested (applicable to chapter 7 individuals only). Must attach signed application for the court's consideration. See Official Form 3B.			Chapter 11 Debtors Check one box: <input checked="" type="checkbox"/> Debtor is a small business debtor as defined in 11 U.S.C. § 101(51D). <input type="checkbox"/> Debtor is not a small business debtor as defined in 11 U.S.C. § 101(51D). Check if: <input checked="" type="checkbox"/> Debtor's aggregate noncontingent liquidated debts (excluding debts owed to insiders or affiliates) are less than \$2,490,925 (amount subject to adjustment on 4/01/16 and every three years thereafter). ----- Check all applicable boxes: <input type="checkbox"/> A plan is being filed with this petition. <input type="checkbox"/> Acceptances of the plan were solicited prepetition from one or more classes of creditors, in accordance with 11 U.S.C. § 1126(b).		
Statistical/Administrative Information <input type="checkbox"/> Debtor estimates that funds will be available for distribution to unsecured creditors. <input type="checkbox"/> Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors.					THIS SPACE IS FOR COURT USE ONLY
Estimated Number of Creditors <input type="checkbox"/> 1-49 <input checked="" type="checkbox"/> 50-99 <input type="checkbox"/> 100-199 <input type="checkbox"/> 200-999 <input type="checkbox"/> 1,000-5,000 <input type="checkbox"/> 5,001-10,000 <input type="checkbox"/> 10,001-25,000 <input type="checkbox"/> 25,001-50,000 <input type="checkbox"/> 50,001-100,000 <input type="checkbox"/> Over 100,000					
Estimated Assets <input type="checkbox"/> \$0 to \$50,000 <input type="checkbox"/> \$50,001 to \$100,000 <input type="checkbox"/> \$100,001 to \$500,000 <input type="checkbox"/> \$500,001 to \$1 million <input checked="" type="checkbox"/> \$1,000,001 to \$10 million <input type="checkbox"/> \$10,000,001 to \$50 million <input type="checkbox"/> \$50,000,001 to \$100 million <input type="checkbox"/> \$100,000,001 to \$500 million <input type="checkbox"/> \$500,000,001 to \$1 billion <input type="checkbox"/> More than \$1 billion					
Estimated Liabilities <input type="checkbox"/> \$0 to \$50,000 <input type="checkbox"/> \$50,001 to \$100,000 <input type="checkbox"/> \$100,001 to \$500,000 <input type="checkbox"/> \$500,001 to \$1 million <input checked="" type="checkbox"/> \$1,000,001 to \$10 million <input type="checkbox"/> \$10,000,001 to \$50 million <input type="checkbox"/> \$50,000,001 to \$100 million <input type="checkbox"/> \$100,000,001 to \$500 million <input type="checkbox"/> \$500,000,001 to \$1 billion <input type="checkbox"/> More than \$1 billion					

Voluntary Petition <i>(This page must be completed and filed in every case.)</i>		Main Document Page 2 of 55 Name of Debtor: MCF480, LLC, a California limited liability company	
All Prior Bankruptcy Cases Filed Within Last 8 Years (If more than two, attach additional sheet.)			
Location Where Filed:	Case Number:	Date Filed:	
Location Where Filed:	Case Number:	Date Filed:	
Pending Bankruptcy Case Filed by any Spouse, Partner, or Affiliate of this Debtor (If more than one, attach additional sheet.)			
Name of Debtor:	Case Number:	Date Filed:	
District:	Relationship:	Judge:	
<p style="text-align: center; font-weight: bold;">Exhibit A</p> <p>(To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11.)</p> <p><input type="checkbox"/> Exhibit A is attached and made a part of this petition.</p>		<p style="text-align: center; font-weight: bold;">Exhibit B</p> <p>(To be completed if debtor is an individual whose debts are primarily consumer debts.)</p> <p>I, the attorney for the petitioner named in the foregoing petition, declare that I have informed the petitioner that [he or she] may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, and have explained the relief available under each such chapter. I further certify that I have delivered to the debtor the notice required by 11 U.S.C. § 342(b).</p> <p>X _____ Signature of Attorney for Debtor(s) (Date)</p>	
Exhibit C			
Does the debtor own or have possession of any property that poses or is alleged to pose a threat of imminent and identifiable harm to public health or safety?			
<input type="checkbox"/> Yes, and Exhibit C is attached and made a part of this petition.			
<input type="checkbox"/> No.			
Exhibit D			
(To be completed by every individual debtor. If a joint petition is filed, each spouse must complete and attach a separate Exhibit D.)			
<input type="checkbox"/> Exhibit D, completed and signed by the debtor, is attached and made a part of this petition.			
If this is a joint petition:			
<input type="checkbox"/> Exhibit D, also completed and signed by the joint debtor, is attached and made a part of this petition.			
Information Regarding the Debtor - Venue			
(Check any applicable box.)			
<input checked="" type="checkbox"/> Debtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District.			
<input type="checkbox"/> There is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District.			
<input type="checkbox"/> Debtor is a debtor in a foreign proceeding and has its principal place of business or principal assets in the United States in this District, or has no principal place of business or assets in the United States but is a defendant in an action or proceeding [in a federal or state court] in this District, or the interests of the parties will be served in regard to the relief sought in this District.			
Certification by a Debtor Who Resides as a Tenant of Residential Property			
(Check all applicable boxes.)			
<input type="checkbox"/> Landlord has a judgment against the debtor for possession of debtor's residence. (If box checked, complete the following.)			
_____ (Name of landlord that obtained judgment)			
_____ (Address of landlord)			
<input type="checkbox"/> Debtor claims that under applicable nonbankruptcy law, there are circumstances under which the debtor would be permitted to cure the entire monetary default that gave rise to the judgment for possession, after the judgment for possession was entered, and			
<input type="checkbox"/> Debtor has included with this petition the deposit with the court of any rent that would become due during the 30-day period after the filing of the petition.			
<input type="checkbox"/> Debtor certifies that he/she has served the Landlord with this certification. (11 U.S.C. § 362(l)).			

<p>Voluntary Petition (This page must be completed and filed in every case.)</p>	<p style="text-align: center;">Main Document</p> <p>Name of Debtor: MCF480, LLC, a California limited liability company</p>
Signatures	
<p style="text-align: center;">Signature(s) of Debtor(s) (Individual/Joint)</p> <p>I declare under penalty of perjury that the information provided in this petition is true and correct. [If petitioner is an individual whose debts are primarily consumer debts and has chosen to file under chapter 7] I am aware that I may proceed under chapter 7, 11, 12 or 13 of title 11, United States Code, understand the relief available under each such chapter, and choose to proceed under chapter 7. [If no attorney represents me and no bankruptcy petition preparer signs the petition] I have obtained and read the notice required by 11 U.S.C. § 342(b).</p> <p>I request relief in accordance with the chapter of title 11, United States Code, specified in this petition.</p> <p>X _____ Signature of Debtor</p> <p>X _____ Signature of Joint Debtor</p> <p>_____ Telephone Number (if not represented by attorney)</p> <p>_____ Date</p>	<p style="text-align: center;">Signature of a Foreign Representative</p> <p>I declare under penalty of perjury that the information provided in this petition is true and correct, that I am the foreign representative of a debtor in a foreign proceeding, and that I am authorized to file this petition.</p> <p>(Check only one box.)</p> <p><input type="checkbox"/> I request relief in accordance with chapter 15 of title 11, United States Code. Certified copies of the documents required by 11 U.S.C. § 1515 are attached.</p> <p><input type="checkbox"/> Pursuant to 11 U.S.C. § 1511, I request relief in accordance with the chapter of title 11 specified in this petition. A certified copy of the order granting recognition of the foreign main proceeding is attached.</p> <p>X _____ (Signature of Foreign Representative)</p> <p>_____ (Printed Name of Foreign Representative)</p> <p>_____ Date</p>
<p style="text-align: center;">Signature of Attorney*</p> <p>X <u>/s/ James C. Bastian, Jr.</u> Signature of Attorney for Debtor(s) <u>James C. Bastian, Jr.</u> Printed Name of Attorney for Debtor(s) <u>Shulman Hodges & Bastian LLP</u> Firm Name <u>8105 Irvine Center Drive, Suite 600, Irvine, CA 92618</u> _____ Address <u>949-340-3400</u> Telephone Number <u>04/08/2013</u> Date</p> <p><small>*In a case in which § 707(b)(4)(D) applies, this signature also constitutes a certification that the attorney has no knowledge after an inquiry that the information in the schedules is incorrect.</small></p>	<p style="text-align: center;">Signature of Non-Attorney Bankruptcy Petition Preparer</p> <p>I declare under penalty of perjury that: (1) I am a bankruptcy petition preparer as defined in 11 U.S.C. § 110; (2) I prepared this document for compensation and have provided the debtor with a copy of this document and the notices and information required under 11 U.S.C. §§ 110(b), 110(h), and 342(b); and, (3) if rules or guidelines have been promulgated pursuant to 11 U.S.C. § 110(h) setting a maximum fee for services chargeable by bankruptcy petition preparers, I have given the debtor notice of the maximum amount before preparing any document for filing for a debtor or accepting any fee from the debtor, as required in that section. Official Form 19 is attached.</p> <p>_____ Printed Name and title, if any, of Bankruptcy Petition Preparer</p> <p>_____ Social-Security number (If the bankruptcy petition preparer is not an individual, state the Social-Security number of the officer, principal, responsible person or partner of the bankruptcy petition preparer.) (Required by 11 U.S.C. § 110.)</p> <p>_____ Address</p> <p>X _____ Signature</p> <p>_____ Date</p> <p>Signature of bankruptcy petition preparer or officer, principal, responsible person, or partner whose Social-Security number is provided above.</p> <p>Names and Social-Security numbers of all other individuals who prepared or assisted in preparing this document unless the bankruptcy petition preparer is not an individual.</p> <p>If more than one person prepared this document, attach additional sheets conforming to the appropriate official form for each person.</p> <p><i>A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both. 11 U.S.C. § 110; 18 U.S.C. § 156.</i></p>
<p style="text-align: center;">Signature of Debtor (Corporation/Partnership)</p> <p>I declare under penalty of perjury that the information provided in this petition is true and correct, and that I have been authorized to file this petition on behalf of the debtor.</p> <p>The debtor requests the relief in accordance with the chapter of title 11, United States Code, specified in this petition.</p> <p>X <u>/s/ Scott McIntosh</u> Signature of Authorized Individual <u>Scott McIntosh</u> Printed Name of Authorized Individual <u>Managing Member</u> Title of Authorized Individual <u>04/08/2013</u> Date</p>	

Attorney or Party Name, Address, Telephone & FAX Numbers, and California State Bar Number James C. Bastian, Jr. - Bar No. 175415 Shulman Hodges & Bastian LLP 8105 Irvine Center Drive, Suite 600, Irvine, CA 92618 Tel: 949-340-3400; Fax: 949-340-3000 <input type="checkbox"/> Attorney for: Debtor	FOR COURT USE ONLY
UNITED STATES BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA	
In re: MCF480, LLC, a California limited liability company, dba Asada Laguna Beach, Debtor(s).	CASE NO.: CHAPTER: 11 ADV. NO.:

ELECTRONIC FILING DECLARATION
(CORPORATION/PARTNERSHIP)

- ☒ Petition, statement of affairs, schedules or lists
☐ Amendments to the petition, statement of affairs, schedules or lists
☐ Other: _____

Date Filed: 4/8/2013
Date Filed: _____
Date Filed: _____

PART I - DECLARATION OF AUTHORIZED SIGNATORY OF DEBTOR OR OTHER PARTY

I, the undersigned, hereby declare under penalty of perjury that: (1) I have been authorized by the Debtor or other party on whose behalf the above-referenced document is being filed (Filing Party) to sign and to file, on behalf of the Filing Party, the above-referenced document being filed electronically (Filed Document); (2) I have read and understand the Filed Document; (3) the information provided in the Filed Document is true, correct and complete; (4) the "/s/," followed by my name, on the signature lines for the Filing Party in the Filed Document serves as my signature on behalf of the Filing Party and denotes the making of such declarations, requests, statements, verifications and certifications by me and by the Filing Party to the same extent and effect as my actual signature on such signature lines; (5) I have actually signed a true and correct hard copy of the Filed Document in such places on behalf of the Filing Party and provided the executed hard copy of the Filed Document to the Filing Party's attorney; and (6) I, on behalf of the Filing Party, have authorized the Filing Party's attorney to file the electronic version of the Filed Document and this Declaration with the United States Bankruptcy Court for the Central District of California.



Signature of Authorized Signatory of Filing Party
Scott McIntosh

Printed Name of Authorized Signatory of Filing Party
Managing Member

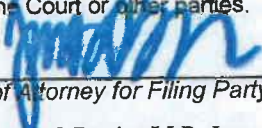
Title of Authorized Signatory of Filing Party

4/8/2013

Date

PART II - DECLARATION OF ATTORNEY FOR FILING PARTY

I, the undersigned Attorney for the Filing Party, hereby declare under penalty of perjury that: (1) the "/s/," followed by my name, on the signature lines for the Attorney for the Filing Party in the Filed Document serves as my signature and denotes the making of such declarations, requests, statements, verifications and certifications to the same extent and effect as my actual signature on such signature lines; (2) an authorized signatory of the Filing Party signed the Declaration of Authorized Signatory of Debtor or Other Party before I electronically submitted the Filed Document for filing with the United States Bankruptcy Court for the Central District of California; (3) I have actually signed a true and correct hard copy of the Filed Document in the locations that are indicated by "/s/," followed by my name, and have obtained the signature of the authorized signatory of the Filing Party in the locations that are indicated by "/s/," followed by the name of the Filing Party's authorized signatory, on the true and correct hard copy of the Filed Document; (4) I shall maintain the executed originals of this Declaration, the Declaration of Authorized Signatory of Debtor or Other Party, and the Filed Document for a period of five years after the closing of the case in which they are filed; and (5) I shall make the executed originals of this Declaration, the Declaration of Authorized Signatory of Debtor or Other Party, and the Filed Document available for review upon request of the Court or other parties.



Signature of Attorney for Filing Party
Shulman Hodges & Bastian LLP: Jame C. Bastian, Jr.

Printed Name of Attorney for Filing Party

4/8/2013

Date

This form is mandatory by Order of the United States Bankruptcy Court for the Central District of California.

EXHIBIT "A"

[If debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11 of the Bankruptcy Code, this Exhibit "A" shall be completed and attached to the petition.]

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA**

In re	Case No.
MCF480, LLC, a	Chapter 11
California limited liability company,	
Debtor.	

Exhibit "A" to Voluntary Petition – NOT APPLICABLE TO DEBTOR'S CASE

1. If any of the debtor's securities are registered under Section 12 of the Securities Exchange Act of 1934, the SEC file number is _____
2. The following financial data is the latest available information and refers to the debtor's condition on _____

a.	Total assets			\$	_____	
b.	Total debts (including debts listed in 2.c., below)			\$	_____	
c.	Debt securities held by more than 500 holders.					Approximate Number of Holders
<input type="checkbox"/>	secured	<input type="checkbox"/>	unsecured	<input type="checkbox"/>	subordinated	\$
<input type="checkbox"/>	secured	<input type="checkbox"/>	unsecured	<input type="checkbox"/>	subordinated	\$
<input type="checkbox"/>	secured	<input type="checkbox"/>	unsecured	<input type="checkbox"/>	subordinated	\$
d.	Number of shares of preferred stock					
e.	Number of shares common stock					

Comments, if any:

3. Brief description of debtor's business:

4. List the names of any person who directly or indirectly owns, controls, or holds, with power to vote, 5% or more of the voting securities of debtor:

MCF480, LLC, a California limited liability company
ACTION BY UNANIMOUS WRITTEN CONSENT OF THE BOARD OF MANAGERS

The undersigned, being sole Manager of the above-named Limited Liability Company, certify that the Operating Agreement of the Company, a copy of which is attached hereto, authorizes the Manager to act on behalf of the Company, including specifically authorizing the Manager to commence a bankruptcy proceeding. Pursuant to the applicable sections of the California General Corporation Law and the applicable sections of the Operating Agreement of the Company, the undersigned hereby consent to the adoption of the following resolutions as the act of the board of the Manager of the Company as of the date shown below.

WHEREAS, it is in the best interest of this Company to file a Voluntary Petition in the United States Bankruptcy Court pursuant to Chapter 11 of the Title 11 of the United States Code;

BE IT THEREFORE RESOLVED, that **Scott McIntosh, Manager** of the Company, is authorized and directed to execute and deliver all documents necessary to perfect the filing of a Chapter 11 Voluntary Bankruptcy case on behalf of the Company; and

BE IT FURTHER RESOLVED, that **Scott McIntosh, Manager** of the Company, is authorized and directed to appear in all bankruptcy proceedings on behalf of the Company, and to otherwise do and perform all acts and deeds and to execute and deliver all necessary documents on behalf of the Company in connection with such bankruptcy case; and

BE IT FURTHER RESOLVED, that **Scott McIntosh, Manager** of the Company, is authorized and directed to employ the law firm of Shulman Hodges & Bastian LLP to represent the Company in such bankruptcy case.

SAID RESOLUTION is still in full force and effect.

Dated: April 5, 2013

A handwritten signature in black ink, appearing to read 'Scott McIntosh', is written over a horizontal line.

Scott McIntosh, Managing Member for
MCF480, LLC, a California limited liability company

**OPERATING AGREEMENT
OF
MCF480, LLC**

THIS OPERATING AGREEMENT (this "Agreement") of MCF480, LLC, a California limited liability company (the "Company"), dated and effective August 23, 2010 (the "Effective Date"), is made and entered into by and among the ARTHUR FONG and SUEKO FONG TRUST dated June 24, 1993 and SCOTT McINTOSH, as the Members (as hereinafter defined), and SCOTT McINTOSH, an individual, as the Manager (as hereinafter defined).

**ARTICLE I
FORMATION OF COMPANY AND DEFINITIONS**

1.1 Formation. Pursuant to the Beverly-Killea Limited Liability Company Act, as may be amended from time to time (the "Act"), the Company was formed by the filing of its Articles of Organization (the "Articles") with the Secretary of State of California (the "Secretary of State"). Except as provided in the Articles or this Agreement, the Company may exercise all of the powers described in the Act.

1.2 Name. The name of the Company shall be MCF480, LLC.

1.3 Place of Business. The principal place of business of the Company shall be 480 S. Coast Highway, Laguna Beach, CA 92651 or such place as the Manager shall determine in his sole discretion.

1.4 Purpose/Business of Company. Notwithstanding any provision hereof or of any other document governing the formation, management or operation of the Company to the contrary, the following shall govern: The nature of the business and of the purposes to be conducted and promoted by the Company, are to own and operate a restaurant in the City of Laguna Beach, California.

1.5 Term. The term of existence of the Company shall be deemed to have commenced as of the date of the filing of its Articles with the Secretary of State, and shall continue in perpetuity, unless sooner terminated by the provisions of this Agreement or as provided under the Act.

1.6 Agent for Service of Process. The name and business address of the agent for service of process for the Company shall be SCOTT McINTOSH at the address set forth in

Section 1.3, or such other Person (as hereinafter defined) as the Manager shall appoint from time to time.

1.7 Manager. SCOTT McINTOSH shall serve as Manager of the Company and, except as otherwise provided in Section 1.4, may exercise all of the rights and powers granted to the Manager of the Company under this Agreement or under the Act.

1.8 Fiduciary Obligations. No Member shall have any obligations (fiduciary or otherwise) with respect to the Company or to any other Member insofar as making other investment opportunities available to the Company or to any such other Member. Each Member may, notwithstanding the existence of this Agreement, engage in whatever activities such Member may choose, whether the same are competitive with the Company or otherwise, without having or incurring any obligation to offer any interest in such activities to the Company or to any other Member. Neither this Agreement nor any activities undertaken pursuant hereto shall prevent any Member from engaging in such activities, and the fiduciary duties of the Members to each other and to the Company shall be limited solely to those arising from the purpose of the Company described in Section 1.4 above.

1.9 Intent. The Members intend the Company to be a limited liability company under the Act. No Member shall take any action inconsistent with the express intent of the parties to this Agreement.

1.10 Definitions. Whenever used in this Agreement, the following terms shall have the following meanings:

(a) "Act" shall have the meaning set forth in Section 1.1. of this Agreement.

(b) "Additional Member" shall mean any Person that is admitted to the Company as an Additional Member pursuant to Article VIII of this Agreement.

(c) "Agreement" shall mean this Operating Agreement. No other document or other agreement between the Members shall be treated as part of or superseding this Agreement unless it has been signed by the number of Members required to effect the particular amendment of this Agreement.

(d) "Book Adjustments" shall mean adjustments with respect to the Book Value (as hereinafter defined) of Company Property (as hereinafter defined) for depreciation, depletion, amortization, and gain or loss, as computed in accordance with subsection 1.704-1(b)(2)(iv)(g) of the Regulations (as hereinafter defined).

(e) “Book Value” shall mean, with respect to Company Property, the fair market value of the Company Property at the time of its contribution to the Company as adjusted by Book Adjustments; with respect to Company Property that has been Revalued (as hereinafter defined), the fair market value of such Company Property as adjusted by Book Adjustments.

(f) “Capital Account” shall mean the account established and maintained for each Member in accordance with this Agreement and applicable Regulations.

(g) “Capital Contribution” shall mean any contribution to the capital of the Company in cash, property, or services by a Member whenever made.

(h) “Capital RE Event” shall mean any transaction or event pursuant to which (a) all or part of the Company real property is refinanced, (b) the Company otherwise borrow funds, which borrowing is secured by Company real property, (c) all or part of the Company’s real property is sold, condemned, exchanged or otherwise disposed of, (d) insurance proceeds or other damages are recovered by the Company with respect to Company real property, or (e) any other transaction involving company real property that, in accordance with generally accepted accounting principals, is considered capital in nature.

(i) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

(j) “Company” shall mean MCF480, LLC.

(k) “Company Liability” shall mean any enforceable debt or obligation for which the Company is liable or which is secured by any Company Property.

(l) “Company Minimum Gain” shall mean an amount determined by first computing for each Company Nonrecourse Liability (as hereinafter defined) any gain the Company would realize if it disposed of the Company Property subject to that liability for no consideration other than full satisfaction of the liability, and then aggregating the separately computed gains. The amount of Company Minimum Gain includes such minimum gain arising from a conversion, refinancing, or other change to a debt instrument, but only to the extent a Member is allocated a share of that minimum gain. For any Taxable Year (as hereinafter defined), the net increase in Company Minimum Gain is determined by comparing the Company Minimum Gain on the last day of the immediately preceding Taxable Year with the Company Minimum Gain on the last day of the Current Taxable Year. Notwithstanding any provision to the contrary contained herein, Company Minimum Gain and increases and decreases in Company Minimum Gain are intended to be computed in

accordance with Section 704 of the Code and the Regulations issued thereunder, as the same may be issued and interpreted from time to time.

(m) “Common Nonrecourse Liability” shall mean a Company Liability to the extent that no Member or Related Person (as hereinafter defined) bears the economic risk of loss (as defined in Section 1.752-2 of the Regulations) with respect to that liability.

(n) “Company Property” shall mean any real or personal property owned or hereafter acquired by the Company.

(o) “Distributable Cash” shall mean all cash, revenues and funds received by the Company from all sources, including, without limitation, cash, revenues and funds from Company operation and cash, revenue and funds from Capital RE Transactions, less the sum of the following to the extent paid or set aside by the Manager: (i) all principal and interest payments on indebtedness of the Company and all other sums paid to lenders; (ii) all cash expenditures incurred incident to the normal operation or the Company's business; and (iii) such cash reserves as the Manager deems in its sole discretion as necessary for the proper operation of the Company's business. All Distributable Cash from Capital RE Events shall be referred to as “Distributable Cash from Capital RE Events”. All Distributable Cash other than Distributable Cash from Capital RD Events, shall be referred to as “Distributable Cash and Operations”.

(p) “Fiscal Year” shall mean the Company's fiscal year, which shall be the calendar year.

(q) “Gross Asset Value” shall mean the asset's adjusted basis for federal income tax purposes, except as follows: the initial Gross Asset Value of any asset contributed by a Member to the Company shall, except as provided elsewhere in this Agreement, be the gross fair market value of such asset as determined by the contributing Member and the Company. Gross Asset Value may be adjusted pursuant to Code Sections 734 and 754 wherever it is determined by the Manager that such adjustment is appropriate and advantageous.

(r) “Interest” shall mean, in respect to any Member, all of such Member's right, title and interest in and to the Profits, Losses, Distributable Cash and capital or the Company, and any and all other interests therein in accordance with the provisions of this Agreement or the Act.

(s) “Loan” shall mean a \$1,500,000 loan from Arthur Fong and Sueko Fong to the Company. The Loan shall be evidenced by a Promissory Note in the form attached

hereto marked Exhibit "A". All the terms of the Loan set forth in the attached Promissory Note and incorporated herein by this reference.

(t) "Losses" shall mean, for each Fiscal Year, the losses and deductions of the Company determined in accordance with accounting principles consistently applied from year to year under the cash method of accounting and as reported, separately or in the aggregate as appropriate, on the Company's information tax return filed for federal income tax purposes plus any expenditures described in Section 705(a)(2)(B) of the Code.

(u) "Majority-in-Interest" shall mean Members owning, in the aggregate, a simple majority of the Percentage Interests (as hereinafter defined), unless any greater percentage is expressly required hereunder or under the Act.

(v) "Manager" shall mean SCOTT McINTOSH, or such other Persons that become a Manager pursuant to this Agreement.

(w) "Member" shall mean each of the parties who executes a counterpart of this Agreement as a Member and each of the parties who may hereafter become Additional or Substituted Members (as hereinafter defined). To the extent the Manager holds an Interest in the Company, it will have all the rights of a Member with respect to such Interest, and the term "Member" as used herein shall include the Manager to the extent it holds such Interest in the Company.

(x) "Member Minimum Gain" shall mean an amount determined by first computing for each Member Nonrecourse Liability (as hereinafter defined) any gain the Company would realize if it disposed of the Company Property subject to that liability for no consideration other than full satisfaction of the liability and then aggregating the separately computed gains. The amount of Member Minimum Gain includes such minimum gain arising from conversion, refinancing, or other change to a debt instrument, but only to the extent a Member is allocated a share of that minimum gain. For any Taxable Year, the net increase or decrease in a Member Minimum Gain is determined by comparing the Member Minimum Gain on the last day of the immediately preceding Taxable Year with the Member Minimum Gain on the last day of the current Taxable Year. Notwithstanding any provision to the contrary contained herein, Member Minimum Gain and increases and decreases in Member Minimum Gain are intended to be computed in accordance with Section 704 of the Code and the Regulations issued thereunder, as the same may be issued and interpreted from time to time.

(y) "Member Nonrecourse Liability" shall mean any Company Liability to the extent the liability is nonrecourse under state law and on which a Member or Related

Person bears the economic risk of loss under Section 1.752-2 of the Regulations because, for example, the Member or Related Person is the creditor or a guarantor.

(z) "Member's Shares of Company Minimum Gain" shall be computed at the end of any Taxable Year and equals: the sum of nonrecourse deductions allocated to that Member (and to that Member's predecessors in interest) up to that time plus the distributions made to that Member (and to that Member's predecessors-in-interest) aggregate share of the net decreases in Company Minimum Gain plus that Member's aggregate share of decreases in Company Minimum Gain resulting from Revaluations of Company Property subject to one or more Company Nonrecourse Liabilities.

(aa) "Nonrecourse Liabilities" shall mean Company Nonrecourse Liabilities and Member Nonrecourse Liabilities.

(bb) "Percentage Interest" shall mean, with respect to each Member, the percentage interest set forth opposite such Member's name in Section 2.1 of this Agreement under the column labeled "Percentage Interest".

(cc) "Person" shall mean any individual and any legal entity and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

(dd) "Profit" shall mean, for each Fiscal Year, the income and gains of the Company determined in accordance with accounting principles consistently applied from year to year under the cash method of accounting principles consistently applied from year to year under the cash method of accounting and as reported, separately or in the aggregate as appropriate, on the Company's information tax return filed for federal income tax purposes plus any income described in Section 705(a)(1)(B) of the Code.

(ee) "Property" shall mean all apartment projects, buildings or other real estate investments acquired by the Company.

(ff) "Regulations" shall mean, except where the context indicates otherwise, the permanent, temporary, proposed, or proposed and temporary regulations of the Department of the Treasury under the Code as such regulations may be lawfully changed from time to time.

(gg) "Related Person" shall mean a person having a relationship to a Member that is described in Section 1.752-4(b) of the Regulations.

(hh) "Reserves" shall mean, with respect to any fiscal period, funds set aside or amounts allocated during such period to reserves that shall be maintained in amounts

deemed sufficient by the Manager for working capital and to pay taxes, insurance, debt service, or other costs or expenses incident to the ownership or operation of the Company Property.

(ii) "Revaluation" shall mean an adjustment to the Book Value of Company Property.

(jj) "Selling Member" shall mean any Member that sells, assigns, hypothecates, pledges, or otherwise transfer all or any portion of its rights of membership in the Company, including both economic and voting rights.

(kk) "Substituting Member" shall mean any Person that is admitted to the Company as a Substitute Member pursuant to Article VIII of this Agreement.

(ll) "Taxable Year" shall mean the taxable year of the Company as determined pursuant to Section 706 of the Code.

(mm) "Withdrawal Event" shall have the meaning set forth in subsection 7.5(c)(i) below.

ARTICLE II

CAPITALIZATION OF THE COMPANY

2.1 Percentage Interests. The Members shall have the following Percentage Interests, effective as of the Effective Date:

<u>Member</u>	<u>Percentage Interest</u>
Arthur Fong and Sueko Fong Trust dated June 24, 1993	<u>60%</u>
Scott McIntosh	<u>40%</u>

Upon full repayment of the Loan the Members shall have the following Percentage Interests:

<u>Member</u>	<u>Percentage Interest</u>
Arthur Fong and Sueko Fong Trust dated June 24, 1993	<u>50%</u>

Scott McIntosh

50%

2.2 Capital Contributions. The Members have made Capital Contributions to the Company as reflected in the Company's books and records.

2.3 Additional Capital Contributions; Loans. No Member shall be required or entitled to make any additional Capital Contributions to the Company without the consent of all of the Members.

2.4 Capital Accounts.

(a) Establishment of Capital Accounts. Separate Capital Accounts shall be maintained for each Member in accordance with the applicable provisions of the Regulations.

(b) Credits. Each Member's Capital Account shall be credited with such Member's Capital Contributions, such Member's distributive share of Profits allocated to such Member in accordance with the provisions of this Agreement, any items in the name of income or gain that are specially allocated pursuant to Section 6.3 below, and the amount of any Company liabilities that are assumed by such Member or that are secured by any Company Property distributed to such Member.

(c) Debits. Each Member's Capital Account shall be debited by the amount of cash distributed to such Member in accordance with this Agreement, the Gross Asset Value of other Company Property distributed to such Member pursuant to any provisions of this Agreement, such Member's distributive share of Losses allocated to such Member in accordance with this Agreement, any items in the nature of expenses or losses that are specially allocated pursuant to Section 6.3 below, and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by such Member to the Company.

(d) Transfers. In the event any property contributed by such Member to the Company.

(e) Adjustments. In the event the Gross Asset Values of the Company's assets are adjusted pursuant to this Agreement, the Capital Accounts of all Members shall be adjusted simultaneously to reflect the aggregate net adjustment as if the Company had recognized gain or loss equal to the amount of such aggregate net adjustment and the resulting gain or loss had been allocated among the Members in accordance with this Agreement.

2.5 Interpretation and Changes. The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with the Code and applicable Regulations and shall be interpreted and applied in a manner consistent therewith. In the event the Manager shall determine, after consultation with Company counsel, that it is prudent to modify the manner in which the Capital Accounts or any debits or credits thereto are allocated or computed in order to comply with the consent of any Member, provided the Manager determines in good faith that such modification is not likely to have a material adverse effect on the amounts properly distributable to any Member and that such modification will not increase the liability of any Member to third parties.

ARTICLE III

RIGHTS AND DUTIES OF THE MANAGER

3.1 Management. Except as otherwise provided in this Agreement, all business and affairs of the Company shall be managed by the Manager. The Manager shall direct, manage, and control the Company to the best of its ability and shall have full and complete authority, power, and discretion to make any and all decisions and to do any and all things that the Manager shall deem to be reasonably required to accomplish the business and objectives of the Company subject to the terms of Section 1.4.

3.2 Tenure and Qualifications. The Manager shall hold office for the term of existence of the Company, unless the Manager elects to resign pursuant to Section 3.5 below. The Manager need not be a resident of the State of California or a Member of the Company.

3.3 Powers and Authority of the Manager. Except as otherwise prohibited by the terms of Section 1.4 and without limiting the generality of Section 3.1 above, the Manager shall have power and authority, on behalf of the Company:

(a) To acquire Company Property from any Person as the Manager may determine. The fact that a Member is directly or indirectly affiliated or connected with any such Person shall not prohibit the Manager from dealing with that Person, provided that any transaction with an affiliated or connected Person shall be on terms no less favorable to the Company than a similar transaction with a disinterested third party;

(b) To borrow money for the Company from banks, other lending institutions or Persons, the Members or affiliates of the Members on such terms as they deem appropriate, and in connection therewith, to hypothecate, encumber, and grant security interests in the assets of the Company to secure repayment of the borrowed sums. A loan acquired from the Members or affiliates of the Members shall be on terms no less favorable to the Company than a similar loan that the Company could obtain from a disinterested third party.

party lender. No debt or other obligation shall be contracted or liability incurred by or on behalf of the Company except by the Manager;

(c) To purchase liability and other insurance to protect the Company's Property and business;

(d) To hold and own any Company real or personal property in the name of the Company;

(e) To invest any Company funds temporarily (by way of example but not limitation) in time deposits, short-term government obligations, commercial paper, or other investments;

(f) To sell or otherwise dispose of any, all of substantially all of the assets of the Company as part of a single transaction or plan so long as such disposition is not in violation of or a cause of a default under any other agreement to which the Company may be bound;

(g) To execute on behalf of the Company all instruments and documents, including, without limitation: checks, drafts, notes and other negotiable instruments; mortgages or deeds of trust; security agreements; financing statements; documents providing for the acquisition, mortgage, or disposition of the Company Property; assignments; bills of sale; leases; partnership agreements; and any other instruments or documents necessary, in the opinion of the Manager, to the business of the Company;

(h) To employ and dismiss from employment employees, agents, brokers, accountants, legal counsel, managing agents and other Persons or experts to perform services for the Company and to compensate them from Company funds;

(i) To act as "tax matters partner" pursuant to Section 6231(a)(7) of the Code;

(j) To make an assignment for the benefit of creditors of the Company, file a voluntary petition in bankruptcy, or appoint a receiver for the Company;

(k) To enter into any and all agreements on behalf of the Company with any Person or entity for any purpose in such forms as the Manager may approve;

(l) To institute, prosecute, defend, settle, compromise, and dismiss lawsuits or other judicial or administrative proceedings brought by or on behalf of or against the Company;

(m) To select and open one (1) or more separate bank accounts for the Company into which all Capital Contributions receipts, funds and income of the Company shall be deposited. Disbursements from any such bank account(s) may be made by the Manager or the Manager's designee;

(n) Make any and all decisions affecting the business and affairs of the Company; and

(o) To do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business.

3.4 Manager Has No Exclusive Duty to Company. The Manager shall not be required to manage the Company as its sole and exclusive function and may have other business interests and may engage in other activities in addition to those relating to the Company, including those which may be deemed to compete with the business of the Company. Neither the Company nor any Member shall have any right, by virtue of this agreement, to share or participate in such other investments or activities of the Manager or to the income or proceeds derived therefrom.

3.5 Resignation. The Manager of the Company may resign at any time by giving written notice to the Members of the Company. The resignation of the Manager shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. In the event of the resignation of the Manager, the vacancy may be filled by the affirmative vote of a Majority-in-interest of Members.

3.6 Compensation to Manager. The Company agrees to pay SCOTT McINTOSH an annual base salary of Two Hundred Thousand Dollars (\$200,000) for his services as Manager of the Company. In addition, the Company shall provide employee benefits to SCOTT McINTOSH as may be agreed upon by the Members.

The Company is authorized to use the Loan proceeds to pay salary or other employee benefits to SCOTT McINTOSH.

3.7 Reimbursement of Manager. The Manager shall be reimbursed for all out-of-pocket expenses incurred in connection with the formation of the Company or its duties hereunder, including, but not limited to, accountants' and attorneys' fees and any expenses which were incurred by the Manager prior to the date hereof to the extent the expenses were not reimbursed from other sources. In the event the Company does not have sufficient funds to reimburse Manager any amounts due, the outstanding balance of the amounts to be reimbursed shall bear interest at a commercially reasonable interest rate until paid.

3.8 Liability and Indemnity. The Manager shall not be liable or accountable in damages or otherwise to the Company or the Members for any error of judgment or any mistake of fact or law for anything that such Manager may do or refrain from doing hereafter, except in the case of willful misconduct or gross negligence. To the maximum extent permitted by law, the Company hereby indemnifies, defends and agrees to hold the Manager wholly harmless from and against any loss, expense or damage suffered by the Company or a Member by reason of anything the Manager may do or refrain from doing hereafter for and on behalf of the Company and in furtherance of its interest; provided however, the Company shall not be required to indemnify, defend or hold harmless the Manager from any loss, expense or damage which the Company or a Member may suffer as a result of the Manager's willful misconduct or gross negligence in performing or in failing to perform its duties hereunder. The indemnity described in the preceding sentence shall be recoverable only from the assets of the Company and not from the assets of any Member.

ARTICLE IV

RIGHTS AND OBLIGATIONS OF MEMBERS

4.1 Limitation of Liability. Each Member's liability shall be limited as set forth in the Act and other applicable law. However, notwithstanding any provision hereof to the contrary, the following shall govern: Any indemnification shall be fully subordinated to any obligations respecting the Company Property and shall not constitute a claim against the Company in the event that cash flow is insufficient to pay such obligations.

4.2 Company Debt Liability. A Member will not be personally liable for any debts or losses of the Company beyond the Members respective Capital Contributions, except as otherwise required by law.

4.3 List of Members. Upon written request of any Member, the Manager shall provide a list showing the names, addresses and Interests of all Members in the Company.

4.4 Company Books. The Manager shall maintain and preserve during the term of the Company and for three (3) years thereafter all accounts, books, and other relevant Company documents. Upon reasonable request, each Member shall have the right, during ordinary business hours, to inspect and copy such Company documents at the Member's expense, but only for a purpose related to the Member's Interest in the Company.

4.5 Priority and Return of Capital. Except as may be specifically provided in this Agreement, no Member shall have priority over any other Member as to the return of Capital Contributions or as to Profits, Losses, or distributions. This Section shall not apply to loans

(as distinguished from Capital Contributions) including, but not limited to, the Loan that a Member has made to the Company.

4.6 Unauthorized Actions. No Member, agent or employee of the Company (other than the Manager acting pursuant to Article III of this Agreement) shall have any power or authority to bind the Company in any way to pledge its credit, or to render it liable for any purpose.

4.7 Salaries and Other Compensation. No Member, solely in its or his capacity as a member, shall receive any salary or compensation for services rendered to the Company.

ARTICLE V

MEETING OF MEMBERS

5.1 Meetings. Although it is the express intent of the Members that there shall not be any required (or regularly scheduled) meetings of the Members, meetings may be called by the Manager or by a Majority-in-Interest of the Members at any time.

5.2 Place of Meetings. Any meeting called for pursuant to Section 5.1 above shall be held at the Company's principal place of business as specified in Section 1.3 above.

5.3 Notice of Meetings. Written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered no fewer than five (5) nor more than fifty (50) days before the date of the meeting.

ARTICLE VI

PROFITS, LOSSES, AND DISTRIBUTIONS

6.1 Profits and Losses. Subject to Section 6.3 below (Special Allocations), the Members shall share in the Profits and Losses in proportion to their Percentage Interests.

6.2 Distributions.

(a) In General. Except as specifically provided elsewhere in this Agreement, any distributions of Distributable Cash in accordance with the terms of this Agreement shall be made to the Members entitled thereto in proportion to their Percentage Interests as of the record date of such distribution. A Member, regardless of the nature of its Capital Contributions to the Company, has no right to demand and receive any distribution from the Company in any form other than Distributable Cash pursuant to the terms of this Agreement. No Member may be compelled to accept from the Company a distribution of an asset in kind in lieu of a proportionate distribution of Distributable Cash being made to other

Members. The provisions set forth below in this Section 6.2 shall all be subject to, and limited by, the provisions of Section 2.3 above (Additional Capital Contributions; Loans), and Sections 6.4 below (Limitation on Distributions).

(b) Mandatory Tax Distributions. During each calendar quarter (or if not permitted pursuant to Section 6.4 below, as soon as practicable after the limitation set forth in Section 6.4 is removed), the Manager shall cause the Company to make aggregate distributions of Distributable Cash to each Member in amounts equal to the minimum aggregate (Federal and State) quarterly tax payments each such Member would be required to make under applicable tax laws and regulations, determined in consultation with the Company's accountants (the "Quarterly Payments"). Furthermore, subject to Section 6.4 below (Limitation on Distributions), by no later than April 1 of each calendar year (or if not permitted pursuant to Section 6.4 below, as soon as practicable after the limitation set forth in Section 6.4 removed), the Manager shall cause the Company to make aggregate distributions of Distributable Cash to each Member at least equal to that Member's share of the Company's taxable income for the prior Fiscal Year multiplied by the maximum combined federal and state tax rates applicable to such Member for that Fiscal Year, as determined in consultation with the Company's accountants, less the Aggregate Quarterly Payments paid to such Member during the Fiscal Year.

(c) Distributions of Distributable Cash from Operations. After the application of Section 6.2(b) above (Mandatory Tax Distributions), as soon as practicable following the end of each calendar quarter (or if not permitted pursuant to Section 6.4 below, as soon as practicable after the limitation set forth in Section 6.4 is removed), the Manager shall cause the Company to make distributions of Distributable Cash from Operations to the Members in accordance with Percentage Interest.

(d) Other Distributions. Except as specifically provided for in the foregoing provisions of this Section 6.2, distributions of Distributable Cash or other Company Property shall be made at such time and in such manner as may be agreed upon by all of the Members.

(e) Withholdings. All amounts withheld pursuant to the Code or any provisions of state or local tax with respect to any payment or distribution to the Members from the Company shall be treated as amounts distributed to the relevant Member or Members pursuant to this Section 6.2.

6.3 Special Allocations.

(a) Qualified Income Offset. In the event any Member, in such capacity, unexpectedly receives any adjustments, allocations, or distributions described in Regulations Section 1.704(b)(2)(ii)(d)(4) (regarding depletion deductions), 1.704-1(b)(2)(ii)(d)(5)

(regarding certain mandatory allocations under Regulations regarding family partnerships, the so-called varying interest rules or certain in-kind distributions), or I.704-1(b)(2)(ii)(d)(6) (regarding certain distributions, to the extent they exceed certain expected offsetting increases in a Member's Capital Account), items of Company income and gain shall be specially allocated to such Member in an amount and a manner sufficient to eliminate, as quickly as possible, the deficit balances in the Member's Capital Account created by such adjustments, allocations, or distributions. Any special allocations of items of income or gain pursuant to this subsection shall be taken into account in computing subsequent allocations of Profits pursuant to this Article VI so that the net amount of any items so allocated and the Profits, Losses, or other items so allocated to each Member pursuant to this Article VI shall, to the extent possible, be equal to the net amount that would have been allocated to each such Member pursuant to this Article VI as if such unexpected adjustments, allocations, or distributions had not occurred.

(b) Section 704(c) Allocations. In accordance with Section 704(c) of the Code and the applicable Regulations issued thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value. In the event the Gross Asset Value of any Company property is adjusted pursuant to this Agreement, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take into account any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Section 704(c) of the Code and the Regulations thereunder. Any elections or other decisions relating to such allocations shall be made by the Manager in any manner that reasonably reflects the purpose of this Agreement. Allocation made pursuant to this subsection (b) are solely for the purposes of federal, state, and local taxes and shall not affect or in any way be taken into account in computing any Member's Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of this Agreement.

(c) Company Minimum Gain Chargeback. If there is a net decrease in Company Minimum Gain for a Taxable Year, each Member shall be allocated items of income and gain for that Taxable Year equal to that Member's share of the net decrease in Company Minimum Gain. A Member's share of the net decreased in Company Minimum Gain is the amount of the total net decrease in the Company Minimum Gain multiplied by the Member's share of the Company Minimum Gain at the end of the immediately preceding Taxable Year. A Member's share of any decrease in Company Minimum Gain resulting from a Revaluation of Company Property equals the increase in the Member's Capital Account attributable to the Revaluation to the extent the reduction in minimum gain is caused by Revaluation. A Member is not subject to the Company Minimum Gain chargeback requirement pursuant to this subsection to the extent the Member's share of the net decrease

in Company Minimum Gain is caused by a guarantee, refinancing, or other change in the debt instrument causing it to become partially or wholly a Nonrecourse Liability or a Member Nonrecourse Liability, and the Member bears the economic risk of loss (within the meaning of Section 1.752-2 of the Regulations) for the newly guaranteed, refinanced, or otherwise changed liability.

(d) Member Minimum Gain Chargeback. If during a Taxable Year there is a net decrease in Member Minimum Gain, any Member with a share of that Member Minimum Gain ("partner minimum gain," as determined under Section 1.704-2(i)(5) of the Regulations) as of the beginning of that Taxable Year shall be allocated items of income and gain for that Taxable Year (and if necessary, for succeeding Taxable Years) equal to that Member's share of the net decrease in the Company Minimum Gain. A Member's share of the net decrease in Member Minimum Gain is determined in a manner consistent with the provisions of Sections 1.704-2(g)(2) of the Regulations. A Member is not subject to the Member Minimum Gain chargeback requirement hereunder, however, to the extent the net decrease in the Member Minimum Gain arises because the liability ceases to be a Member Nonrecourse Liability due to a conversion, refinancing, or other change in the debt instrument that causes it to become partially or wholly a Company Nonrecourse Liability. The amount that would otherwise be subject to the Member Minimum Gain chargeback requirement pursuant to this subsection is added to the Member's share of the Company Minimum Gain. In addition, rules consistent with those application to Company Minimum Gain chargeback to the extent provided under the Regulations issued pursuant to Section 704(b) of the Code.

(e) Other Allocations. The Manager shall make such other special allocations as are required in order to comply with any mandatory provision of the Regulations or to reflect a Member's economic interest in the Company determined with reference to such Member's right to receive distributions from the Company and such Member's obligations to pay its expenses and liabilities.

(f) Acknowledgement. The Members are aware of the income tax consequences of the allocations made by this Article VI and hereby agree to be bound by the provisions of this Article VI hereof in reporting their share of Company income and loss for income tax purposes.

6.4 Limitation upon Distributions. Notwithstanding any other provision in this Agreement, including, without limitation Section 6.2 above, no distributions shall be declared and paid unless, after the distribution is made, the assets of the Company are in excess of all liabilities of the Company, except liabilities to Members on account of their contributions.

6.5 Accounting Method. The books and records of account of the Company shall be maintained in accordance with the cash method of accounting.

6.6 Interest on and Return of Capital Contributions. No Member shall be entitled to interest on the Member's Capital Contribution or to the return of the Member's Capital Contribution except as otherwise specifically provided for herein.

6.7 Loans to Company. Nothing in this Agreement shall prevent any Member from making secured or unsecured loans to the Company by agreement with the Company, as may be approved by the Manager.

6.8 Records, Audits and Reports. At the expense of the Company, the Manager shall maintain records and accounts of all operations and expenditures of the Company. As a minimum the Company shall keep at its principal place of business the following records:

(a) a current list of the full name and last known business, residence, or mailing address of each Manager, both past and present;

(b) a copy of the Articles and all amendments thereto together with executed copies of any powers of attorney pursuant to which any amendment has been executed;

(c) copies of the Company's federal, state, and local income tax returns and reports, if any, for the five (5) most recent years;

(d) copies of the Company's currently effective written Operating Agreement, copies of any writings permitted or required with respect to a Member's obligation to contribute cash, property, or services, or copies of any financial statements of the Company for the three (3) most recent years;

(e) minutes of every meeting of the Members, including, without limitation, court ordered meetings;

(f) any written consents obtained from Members for actions taken by Members without a meeting;

(g) a current list of the full name and last known business, residence, or mailing address of each Member, both past and present;

(h) copies of any prior written operating agreement no longer in effect; and

(i) copies of all agreements by Members to make Capital Contributions to the Company.

6.10 Returns and Other Elections. The Manager shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business. Copies of such returns or pertinent information therefrom shall be furnished to the Members within a reasonable time after the end of the Company's fiscal year but in no event later than March 15th of each year. All elections permitted to be made by the Company under federal or state laws shall be made by the Manager in its sole discretion.

ARTICLE VII

RESTRICTIONS ON TRANSFERABILITY

7.1 Restrictions on Withdrawal. Except as otherwise expressly provided in Section 7.2, no Member shall have any right to retire or withdraw voluntarily from the Company or to voluntarily commit an act that constitutes a Withdrawal Event (as hereinafter defined).

7.2 Permitted Transfers. A Member may not transfer, assign, pledge, encumber, or otherwise dispose of all or any part of its Interest, whether voluntary, involuntary, or by operation of law or otherwise, except as follows:

- (a) To the Company or to any other Member;
- (b) To a corporation, partnership, or other entity, but only if immediately following the transfer, the Member making the transfer owns at least a majority of that corporation's partnership's, or entity's voting power, and provided such transfer is made expressly subject to the provisions of this Article VII:
- (c) To the shareholders, members, or partners of a Member, but only if the transferee was a shareholder, member, or partner of the Member at the time of the original acquisition of the Interest from the Company;
- (d) To a third party, but only after satisfying the provisions of Section 7.4 below;
- (e) By succession or testamentary disposition on the Member's death; or
- (f) To the Member as trustee of a trust for the benefit of the Member, the Member's spouse, or the Member's children or their children, or to a partnership or other

entity in which the controlling interest therein is held by the Member, a controlled trust and/or his spouse or their children or their children's children.

7.3 Effect of Transfer. Except as otherwise herein specifically provided, any sale, transfer, assignment, pledge, encumbrance, or other disposal or purported sale, transfer, assignment, pledge, encumbrance, or other disposal of any Interest shall be null and void. Each transferee and any subsequent transferee of Interest in the Company or any interest in such Interest, regardless of whether or not such transferee, purchaser or subsequent transferee signs this Agreement shall, unless this Agreement expressly provides otherwise, hold such Interest subject to all of the provisions of this Agreement and shall make no further transfer, whether by sale, gift, bequest, or otherwise, except as provided in this Agreement.

7.4 Transfer to Third Person. Except as provided herein, no Member shall sell, assign, pledge, encumber, or otherwise transfer to a third party or in any way dispose of any of its Interest unless all of the following conditions are satisfied:

(a) The transferring Member shall first serve a Notice of Proposed Transfer (the "Transfer Notice") on the Company in the manner prescribed in Section 10.1 below, which shall specify: (i) the name and address of the person or firm to whom the Member intends to sell, assign, pledge, encumber, or otherwise transfer the Interest (ii) the proportion of the Interest the Member proposes to sell, assign, pledge, encumber, or otherwise transfer; (iii) the price to be paid to the Member for the proposed sale, assignment, pledge, encumbrance, or other transfer, and (iv) all other terms and conditions of the proposed sale, assignment, pledge, encumbrance, or other transfer.

(b) Within five (5) days after actual physical receipt of the Transfer Notice by the Company, the Company shall endorse the original of the Transfer Notice, and inscribe thereon the date and time it was actually physically received by it and then cause photocopies of the Transfer Notice as so endorsed to be mailed to each of the Members at the address then appearing for each of the Members on the books and records of the Company.

(c) The Members shall have ninety (90) days after the Transfer Notice is deemed, under Section 10.1 below, to have been served on it to purchase the Interest specified in the Transfer Notice at the price and on the terms and conditions specified in the Transfer Notice. Each of the Members who wish to purchase the Interest specified in the Transfer Notice (the "Purchasing Members") shall have a right to purchase the Interest in the same proportions as the Member's Percentage Interest bears to the Percentage Interests of all Purchasing Members. Should the Members elect to purchase the Interest specified in the Transfer Notice, the Purchasing Members shall promptly give Notice of that fact to the Member who caused the Transfer Notice to be served on the Company (the "Offering Member"). Within thirty (30) days thereafter, the Purchasing Members and the Offering

Member shall execute any other documents necessary to effect the sale or transfer as contemplated in the Transfer Notice.

(d) If the Interest is not purchased in accordance with the provisions of subsection 7.4(c) above, then the Offering Member may sell the Interest to the third person or persons specified in the Transfer Notice during the ninety (90) day period following expiration of the ninety (90) day period referred to in subsection 7.4(c) above, but at a price, and on terms no more favorable to the purchaser than the terms set forth in the Transfer Notice. After expiration of said ninety (90) day period, the Interest shall not be sold without first being reoffered to the other Members in accordance with the provisions set forth above.

(e) Notwithstanding anything to the contrary contained herein, no transfer of any Interest under this Section 7.4 shall be permitted if either the Offering Member or a Purchasing Member is engaged in any exercise of its rights under Section 7.5 before the Purchasing Member's receipt of the Transfer Notice. Furthermore, a Purchasing Member who has committed an Event of Default (as hereinafter defined), which is still continuing, shall not be entitled to exercise its right to purchase the Interest.

7.5 Purchase on Termination Event. Subject to the provisions for termination set forth in Article IX of this Agreement, upon the occurrence of a Termination Event (as defined below), the Company shall, upon discovery of such Termination Event, give Notice to the Members, and the remaining Members, on a pro rata basis as set forth in subsection 7.4(c) above, shall have the option to purchase the terminating Member's Interest at a price provided for in Sections 7.6 and 7.7 below. Such election must be made by the remaining Members within sixty (60) days of their receipt of Notice from the Company of a Termination Event. The purchase of a terminating Member's Interest shall be in accordance with the following:

(a) The purchase price for any Interest to be repurchased under this Section 7.5 shall be determined in accordance with the provisions of Sections 7.6 and 7.7 below, as of the close of business on the last day of the calendar month preceding the date of the Termination Event, less the amount of distributions made to the defaulting Member between the date of valuation and the effective date of purchase of the defaulting Member's Interest.

(b) The purchase price shall be payable, at the election of the Purchasing Members, in cash or in thirty-six (36) equal monthly installments of principal and interest, at a rate of ten percent (10%) per annum, commencing sixty (60) days following the election to purchase the Interest and continuing on the same day of each month thereafter until paid. Such obligation shall be evidenced by a promissory note executed by the Company or the Purchasing Members, as the case may be, which note shall be delivered to the terminating Member within thirty (30) days of the transfer of the Interest.

(c) A "Termination Event" and the date on which said event shall be deemed to have occurred, shall be as follows:

(i) Upon the death, resignation, expulsion, bankruptcy, or dissolution of a Member or occurrence of any other event that terminates the continued membership of a Member in the Company (a "Withdrawal Event");

(ii) If a Member shall admit in writing its inability to pay its debts as they mature;

(iii) If a Member shall give notice to any governmental body of insolvency or pending insolvency;

(iv) If a Member shall make an assignment for the benefit of creditors or take any other similar action for the protection or benefit of creditors, or if a Member's Interest shall become subject to a charging order of any judgment creditor;

(v) If all of any portion of a Member's Interest shall be distributed to his spouse incident to a decree of dissolution or property settlement agreement; provided, however a Termination Event shall be deemed to have occurred only as to that portion of the Interest, whether all or a part, that is actually distributed to such spouse on the date such decree is entered or said agreement is executed; or

(vi) If all or any portion of a Member's Interest shall be voluntarily or involuntarily assigned, pledged, encumbered or otherwise transferred without complying with the requirements of Section 7.2 above or a Member otherwise fails to comply with any of the terms of this Agreement.

7.6 Purchase Price for Interest. If a purchase is mandated by this Agreement, the parties to the purchase and sale of the Interest shall agree upon a price within ten (10) days after the purchase is mandated.

7.7 Appraisal. If the parties cannot agree upon a price within the time period set forth in Section 7.6 above, the price shall be determined by appraisal in accordance with the following provisions, as of the close of business on the last day of the calendar month preceding the date of the Termination Event plus amount of any increases and less the amount of any decreases in the Capital Account of the transferring Member between the date of valuation and the effective date of purchase of the Interest:

(a) The Selling Member and the other Members collectively shall select their own appraiser. If the lower of the two appraisals results in a fair market value less than eighty-five percent (85%) of the higher appraisal, then the two appraisers will select a third appraiser whose determination of fair market value shall be final and conclusive.

(b) If the lower of the two appraisals is eighty-five percent (85%) or more of the higher appraisal, then fair market value shall be the mean between the two appraisals.

(c) The Selling Member and the purchasers shall share equally the fees and expenses of appraisers jointly named, but each party shall be responsible for the fees and expenses of any appraiser named solely by it. Each party shall bear its own expenses in presenting evidence to the appraisers.

(d) In determining fair market value, the appraisers appointed under this Agreement shall consider all opinions and relevant evidence submitted to them or otherwise obtained by them and shall set forth their determination in writing together with their opinions and the considerations on which the opinions are based with a signed counterpart to be delivered to each Member and the Company.

7.8 Appraisal Guidelines. Each appraiser shall employ the method of valuation for each asset as agreed upon by the Members. If there are any assets for which a method of valuation has not been agreed upon, each appraiser shall observe the following guidelines:

(a) All accounts payable shall be taken at face amount less normal discount and all accounts receivable shall be taken at face amount less normal discount and a reasonable reserve for bad debts.

(b) Supplies shall be computed at cost or market value, whichever is lesser.

(c) All accrued or properly accruable taxes and assessments shall be deducted as liabilities.

(d) Furniture, fixtures, machinery, motor vehicles, and equipment shall be valued at cost less depreciation.

(e) Any amounts shown on the Company's books of account for any leases to which the Company is a party, other than development ground leases, shall be excluded.

(f) Real property, contracts to sell or purchase real property, options to purchase real property, and real property and development ground leases prior to commencement of land development or construction activities shall be at fair market value.

(g) Real property and development ground leases, after commencement of land development or construction activities, shall be valued on the basis of percentage of completion times the estimated completion value. Percentage of completion shall mean that portion of total estimated construction costs (including land development and direct construction costs, but excluding the purchase price of land) actually expended or accrued to the date of the event causing the purchase and sale of Interest. Estimated completion value shall mean net pre-tax profits shall be determined by deducting from project gross revenues all costs and expenses of the project together with an allocated portion of general and administrative expenses.

ARTICLE VIII

ADDITIONAL AND SUBSTITUTE MEMBERS

From the date of the formation of the Company, any Person may become a Member of the Company, subject to the terms and conditions of this Agreement, provided such Person: (a) is acceptable to the Manager and a Majority-In-Interest of the Members and acquires new Company Interests for such consideration as the Manager shall determine (an "Additional Member"); or (b) is a transferee of a Member's Interest, or any portion thereof, subject to the terms and conditions of this Agreement (a "Substitute Member"). Additional Members and Substitute Members shall not be entitled to any retroactive allocation of losses, income, or expense deductions incurred by the Company. The Manager may, at its option, at the time an Additional Member or a Substitute Member is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of loss, income, and expense deductions to an Additional Member or a Substitute Member for that portion of the Company's tax year in which an Additional Member or a substitute Member was admitted in accordance with the provisions of Section 706(d) of the Code and the Regulations promulgated thereunder. The Members by execution of this Agreement or acceptance of an Interest in the Company agree to vote for the admission as a Member any Person who acquired an Interest in the Company under subsections 7.2(a), (b), (c), (e), or (f) above.

ARTICLE IX

DISSOLUTION AND TERMINATION

9.1 Dissolution. The Company shall be dissolved upon the occurrence of any of the following events:

- (a) by the written agreement of all of the Members; or

(b) upon any event specified in the Act that requires the dissolution of the Company.

(c) Notwithstanding any provision hereof to the contrary, the following shall govern: To the extent permissible under applicable federal and state law, the vote of a majority-in-interest of the remaining members is sufficient to continue the life of the Company shall not liquidate the Company Property.

9.2 Effect of Filing of Articles of Dissolution. Upon the dissolution of the Company, the Company shall cease to carry on its business except insofar as may be necessary for the winding up of its business, but its separate existence shall continue until winding up of its business, liquidation and distribution.

9.3 Winding Up, Liquidation and Distribution of Assets.

(a) Accounting. Upon dissolution, an accounting shall be made by the Company's independent accountants of the accounts of the Company and of the Company's assts, liabilities, and operations from the date of the last previous accounting until the date of the dissolution. The Manager shall immediately proceed to wind up the affairs of the Company.

(b) Duties of Manager. If the Company is dissolved and its affairs are to be wound up, the Manager shall: (i) sell or otherwise liquidate all of the Company's assets as promptly as practicable (except to the extent the Manager may determine to distribute any assets to the Members in kind); (ii) allocate any profit or loss resulting from such sales to the Members' Capital Accounts in accordance with Article VI hereof; (iii) discharge all liabilities of the Members (other than liabilities to Members) including all costs relating to the dissolution, winding up, and liquidation and distribution of assets; (iv) establish such reserves as may be reasonably necessary to provide for contingent liabilities of the Company for purposes of determining the Capital Accounts of the Members (the amounts of such reserves shall be deemed to be an expense of the Company); (v) discharge any liabilities of the Company to the Members other than on account of their interests in Company capital or profits; and (vi) distribute the remaining assets in the following order:

(1) If any assets of the Company are to be distributed in kind, the net fair market value of such assets as of the date of the dissolution shall be determined by independent appraisal or by agreement of the Members. Such assets shall be deemed to have been sold as of the date of dissolution for their fair market value, and the Capital Accounts of the Members shall be adjusted to the provisions of Article VI of this Agreement to reflect such deemed sale; and

(2) The positive balance of each Member's Capital Account as determined after taking into account all Capital Account adjustments for the Company's taxable year during which the liquidation occurs shall be distributed to the Members, either in cash or in kind, as determined by the Manager, with any assets distributed in kind being valued for this purpose at their fair market value as determined pursuant to subsection 9.3(b)(1) above. Any such distributions to the Members in respect of their Capital Accounts shall be made in accordance with the time requirements set forth in Section 1.074-1(b)(2)(ii)(b)(2) of the Regulations.

(c) Deficit Capital Accounts. Notwithstanding anything to the contrary in this Agreement, upon a liquidation within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations, if any Member has a deficit Capital Account (after giving effect to all contributions, distributions, allocations, and other Capital Account adjustments for all taxable years including the year during which such liquidation occurs), such Member shall have no obligation to make any contribution to the capital of the Company, and the negative balance of such Member's Capital Account shall not be considered a debt owed by such member to the Company or to any other person for any purpose whatsoever.

(d) Termination. Upon completion of the winding up, liquidation, and distribution of assets, the Company shall be deemed terminated.

(e) Applicable Law. The Manager shall comply with any requirements of applicable law pertaining to the winding up of the affairs of the Company and the final distribution of its assets.

9.4 Articles of Dissolution. When all debts, liabilities, and obligations have been paid and discharged or adequate provisions have been made therefore and all of the remaining property and assets have been distributed to the Members, Articles of Dissolution shall be executed and filed with the Secretary of State.

9.5 Return of Contribution; Nonrecourse to Other Members. Except as provided by law, upon dissolution each Member shall look solely to the assets of the Company for the return of his Capital Contribution. If the Company Property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the cash or other property contribution of one or more Members, such Member or Members shall have no recourse against any other Member except to the extent of any required but unpaid Capital Contribution.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 Notices. Any notice or communication to be given under the terms of this Agreement ("Notice") shall be in writing and shall be personally delivered or sent by facsimile, overnight delivery, or registered or certified mail, return receipt requested. Notice shall be effective: (a) if personally delivered, when delivered; (b) if by facsimile, on the day of transmission thereof on a proper facsimile machine with a confirmed answer back; (c) if by overnight delivery, the day after delivery thereof to a reputable overnight courier service, delivery charges prepaid; and (d) if mailed, at midnight on the third business day after deposit in the mail, postage prepaid. Notices shall be addressed as follows:

If to Manager or the Company: Scott McIntosh
26442 Houston Trail
Laguna Hills, CA 92653

If to Members: Arthur and Sueko Fong, Trustees
of the Arthur Fong and Sueko Fong
Trust dated June 24, 1993
480 S. Coast Highway
Laguna Beach, CA 92651

Scott McIntosh
26442 Houston Trail
Laguna Hills, CA 92653

10.2 Books of Account and Records. Proper and complete records and books of account shall be kept or shall be caused to be kept by the Manager in which shall be entered fully and accurately all transactions and other matters relating to the Company's business in such detail and completeness as is customary and usual for businesses of the type engaged in by the Company. The books and records shall at all times be maintained at the principal executive office of the Company and shall be open to the reasonable inspection and examination of the Members or their duly authorized representatives during reasonable business hours.

10.3 Application of California Law. This Agreement, and the application or interpretation hereof, shall be governed exclusively by its terms and by the laws of the State of California. The parties hereto consent to the exclusive jurisdiction and venue of the federal and state courts in Orange County, California, with respect to any controversy arising out of this Agreement or the transactions contemplated hereby.

10.4 Waiver of Action for Partition. Each Member irrevocably waives during the term of the Company any right that it may have to maintain any action for partition with respect to the property of the Company.

10.5 Entire Agreement and Amendments. This Agreement constitutes the whole and entire agreement of the Members with respect to the subject matter hereof, and supersedes all prior understandings and agreements between them whether written, oral or otherwise. This Agreement may be amended by the written agreement or consent of all the Members.

10.6 Execution of Additional Instruments. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney, and other instruments necessary to comply with any laws, rules, or regulations.

10.7 Construction. Whenever the singular is used in this Agreement, when required by the context the same shall include the plural, and the masculine gender shall include the feminine and neuter genders and vice versa; and the word "person" or "party" shall include a corporation, firm, partnership, proprietorship, limited liability company, trust, or other form of association.

10.8 Headings. The headings in this Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent, or intent of this Agreement or any provision hereof.

10.9 Waivers. The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, having the effect of an original violation.

10.10 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative, and the use of any one right or remedy by any party shall not preclude or waive the right or use of any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance, or otherwise.

10.11 Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid, illegal, or unenforceable to any extent, the remainder of this Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

11.12 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions, and agreements herein contained shall be binding upon and inure to the benefit of

the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors, and assigns.

10.13 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company or of any Member.

10.14 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

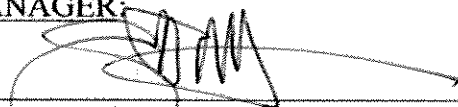
10.15 Attorneys' Fees. In the event any party hereto institutes an action or other proceeding to enforce and rights arising under this Agreement, the party prevailing in such action or other proceeding shall be paid all reasonable costs and attorneys' fees by the other party, such fees to be set by the court and not by a jury and to be included in any judgment entered in such proceeding.

10.16 Appointment of Manager as Attorney-in-Fact. Each Member hereby makes, constitutes, and appoints the Manager as such Member's true and lawful attorney-in-fact with full power of substitution to sign, execute, certify, acknowledge, swear to, file, publish and/or record any and all documents and/or agreements which the Manager may deem reasonably necessary or appropriate to amend this Agreement and/or otherwise to reflect (a) the exercise by the Manager of any power granted to the Manager under this Agreement, (b) the transfer of any Member's Interest in accordance with the terms hereof, (c) the admission of any person and/or entity as a Substituted and/or an Additional Member of the Company in accordance with the terms hereof, and (d) any revision to the respective Percentage Interest of the Members. Each Member hereby authorizes the Manager to take any further action which the Manager shall consider necessary or advisable in connection with any of the foregoing, and hereby gives the Manager full power and authority to do and perform each and every act or thing whatsoever requisite or advisable to be done in connection with the foregoing as fully and completely as if such Member were acting personally, and hereby ratifies and confirms any and all actions that the Manager may take by virtue of the foregoing provisions. The foregoing special power of attorney is coupled with an interest and is irrevocable and shall survive the death, disability, incapacity, bankruptcy, insolvency, dissolution or cessation of existence of any Member and shall survive the assignment by any Member of all or any portion of such Member's Interest.

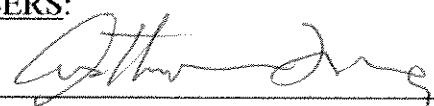
10.17 Waiver of Conflict. This Agreement has been prepared by Kevin O'Hara of Turner, Reynolds, Greco & O'Hara as an accommodation to the parties to this Agreement. Each party is urged to have this Agreement reviewed by their own counsel for the protection of their individual interests. By their signatures below, each party hereto acknowledges that they have had this Agreement reviewed by an attorney of their own choosing or that they waive their rights to such a review.


IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

MANAGER:


SCOTT McINTOSH

MEMBERS:


ARTHUR FONG, Trustee of the Arthur
Fong and Sueko Fong Trust dated 6/24/1993


SUEKO FONG, Trustee of the Arthur
Fong and Sueko Fong Trust dated
6/24/1993


SCOTT McINTOSH

EXHIBIT
A

PROMISSORY NOTE

\$1,500,000

Nov. 22, 2010

FOR VALUE RECEIVED, MCF480, LLC, a California limited liability company ("Maker") promises to pay to ARTHUR FONG and SUEKO FONG, Trustees of the FONG FAMILY TRUST dated June 24, 1993 ("Payee"), or order, at hereafter designate by written notice to Maker, in lawful money of the United States of America, the sum of One Million Five Hundred Thousand Dollars (\$1,500,000), together with interest on the unpaid principal balance at the rate of eight percent (8 %) per annum. .

Payments of principal and interest shall be fully amortized in 360 (360) monthly installments of 11,006.47 Dollars (\$ 11,006.47) beginning on the first day of Nov. 2010, and continuing thereafter on the first day of each month until the entire principal balance and all accrued interest have been paid in full.

All payments, when received, shall be credited, first, to accrued interest, with the balance applied to the reduction of the principal sum.

Maker shall have the right to prepay the principal of this Note from time to time, in whole or in part, without penalty.

The occurrence of any of the following will constitute an event of default ("Event of Default") under this Note:

- (a) Maker's failure to pay any installment of principal and/or interest within ten (10) days of its due date.
- (b) Maker (i) makes an assignment for the benefit of creditors or admits in writing Maker's inability to pay its debts generally as they become due, or (ii) applies to any tribunal for the appointment of a trustee or receiver of any substantial part of Maker's assets, or (iii) commences any voluntary proceedings under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or other liquidation law of any jurisdiction, or (iv) becomes the subject of any such involuntary proceedings and Maker indicates Maker's approval, consent or acquiescence, or (v) becomes the subject of an order appointing a trustee or receiver, adjudicating it bankrupt or insolvent, or approving a petition in any such

involuntary proceeding, and such order remains in effect for sixty (60) days.

Upon the occurrence of any Event of Default hereunder, the entire unpaid balance of the principal debt evidenced hereby, together with any other sums due hereunder, with interest theretofore accrued, shall, at the option of Payee, become immediately due and payable.

Except as set forth herein, demand, notice of demand, presentation for payment, notice of non-payment or dishonor, protest and notice of protest are hereby waived by Maker.

All notices, demands or other communications which are required or are permitted to be given hereunder shall be in writing and shall be deemed to have been sufficiently given on the third business day following due deposit in the United States mail at a post office or mail box, with certification and postal charges prepaid, addressed:

If to Payee: Arthur Fong and Sueko Fong, Trustees
of The Fong Family Trust dated June 24, 1993
480 S. Coast Highway
Laguna Beach, CA 92651

If to Maker: Scott McIntosh
29771 Weatherwood
Laguna Niguel, CA 92677

As to any such person, at such other address as the party to receive such notice or other communication (or copy thereof) shall have designed by written notice to party sending the same.

This Note shall bind Maker, and Maker's successors and assigns, and the benefits hereof shall inure to Payee and Payee's successors and assigns.

This Note shall be governed by the laws of the State of California. If any term or provision of this Note or the application thereof is held to be invalid or unenforceable, the remainder of this Note, shall not be affected thereby.

Nothing in this Note contained shall be construed to require interest at a rate greater than is at any time lawful. If it should be held that the interest payable under this Note is in excess of the maximum permitted by law, the interest chargeable hereunder (whether included in the face amount or otherwise) shall be reduced to the maximum amount permitted by law.

Maker shall pay on demand any and all reasonable costs and expenses, including but not limited to, attorneys' fees, incurred by Payee in connection with any default under this Note, whether or not suit be instituted to enforce the terms hereof.

MAKER:

MCF480, LLC, a California Limited Liability
Company

By: _____


SCOTT McINTOSH, Manager

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

In re MCF480, LLC, a California limited liability company, dba Asada Laguna Beach, Debtor.	Case No. Chapter 11
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CORPORATE OWNERSHIP STATEMENT
Pursuant to Federal Rule of Bankruptcy Procedure 1007(a)(1)

The following is a (are) corporation(s), other than a governmental unit, that directly or indirectly own(s) ten percent or more of any class of the Debtor corporation's equity interests:

☒ None (check if applicable)

<u>Corporation Name</u>	<u>Amount of Equity Interest</u>
None	

I declare under the penalty of perjury under the laws of the State of California that the foregoing list is true and correct to the best of my knowledge, information and belief.

Executed at Laguna Beach, California.

Dated: April 8, 2013

MCF480, LLC, a California limited liability company

/s/ Scott McIntosh

Scott McIntosh, Managing Member

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

In re MCF480, LLC, a California limited liability company Debtor.	Case No. Chapter 11
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LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS

Following is the list of the debtor's creditors holding the 20 largest unsecured claims. The list is prepared in accordance with Fed. R. Bankr. P. 1007(d) for filing in this chapter 11 [or chapter 9] case. The list does not include (1) persons who come within the definition of "insider" set forth in 11 U.S.C. § 101, or (2) secured creditors unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the 20 largest unsecured claims. If a minor child is one of the creditors holding the 20 largest unsecured claims, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m)..

(1) Name of creditor and complete mailing address including zip code	(2) Name, telephone number and complete mailing address including zip code of employee, agent or department of creditor familiar with claim who may be contacted	(3) Nature of claim (trade debt, bank loan government contract, etc.)	(4) Indicate if claim is contingent, unliquidated, disputed or subject to setoff	(5) Amount of claim (if secured also state value of security)
BRUCE SCHERER CONSTRUCTION ATTN PRESIDENT OR MANAGER AGENT PO BOX 961 LAGUNA BEACH,CA 92652	BRUCE SCHERER CONSTRUCTION ATTN PRESIDENT OR MANAGER AGENT PO BOX 961 LAGUNA BEACH,CA 92652 Tel: 949-290-7620 Fax:	Construction		\$47,011.80
D&D PRODUCE ATTN PRESIDENT OR MANAGER AGENT 777 BALDWIN PARK BLVD. CITY OF INDUSTRY,CA 91746	D&D PRODUCE ATTN PRESIDENT OR MANAGER AGENT 777 BALDWIN PARK BLVD. CITY OF INDUSTRY,CA 91746 Tel: 626-333-2111 Fax: 626-333-8111	Trade supplier		\$22,454.00
SOUTHERN WINE & SPIRITS ATTN PRESIDENT OR MANAGER AGENT FILE56002 LOS ANGELES,CA 90074	SOUTHERN WINE & SPIRITS ATTN PRESIDENT OR MANAGER AGENT FILE56002 LOS ANGELES,CA 90074 Tel: 800-282-4797 Fax:	Trade supplier		\$14,622.08
WEST COAST PRIME ATTN PRESIDENT OR MANAGER AGENT 2004 E 67TH ST. LOS ANGELES,CA 90001	WEST COAST PRIME ATTN PRESIDENT OR MANAGER AGENT 2004 E 67TH ST. LOS ANGELES,CA 90001 Tel: 714-255-8560 Fax: 714-255-0630	Trade supplier		\$7,513.35

(1) Name of creditor and complete mailing address including zip code	(2) Name, telephone number and complete mailing address including zip code of employee, agent or department of creditor familiar with claim who may be contacted	(3) Nature of claim (trade debt, bank loan government contract, etc.)	(4) Indicate if claim is contingent, unliquidated, disputed or subject to setoff	(5) Amount of claim (if secured also state value of security)
YOUNGS MARKET COMPANY ATTN PRESIDENT OR MANAGER AGENT PO BOX 30145 LOS ANGELES, CA 90030- 0145	YOUNGS MARKET COMPANY ATTN PRESIDENT OR MANAGER AGENT PO BOX 30145 LOS ANGELES, CA 90030- 0145 Tel: 800-627-2777 Fax:	Trade supplier		\$6,253.00
BRAUN LINEN SERVICE ATTN PRESIDENT OR MANAGER AGENT 16530 S. GARFIELD BOX 348 PARAMOUNT, CA 90723	BRAUN LINEN SERVICE ATTN PRESIDENT OR MANAGER AGENT 16530 S. GARFIELD BOX 348 PARAMOUNT, CA 90723 Tel: 562-531-3440 Fax: 562-531-2050	Linen service		\$5,014.89
EL METATE ATTN PRESIDENT OR MANAGER AGENT 838 E. FIRST STREET SANTA ANA, CA 92701	EL METATE ATTN PRESIDENT OR MANAGER AGENT 838 E. FIRST STREET SANTA ANA, CA 92701 Tel: 714-542-3913 Fax:	Trade supplier		\$4,550.05
LOW & JOE CREATIVE ATTN PRESIDENT OR MANAGER AGENT 1557 SILVER LN DIAMOND BAR, CA 91765- 4037	LOW & JOE CREATIVE ATTN PRESIDENT OR MANAGER AGENT 1557 SILVER LN DIAMOND BAR, CA 91765- 4037 Tel: 909-263-7963 Fax:	Advertising		\$3,717.01
SOUTHERN CALIFORNIA EDISON ATTN BANKRUPTCY SECTION PO BOX 300 ROSEMEAD, CA 91772-0001	SOUTHERN CALIFORNIA EDISON ATTN BANKRUPTCY SECTION PO BOX 300 ROSEMEAD, CA 91772-0001 Tel: 800-990-7788 Fax:	Electric		\$3,214.00
GAS COMPANY ATTN BANKRUPTCY SECTION PO BOX C MONTEREY PARK, CA 91756-5111	GAS COMPANY ATTN BANKRUPTCY SECTION PO BOX C MONTEREY PARK, CA 91756-5111 Tel: 800-427-2200 Fax:	Gas		\$3,200.00
SCOTT HOLT 790 SUMMIT DRIVE LAGUNA BEACH, CA 92651	SCOTT HOLT 790 SUMMIT DRIVE LAGUNA BEACH, CA 92651 Tel: 949-376-7255 Fax: 949-376-6895	Trade debt		\$3,000.00

(1) Name of creditor and complete mailing address including zip code	(2) Name, telephone number and complete mailing address including zip code of employee, agent or department of creditor familiar with claim who may be contacted	(3) Nature of claim (trade debt, bank loan government contract, etc.)	(4) Indicate if claim is contingent, unliquidated, disputed or subject to setoff	(5) Amount of claim (if secured also state value of security)
BUTLER CHEMICALS ATTN PRESIDENT OR MANAGER AGENT 1283 N. GROVE STREET ANAHEIM, CA 92806-2114	BUTLER CHEMICALS ATTN PRESIDENT OR MANAGER AGENT 1283 N. GROVE STREET ANAHEIM, CA 92806-2114 Tel: 714-530-7625 Fax:	Supplies		\$2,633.48
WINE WAREHOUSE ATTN PRESIDENT OR MANAGER AGENT 6550 E. WASHINGTON BLVD CITY OF COMMERCE, CA 90040-1800	WINE WAREHOUSE ATTN PRESIDENT OR MANAGER AGENT 6550 E. WASHINGTON BLVD CITY OF COMMERCE, CA 90040-1800 Tel: 323-724-1700 Fax:	Trade supplier - wine		\$1,326.00
MENU SERVICES ATTN PRESIDENT OR MANAGER AGENT 7697 NINTH STREET BUENA PARK, CA 90621	MENU SERVICES ATTN PRESIDENT OR MANAGER AGENT 7697 NINTH STREET BUENA PARK, CA 90621 Tel: 714-522-2992 Fax:	Trade service		\$1,236.00
OC BAKING COMPANY ATTN PRESIDENT OR MANAGER AGENT 540 FREEDOM AVE ORANGE, CA 92865	OC BAKING COMPANY ATTN PRESIDENT OR MANAGER AGENT 540 FREEDOM AVE ORANGE, CA 92865 Tel: 714-999-2253 Fax: 714-998-2261	Trade supplier		\$1,165.69
SDCR SAN DIEGO CASH REGISTER ATTN PRESIDENT OR MANAGER AGENT 7940 ARJONS DRIVE SAN DIEGO, CA 92126	SDCR SAN DIEGO CASH REGISTER ATTN PRESIDENT OR MANAGER AGENT 7940 ARJONS DRIVE SAN DIEGO, CA 92126 Tel: 949-422-9291 Fax:	Trade service		\$1,045.00
WASTE MANAGEMENT ATTN PRESIDENT OR MANAGER AGENT 1800 S. GRAND AVE. SANTA ANA, CA 92705	WASTE MANAGEMENT ATTN PRESIDENT OR MANAGER AGENT 1800 S. GRAND AVE. SANTA ANA, CA 92705 Tel: 866-834-2080 Fax:	Waste services		\$900.41

(1) Name of creditor and complete mailing address including zip code	(2) Name, telephone number and complete mailing address including zip code of employee, agent or department of creditor familiar with claim who may be contacted	(3) Nature of claim (trade debt, bank loan government contract, etc.)	(4) Indicate if claim is contingent, unliquidated, disputed or subject to setoff	(5) Amount of claim (if secured also state value of security)
LAGUNA BEACH COUNTY WATER DISTRICT ATTN PRESIDENT OR MANAGER AGENT 306 THIRD ST. PO BOX 987 LAGUNA BEACH,CA 92652- 0987	LAGUNA BEACH COUNTY WATER DISTRICT ATTN PRESIDENT OR MANAGER AGENT 306 THIRD ST. PO BOX 987 LAGUNA BEACH,CA 92652- 0987 Tel: 949-494-1041 Fax:	Water		\$881.59
GDR THE GDR GROUP INC ATTN PRESIDENT OR MANAGER AGENT 5520 TRBU CO ROAD IRVINE,CA 92620	GDR THE GDR GROUP INC ATTN PRESIDENT OR MANAGER AGENT 5520 TRBU CO ROAD IRVINE,CA 92620 Tel: 949-453-8818 Fax:	IT services		\$763.50
LBS DISTRIBUTING ATTN PRESIDENT OR MANAGER AGENT 3400 WEST WARNER AVE.SUITE E SANTA ANA, CA 92704	LBS DISTRIBUTING ATTN PRESIDENT OR MANAGER AGENT 3400 WEST WARNER AVE.SUITE E SANTA ANA, CA 92704 Tel: 714-433-0177 Fax: 714-433-0170	Restaurant supplies		\$735.03

I, **Scott McIntosh, the Managing Member of MCF480, LLC, a California limited liability company**, the debtor in this case, declare under penalty of perjury that I have read the foregoing list of 20 largest unsecured creditors and that it is true and correct to the best of my information and belief.

Dated: April 8, 2013

MCF480, LLC, a California limited liability company

/s/ Scott McIntosh

Scott McIntosh, Managing Member

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

In re MCF480, LLC, a California limited liability company, dba Asada Laguna Beach, Debtor.	Case No. Chapter 11
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LIST OF ALL LIMITED PARTNERS

Arthur Fong and Sueko Fong, Trustees of the Fong Family Trust dated June 24, 1993 480 S. Coast Highway Laguna Beach, CA 92651	60% Membership
Scott McIntosh 29771 Weatherwood Laguna Niguel, CA 92677	40% Membership and Managing Member

I declare under the penalty of perjury under the laws of the State of California that the foregoing list is true and correct to the best of my knowledge, information and belief.

Executed on, at Laguna Beach, California.

Dated: April 8, 2013

MCF480, LLC, a California limited liability company

/s/ Scott McIntosh

Scott McIntosh, Managing Member

STATEMENT OF RELATED CASES
INFORMATION REQUIRED BY LBR 1015-2
UNITED STATES BANKRUPTCY COURT, CENTRAL DISTRICT OF CALIFORNIA

1. A petition under the Bankruptcy Act of 1898 or the Bankruptcy Reform Act of 1978 has previously been filed by or against the debtor, his/her spouse, his or her current or former domestic partner, an affiliate of the debtor, any copartnership or joint venture of which debtor is or formerly was a general or limited partner, or member, or any corporation of which the debtor is a director, officer, or person in control, as follows: (Set forth the complete number and title of each such of prior proceeding, date filed, nature thereof, the Bankruptcy Judge and court to whom assigned, whether still pending and, if not, the disposition thereof. If none, so indicate. Also, list any real property included in Schedule A that was filed with any such prior proceeding(s).)
- None
-
2. (If petitioner is a partnership or joint venture) A petition under the Bankruptcy Act of 1898 or the Bankruptcy Reform Act of 1978 has previously been filed by or against the debtor or an affiliate of the debtor, or a general partner in the debtor, a relative of the general partner, general partner of, or person in control of the debtor, partnership in which the debtor is a general partner, general partner of the debtor, or person in control of the debtor as follows: (Set forth the complete number and title of each such prior proceeding, date filed, nature of the proceeding, the Bankruptcy Judge and court to whom assigned, whether still pending and, if not, the disposition thereof. If none, so indicate. Also, list any real property included in Schedule A that was filed with any such prior proceeding(s).)
- None
-
3. (If petitioner is a corporation) A petition under the Bankruptcy Act of 1898 or the Bankruptcy Reform Act of 1978 has previously been filed by or against the debtor, or any of its affiliates or subsidiaries, a director of the debtor, an officer of the debtor, a person in control of the debtor, a partnership in which the debtor is general partner, a general partner of the debtor, a relative of the general partner, director, officer, or person in control of the debtor, or any persons, firms or corporations owning 20% or more of its voting stock as follows: (Set forth the complete number and title of each such prior proceeding, date filed, nature of proceeding, the Bankruptcy Judge and court to whom assigned, whether still pending, and if not, the disposition thereof. If none, so indicate. Also, list any real property included in Schedule A that was filed with any such prior proceeding(s).)
- None
-
4. (If petitioner is an individual) A petition under the Bankruptcy Reform Act of 1978, including amendments thereof, has been filed by or against the debtor within the last 180 days: (Set forth the complete number and title of each such prior proceeding, date filed, nature of proceeding, the Bankruptcy Judge and court to whom assigned, whether still pending, and if not, the disposition thereof. If none, so indicate. Also, list any real property included in Schedule A that was filed with any such prior proceeding(s).)
- None
-

I declare, under penalty of perjury, that the foregoing is true and correct.

MCF480, LLC, a California limited liability company

Executed at Laguna Beach, California

/s/ Scott McIntosh, Managing Member
Signature of Debtor

Date: 04/08/2013

Signature of Joint Debtor

MASTER MAILING LIST

VERIFICATION PURSUANT TO LOCAL BANKRUPTCY RULE 1007-2(d)

SHULMAN HODGES & BASTIAN LLP

8105 Irvine Center Drive, Suite 600

Irvine, CA 92618

Telephone: (949) 340-3400

Facsimile: (949) 340-3000



Attorney for Debtor



Debtor in Pro Per

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA**

List all names including trade names, used by
Debtor(s) within last 8 years:

**MCF480, LLC, a
California limited liability company,
dba Asada Laguna Beach,**

Case No.
Chapter 11

VERIFICATION OF CREDITOR MAILING LIST

The above named Debtor(s), or Debtor's attorney if applicable, do hereby certify under penalty of perjury that the attached Master Mailing List of creditors, consisting of **9** sheet(s) is complete, correct and consistent with the Debtor's schedules pursuant to Local Bankruptcy Rule 1007-2(d) and I/we assume all responsibility for errors and omissions.

Dated: April 8, 2013

MCF480, LLC, a California limited liability company

/s/ Scott McIntosh

Scott McIntosh, Managing Member

SHULMAN HODGES & BASTIAN LLP

/s/ James C. Bastian, Jr.

James C. Bastian, Jr.
Attorneys for the Debtor and Debtor in Possession

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ARTHUR FONG AND SUEKO FONG
470 SOUTH COAST HIGHWAY
LAGUNA BEACH, CA 92651

ARTHUR FONG AND SUEKO FONG, TRUSTEES
OF THE FONG FAMILY TRUST
DATED JUNE 24, 1993
480 S COAST HIGHWAY
LAGUNA BEACH, CA 92651

BRAUN LINEN SERVICE
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ACCOUNT INFORMATION GROUP MIC:29
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