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9 Counsel for Co-Proponent, Legendary Investors
10 Group No. 1, LLC

11 **UNITED STATES BANKRUPTCY COURT**
12 **CENTRAL DISTRICT OF CALIFORNIA**
13 **SAN FERNANDO VALLEY DIVISION**

14 In re:
15
16 MERUELO MADDUX PROPERTIES, INC., et
17 al.,
18 Debtor

Case No.: 1:09-bk-13356-KT

Chapter 11

**SUBMISSION OF REDLINE OF
DISCLOSURE STATEMENT FOR
LEGENDARY INVESTORS GROUP NO.
1, LLC'S AND EAST WEST BANK'S
19 ~~FIRST~~SECOND AMENDED JOINT
20 CHAPTER 11 PLAN OF
21 REORGANIZATION DATED ~~AUGUST~~
24, SEPTEMBER 3, 2010**

- 22 Affects all Debtors
23 Affects the following Debtor(s):

[Definitions for Plan and Disclosure Statement
Filed Concurrently Herewith]

Disclosure Statement Approval Hearing

Hearing Date: September 8, 2010
Time: 10:00 a.m.
Place: 21041 Burbank Blvd.
Courtroom 301
Woodland Hills, CA
Judge: Hon. Kathleen Thompson

PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA

IMPORTANT DATES

- Date by which Ballots must be received: **October 12, 2010, at 5:00 p.m. Pacific Time**
- Date by which objections to Confirmation of the Plan must be filed and served: **November 4, 2010, at 5:00 p.m. Pacific Time**
- Hearing on Confirmation of the Plan: **November 29, 2010, at 9:30 a.m. Pacific Time.**

11 U.S.C. § 1125(b) PROHIBITS SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN UNLESS A COPY OF THE PLAN, OR A SUMMARY THEREOF, IS ACCOMPANIED OR PRECEDED BY A COPY OF A DISCLOSURE STATEMENT APPROVED BY THE BANKRUPTCY COURT. THIS PROPOSED DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT, AND, THEREFORE, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED AS, AN AUTHORIZED SOLICITATION PURSUANT TO 11 U.S.C. § 1125 AND RULE 3017 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE. NO SUCH SOLICITATION WILL BE MADE EXCEPT AS AUTHORIZED PURSUANT TO SUCH LAW AND RULES.

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Dated: ~~August 24,~~[September 3,](#) 2010

I.

INTRODUCTION

1
2
3 Legendary Investors Group No. 1, LLC (“Legendary”) and East West Bank (“EWB” and
4 collectively with Legendary, the “Proponents”), which are secured creditors of certain of the Debtors
5 and unsecured guaranty creditors of the parent corporation Meruelo Maddux Properties, Inc., a
6 Delaware corporation (“MMPI”), have jointly proposed their ~~first~~second amended chapter 11 plan of
7 reorganization in the form attached hereto as **Exhibit “1”** (the “Plan”) for MMPI and each of its 53
8 related debtor entities (collectively, the “Debtors”).

9 This *Disclosure Statement for Legendary ~~Investor~~Investors Group No. 1, LLC’s and East*
10 *West Bank’s ~~First~~Second Amended Chapter 11 Plan of Reorganization* dated as of ~~August~~
11 ~~20, September 3,~~September 3, 2010 (“Disclosure Statement”) provides a summary of the Plan and certain related
12 matters.¹ *[This Disclosure Statement has been approved by the Bankruptcy Court and is provided to*
13 *help you understand the Plan.]* This Disclosure Statement sets forth information (a) concerning the
14 Plan and alternatives to the Plan,² (b) advising the Holders³ of Claims and Interests of their rights
15 under the Plan, (c) assisting the Holders of Claims and Interests in making an informed judgment
16 regarding whether they should vote to accept or reject the Plan, and (d) assisting the Bankruptcy
17 Court in determining whether the Plan complies with the provisions of the Bankruptcy Code and
18 should be confirmed.

19 The Plan provides for the reorganization of the Debtors’ affairs to create a strong, well-
20 managed and well-financed operation. The Plan’s foundation is an \$80 million recapitalization via a
21 \$5 million cash infusion by Legendary, conversion of approximately \$65 million of the Proponents’
22

23 ¹ In the event the Plan and Disclosure Statement are inconsistent, the Plan will control.

24 ² In addition to the Plan described herein, the Debtors proposed a chapter 11 plan described in their *Debtors’ Modified*
25 *Second Amended Joint Disclosure Statement Describing Second Amended Joint Plan of Reorganization of Meruelo*
26 *Maddux Properties, Inc., et al.* filed on June 10, 2010 [Docket No. 1510] (as amended or modified from time to time,
27 “Debtors’ Disclosure Statement”). Equity holders Charlestown Capital Advisors LLC and Hartland Asset Management
28 Corporation proposed a chapter 11 plan described in their *Charlestown Capital Advisors, LLC’s and Hartland*
Management Corporation’s Disclosure Statement Describing Second Amended Joint Plan of Reorganization of Meruelo
Maddux Properties, Inc., et al. filed on July 14, 2010 [Docket No. 1594].

³ The definitions for capitalized terms used in the Proponents’ Plan and Disclosure Statement may be found in the
Proponents’ concurrently filed *Definitions for Plan and Disclosure Statement* and shall have the respective meanings set
forth therein.

1 debt to equity and a \$10 million Rights Offering to Holders of MMPI Existing Common Stock as of
2 the Effective Date (although the Effective Date is not conditioned or contingent upon the Rights
3 Offering). Such Holders will be offered the right to purchase up to a total of 2,202,500 additional
4 shares of Reorganized MMPI Common Stock, equal to a 10% stake in Reorganized MMPI.

5 This restructuring will greatly reduce the Reorganized Debtors' debt service load permitting
6 them to meet all of their obligations both in the short term and over the life of the Plan. Legendary's
7 cash contribution combined with the proceeds of the Rights Offering and the Debtors' cash from
8 operations will provide more than sufficient funds for the payment of all amounts due on or around
9 the Plan's Effective Date.

10 Holders of General Unsecured Claims will receive a cash payment equal to 100% of the full
11 amount of their Allowed Claims on the Effective Date ~~(or after a Final Order of the Bankruptcy~~
12 ~~Court allowing such Claims).~~ Accordingly, plus (a) interest for the period from the Petition Date
13 through the Effective Date at the Federal Judgment Rate at the Federal Judgment Rate in effect as of
14 the Petition Date for the period from the Petition Date through the Effective Date and (b) in the event
15 the Claim is not Allowed as of the Effective Date but becomes Allowed thereafter, simple interest at
16 4% per annum for the period from the 31st day after the Effective Date through the date the Claim is
17 paid. Interest shall not accrue during the initial 30 day period following the Effective Date. Holders
18 of General Unsecured Claims could be considered "Impaired" by the Plan; out of an abundance of
19 caution, the Proponents are soliciting votes on the Plan from such Holders. However, the Proponents
20 reserve the right to contend that Holders of General Unsecured Claims are Unimpaired under the
21 Plan; and are deemed to have accepted the Plan ~~and their votes on the Plan are not being solicited.~~

22 Unless they have agreed to alternative treatment with the Debtors pursuant to a Bankruptcy
23 Court-approved settlement, Holders of Secured Claims will receive 55.5% interest-only payments on
24 a quarterly basis, with repayment of all principal on or before the fourth anniversary of ~~confirmation~~
25 ~~of the Plan~~ Effective Date. Unless they have agreed to alternative treatment with the Debtors
26 pursuant to a Bankruptcy Court-approved settlement, Holders of Allowed Unsecured Guaranty
27 Claims will have their Allowed Guaranty Claims reinstated but modified with respect to the
28 restructured underlying secured debt. Those secured lenders that have entered into Bankruptcy

1 Court-approved settlements with the Debtors regarding repayment of their Secured Claims shall
2 have those settlements honored in the form approved by the Bankruptcy Court.

3 The Plan divides the Holders of Equity Interests in MMPI into two classes, the Insider
4 Shareholders and all other Holders. As to both classes, the Plan provides for the cancellation of
5 MMPI Existing Common Stock and the issuance of 22,025,000 shares of Reorganized MMPI
6 Common Stock to stakeholders as follows. Holders of MMPI Existing Common Stock, who hold
7 approximately 88.1 million shares in total, shall be issued one share of Reorganized MMPI Common
8 Stock in exchange for each twenty (20) shares of MMPI Existing Common Stock they held on the
9 Record Date (for a total of ~~2,202,500~~4,405,000 shares of Reorganized MMPI Common Stock).
10 Thus, Holders of MMPI Existing Common Stock shall be diluted to an aggregate 20% stake in
11 Reorganized MMPI. In addition, Holders of MMPI Existing Common Stock shall receive one
12 Subscription Right for each 20 shares of such MMPI Existing Common Stock held by such Holder
13 as of the Effective Date. Pursuant to the Subscription Right and, in accordance with the terms and
14 conditions of the Subscription Right more fully set forth in section V.E.9 hereof, during the
15 Subscription Period, the Holder of the Subscription Right shall have the right to subscribe for the
16 purchase of a ~~portion~~number of the Subscription Shares equal to ~~1.9~~up to 0.95 times the ~~Holder's~~
17 ~~Pro Rata Share of~~number of shares of Reorganized MMPI Common Stock ~~held as of the Effective~~
18 ~~Date~~distributed to such Holder under the Plan, at a purchase price of \$4.54 per share; provided,
19 however, that the number of Subscription Shares subject to the foregoing Subscription Rights (also
20 referred to herein as the Rights Offering) will not exceed 2,202,500 shares of Reorganized MMPI
21 Common Stock. In the event that the Rights Offering is oversubscribed, each holder of Subscription
22 Rights that are timely and properly exercised shall receive, pursuant to the exercise of the
23 Subscription Rights, additional shares of Reorganized MMPI Common Stock equal to the total
24 number of Subscription Shares available (i.e. 2,202,500) multiplied by such Holder's Subscription
25 Share Pro Rata Allocation (the number of Reorganized MMPI Common Stock subscribed to by the
26 Holder / number of shares of Reorganized MMPI Common Stock subscribed to by all subscribers).
27 This offering shall comply with all rules necessary to ensure its exemption, under Section 1145 of
28 the Bankruptcy Code, from federal, state and local security registration requirements; alternatively it

1 [shall be made available only to the Holders of MMPI Existing Common Stock who are “accredited](#)
2 [investors.”](#)

3 In exchange for converting approximately \$65 million of their debt and Legendary’s \$5
4 million equity contribution, the Proponents shall receive between 15,417,500 and 17,620,000 shares
5 of Reorganized MMPI Common Stock, equal to a stake of between 70% and 80% of Reorganized
6 MMPI, dependent upon the outcome of the Rights Offering described above.

7 Claims held by the Debtors’ estates that may be asserted against Insiders (defined herein as
8 Insider Causes of Action) shall be controlled by a Litigation Trustee and the Equity Holders
9 Committee on behalf of present non-Insider MMPI Equity Holders and Reorganized MMPI.

10 The Proponents will seek Confirmation of the Plan in the MMPI case immediately prior to
11 seeking confirmation of the Plan in the remaining Debtors’ cases. Confirmation of the Plan in the
12 MMPI case is an express condition to Confirmation of the Plan in each of the other Debtors’ cases.
13 In the event the Proponents are unable to confirm the Plan in the MMPI case, the Proponents will not
14 seek to confirm the Plan with respect to the remaining Debtors. The Plan does not substantively
15 consolidate the Debtors’ estates. Each of the Debtors will remain a separate entity if the Plan is
16 confirmed in whole or in part, and the debts and liabilities of each Debtor will remain attributable to
17 that Debtor alone. Accordingly, the Plan classifies the Debtors’ Claims and Interests on a Debtor-
18 by-Debtor basis, votes will be tabulated on a Debtor-by-Debtor basis, and the Plan will be confirmed
19 on a Debtor-by-Debtor basis.

20 The chart in Section IV.B of this Disclosure Statement shows the categories of Claims and
21 Interests (except for Administrative Claims and Priority Tax Claims which are not classified) by
22 class in each of the Estates⁴ for all purposes, including voting, confirmation and distribution pursuant
23 to the Plan.

24 All Holders of Impaired Claims and Interests entitled to vote on the Plan are encouraged to
25 read it and this Disclosure Statement in their entirety before voting to accept or reject the Plan.
26 Applicable voting procedures (“Voting Procedures”) are set forth in a separate document which also
27

28 _____
⁴ See **Exhibit “2”** – Identification Keys for Debtors’ Estates and Secured Claims.

1 accompanies this Disclosure Statement. If you hold a claim or interest in a voting class under the
2 Plan, please review the Voting Procedures carefully so that your vote will be counted.

3 OTHER THAN AS SET FORTH IN THE DISCLOSURE STATEMENT, NO
4 REPRESENTATIONS CONCERNING THE DEBTORS, THEIR FINANCIAL CONDITION, OR
5 ANY ASPECT OF THE PLAN ARE AUTHORIZED BY ANY PARTY IN THESE CASES. ANY
6 REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OR
7 REJECTION OF THE PLAN, WHICH ARE OTHER THAN AS CONTAINED IN, OR
8 INCLUDED WITH, THE PLAN OR THIS DISCLOSURE STATEMENT, SHOULD NOT BE
9 RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION.

10 THE PROPONENTS ARE SECURED CREDITORS OF THE DEBTORS AND ARE NOT
11 AFFILIATED WITH THE DEBTORS. THEY DO NOT HAVE ACCESS TO THE DEBTORS'
12 EMPLOYEES, ADVISORS, ATTORNEYS OR INTERNAL DOCUMENTS. THEREFORE, THE
13 PLAN AND THIS DISCLOSURE STATEMENT INCLUDE INFORMATION BASED ON THE
14 DEBTORS' STATEMENTS IN PUBLICLY AVAILABLE DOCUMENTS (SUCH AS FILINGS
15 IN THESE CHAPTER 11 CASES). BELOW, THE PROPONENTS HAVE REPEATED OR
16 SUMMARIZED INFORMATION FROM THE DEBTORS' DISCLOSURE STATEMENT,
17 WHICH THE DEBTORS HAVE REQUESTED BE APPROVED BY THE BANKRUPTCY
18 COURT AS CONTAINING ADEQUATE INFORMATION FOR VOTING ON THE DEBTORS'
19 PROPOSED CHAPTER 11 PLAN. THE PROPONENTS' RELY ON THE INFORMATION
20 CONTAINED IN THE DEBTORS' DISCLOSURE STATEMENT AND HAVE NOT
21 PERFORMED THEIR OWN INDEPENDENT INVESTIGATION OF THE ACCURACY AND
22 COMPLETENESS OF INFORMATION CONTAINED THEREIN. THEREFORE, THE
23 PROPONENTS DO NOT REPRESENT HEREIN THAT ANY OF SUCH INFORMATION IS
24 ACCURATE OR COMPLETE AT THE TIME MADE OR AS OF THE DATE OF THIS
25 DISCLOSURE STATEMENT.

26 THE FINANCIAL INFORMATION CONTAINED HEREIN, UNLESS OTHERWISE
27 INDICATED, IS UNAUDITED. THE PROPONENTS ARE UNABLE TO WARRANT OR
28 REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY

1 INACCURACIES. GREAT EFFORT, HOWEVER, HAS BEEN MADE TO ENSURE THAT ALL
2 SUCH INFORMATION IS PRESENTED FAIRLY. CERTAIN OF THE STATEMENTS
3 CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD-
4 LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO
5 ASSURANCE THAT SUCH STATEMENTS WILL REFLECT ACTUAL OUTCOMES. ALL
6 HOLDERS OF CLAIMS AND INTERESTS SHOULD CAREFULLY READ AND CONSIDER
7 FULLY THE RISK FACTORS SET FORTH IN ARTICLE VII OF THIS DISCLOSURE
8 STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

9 WHERE THERE ARE SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS
10 AND OTHER DOCUMENTS REFERRED TO IN THIS DISCLOSURE STATEMENT, SUCH
11 SUMMARIES DO NOT PURPORT TO BE COMPLETE AND DO NOT SUBSTITUTE FOR THE
12 FULL TEXT OF THE APPLICABLE AGREEMENT OR DOCUMENT.

13 THE PROPONENTS BELIEVE THAT THE PLAN REPRESENTS THE BEST POSSIBLE
14 RETURN TO HOLDERS OF CLAIMS AND INTERESTS. THE PROPONENTS BELIEVE THE
15 PLAN WILL SUCCESSFULLY REORGANIZE THE DEBTORS AND THAT CONFIRMATION
16 OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS, THEIR CREDITORS AND
17 EQUITY INTEREST HOLDERS.

18 THE PROPONENTS STRONGLY URGE YOU TO READ THIS DISCLOSURE
19 STATEMENT AND VOTE IN FAVOR OF THE PLAN.

20 * * *

21 **Exhibits to this Disclosure Statement**

- 22 1. Plan
- 23 2. Identification Keys for Debtors' Estates and Secured Claims
- 24 3. Effective Date Sources and Uses of Cash
- 25 4. Financial Projections: Pro Forma Balance Sheets; Income Statements; Cash Flows
26 and Assumptions (Including Asset Disposition Schedule)
- 27 5. Liquidation Analysis
- 28 6. Property Descriptions

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1	5	09-13406	Merco Group, LLC
2	7	09-13399	MG 4th Street Center
3	6	09-13360	MM 420 Boyd Street
4	5	09-13400	MG 425 W. 11th Street
5	5	09-13401	MG 620 Gladys Avenue
6	4	09-13359	MM 3rd and Omar Street
7	3	09-13398	MG 1500 Griffith Avenue
8	69	09-13356	MMPI
9	7	09-13387	MMPLP

10 [Legendary](#) is managed by Legendary Developments, LLC and its principals Surjit P. Soni
11 and Dilip Bhavnani. Legendary Developments, LLC is a real estate investment and development
12 company. Both Legendary and Legendary Developments, LLC are based in ~~Los Angeles~~[Pasadena](#),
13 California.⁵⁶

14 On June 30, 2009, Legendary acquired from EWB secured notes under which the following
15 Debtors are (i) obligors on the notes, and/or (ii) owners of real property that is collateral for the
16 notes: (a) Merco Group (for the Sci-Arc Real Property and Sky-Arc Real Property); (b) MG – 1500
17 Griffith Avenue; (c) MG – 620 Gladys Avenue; (d) MM – 420 Boyd Street; (e) MM – 3rd and Omar
18 Street; (f) MG - 425 W. 11th Street; (g) MM – 336 W. 11th Street; (h) MG – Little J; and (i) MG –
19 4th Street Center. Legendary also holds Guaranty Claims against MMPI and MMPLP.

20 [Legendary is a banking and credit customer of EWB. Its managing members and some of](#)
21 [the members also maintain credit facilities, including purchase money loans, construction loans and](#)
22 [home equity loans with EWB. Managing members, through their development company and other](#)
23 [business entities, have purchased real estate backed notes from EWB and EWB has provided](#)
24 [purchase money financing for such notes. The obligations Legendary will be converting to equity](#)
25 [were acquired from EWB and are subject to purchase money loans by EWB. EWB has agreed to a](#)
26 [collateral substitution of the pledge and assignments of trust deeds associated with the loans to be](#)

27
28 ⁵⁶ An informational brochure regarding Legendary is attached hereto as **Exhibit “10”**.

1 [converted for pledges of a portion of the shares \(sufficient to maintain its equity cushion\) that](#)
2 [Legendary will receive of the Reorganized entity, if the Plan is confirmed. The Proponents know of](#)
3 [no regulatory oversight implications or impediments arising out of the this Plan.](#)

4 **1. Surjit P. Soni**

5 Mr. Soni is licensed to practice law in the State of California and is the principal of The Soni
6 Law Firm. Prior to formation of his law firm, Mr. Soni was a Senior Partner and head of the
7 Litigation Group at the law firm of Sheldon & Mak. He obtained his Juris Doctor cum laude from
8 the University of Miami School of Law. He earned his Bachelor's of Science degree from the
9 University of Toronto. Mr. Soni is a nationally-recognized, well-respected business and intellectual
10 property attorney. He serves clients in their transactional and litigation needs locally, nationally and
11 internationally. Mr. Soni also has over a decade of business management and marketing experience,
12 including extensive experience in finance, manufacturing, international trade, marketing in the
13 transportation, fashion and other industries, real estate construction, and development. As a result of
14 his activities as a real estate investor and advisor over the last 10 years, the Bankruptcy Court ~~has~~
15 ~~recognized~~ [permitted](#) him ~~as an~~ [to offer](#) expert ~~with respect to real estate in the~~ [testimony concerning](#)
16 [trends in](#) Greater Los Angeles area [real estate values](#). Mr. Soni also is highly skilled at corporate
17 finance, reorganizations, work-outs and strategic business growth planning having assisted his
18 clients for over 20 years in these endeavors.

19 **2. Dilip K. Bhavnani**

20 Mr. Bhavnani earned his bachelor's degree in economics from UCLA. Aside from a variety
21 of real estate investment and development projects, Mr. Bhavnani and his family own several
22 businesses involved in promotional products, telecommunications, travel, food products distribution,
23 leather goods and plastic products manufacture and supply. Mr. Bhavnani holds the position of
24 Chief Operating Officer for Affinity Business Accessories LLC, Premium Shapes USA,
25 Values4Less.com, Inc, Geo Group Communications Inc, and Salus Creative Inc, and SunMost LLC.
26 Mr. Bhavnani is also the Chief Operating Officer of Sun Coast Merchandise Corp. which was
27 formed in 1943. The Company's annual revenues were just \$2.7 million when Mr. Bhavnani joined
28 and were \$24.8 million when he assumed his position as COO. Under Mr. Bhavnani's management,

1 revenues grew to over \$162 million in the U.S. and over \$312 million worldwide. Mr. Bhavnani's
2 sophistication with purchasing, logistics and fulfillment ensure that projects stay on time and on
3 budget.

4 Mr. Bhavnani and Mr. Soni bring together decades of experience in real estate investment
5 and development. Together, they have developed over 1 million square feet of commercial,
6 industrial and residential space in the last twenty years. Mr. Bhavnani and Mr. Soni actively manage
7 and supervise all projects. Legendary Developments, LLC has grown exponentially since its
8 formation. In less than two years, Legendary Developments, LLC has placed over \$80 million
9 (200,000 square feet) in construction and \$60 million (175,000 square feet) in development.

10 Mr. Bhavnani and Mr. Soni have demonstrated creativity and sophistication in acquiring
11 assets, at value, as well as financing in a "down" economy. They have developed strong
12 relationships with the financial community and work well with cities and municipal governments.
13 They are respected for their strategic vision and their ability to accomplish their planned objectives
14 to create profitable products. They have consistently produced products that sell at prices well above
15 the market average. These results are consistently achieved through strategic acquisitions, high
16 design, quality control, tight management, cost control and product positioning.

17 **B. East West Bank**

18 Along with Legendary, EWB is co-Proponent of the Plan. EWB is a full-service commercial
19 bank serving consumers and businesses throughout California. It is one of the largest independent
20 commercial banks headquartered in California with approximately \$20 billion of assets and over 130
21 locations worldwide, including the U.S. markets of California, New York, Georgia, Massachusetts,
22 Texas and Washington. In Greater China, EWB's presence includes a full service branch in Hong
23 Kong and representative offices in Beijing, Shanghai, Shenzhen and Taipei. Through a wholly-
24 owned subsidiary bank, EWB's presence in Greater China also includes full service branches in
25 Shanghai and Shantou and representative offices in Beijing and Guangzhou. Further information
26 about EWB can be found on its website at www.eastwestbank.com.

27 On or about November 6, 2009, the California Department of Financial Institutions closed
28 United Commercial Bank ("UCB"), San Francisco California and appointed the Federal Deposit

1 Insurance Corporation (“FDIC”) as receiver. The FDIC entered into a purchase and assumption
2 agreement with EWB to assume the deposits of UCB, and acquire certain assets of UCB, including
3 UCB’s secured notes owed by the following Debtors: (a) Meruelo Wall Street and (b) 2640
4 Washington Boulevard. By its acquisition of assets of UCB, EWB also holds a Guaranty Claim
5 against MMPI.

6 **C. Asset Management and Property Management**

7 The Proponents have secured the services of Voit Real Estate Services (“VRES”) to provide
8 asset management and property management services for the Debtors’ property portfolio. VRES is a
9 full service commercial real estate services firm that provides strategic property solutions scaled to
10 clients’ needs. VRES combines its nearly four decades of experience in real estate operations,
11 ownership, investment advisory services, financial analysis, market research, asset management,
12 development, tenant advisory and brokerage services to provide clients with forward looking
13 strategies that create value for their assets.

14 VRES is privately held, debt-free and has owned, developed and managed over 26 million
15 square feet of commercial real estate, participated in \$1.3 billion of construction projects and
16 completed over \$32 billion in brokerage transaction volume. VRES offers asset management,
17 project management, property and association management, financial analysis, asset valuation,
18 receivership, brokerage, asset, business plan strategies, market research, environmental assessment
19 and development and construction management services. In unrelated engagements, VRES is
20 currently advising Wells Fargo, GE Finance, Chase Commercial Bank, California Bank & Trust,
21 Lehman Brothers, TriMont, Midland/Trigild, US Bank (including Cal National Bank assets), Zions
22 & Wachovia Bank.

23 **III.**

24 **DEBTORS’ BACKGROUND; STRUCTURE AND PROPERTIES; CASE HISTORY**

25 The Proponents are secured creditors of the Debtors and are not affiliated with the Debtors.
26 They do not have access to the Debtors’ employees, advisors, attorneys or internal documents.
27
28

1 Therefore, the Plan and this Disclosure Statement include information based on the Debtors'
2 statements in publicly available documents (such as filings in these Chapter 11 Cases).⁶⁷

3 Below, the Proponents have repeated or summarized information from the Debtors'
4 Disclosure Statement which the Debtors have requested be approved by the Bankruptcy Court as
5 containing adequate information for voting on the Debtors' proposed chapter 11 plan. The
6 Proponents' rely on the information contained in the Debtors' Disclosure Statement and have not
7 performed their own independent investigation of the accuracy and completeness of information
8 contained therein. Therefore, the Proponents do not represent herein that any of such information is
9 accurate or complete at the time made or as of the date of this Disclosure Statement.

10 **A. Corporate History, Consolidated Operations and Corporate and Capital Structures**

11 **1. Corporate History**

12 MMPI is the parent company of the fifty-three related Debtor entities that, along with MMPI,
13 filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on March 26 and 27,
14 2009. MMPI was incorporated in 2006 under the laws of the State of Delaware, and is registered
15 with the California Secretary of State to do business in the State of California. Each of the other
16 Debtors was formed under either the laws of the State of Delaware or the laws of the State of
17 California. The Delaware Debtors are registered with the California Secretary of State to do
18 business in the State of California.

19 As a public company, MMPI has been required to file various reports with the SEC,
20 including among others, quarterly reports as well as annual reports with audited financial statements.
21 These reports have been prepared and filed on a consolidated basis. Although the Debtors' SEC

22
23
24 ⁶⁷ MMPI has filed public reports with the SEC which contain additional information about the Debtors and their historic
25 financial performance. The most recent filings are: 10-K for the year ended December 31, 2009 (filed on June 21, 2010),
26 10-K for the year ended December 31, 2008 (filed on March 16, 2009), Amended 10-K for the year ended December 31,
27 2008 (filed on April 30, 2009), 10-Q for the quarter ended March 31, 2009 (filed on September 9, 2009), 10-Q for the
28 quarter ended June 30, 2009 (filed on September 17, 2009) and 10-Q for the quarter ended September 30, 2009 (filed on
November 9, 2009). On January 19, 2010, MMPI filed its Certification and Notice of Termination of Registration under
Section 12(g) of the Securities Exchange Act of 1934 or Suspension of Duty to File Reports under Section 13 and 15(d)
of the Securities Exchange Act of 1934 and accordingly, the Debtor is no longer required to file public reports with the
SEC. You may obtain copies of these documents from the SEC's website at:
<http://www.sec.gov/edgar/searchedgar/companysearch.html>

1 filings do provide information relating to individual subsidiaries, the filings generally discuss the
2 business as a consolidated enterprise.

3 **2. Prepetition Corporate and Capital Structure**

4 **(a) MMPI**

5 MMPI is structured as a taxable corporation under Subchapter C of the Internal Revenue
6 Code. Approximately 52.2% of MMPI's stock (approximately 45,859,606 shares) is privately
7 owned by MMPI's directors and executive officers with Richard Meruelo owning the largest amount
8 of shares (approximately 39,911,378). The other 47.8% of MMPI's stock is publicly owned and,
9 prior to April 2009, was traded on the NASDAQ stock exchange. The stock is presently trading on
10 the Over The Counter Bulletin Board.

11 **(b) MMPI Initial Public Offering**

12 MMPI was formed on or about July 5, 2006, and MMPLP was formed on or about
13 September 12, 2006, in anticipation of an initial public offering (the "IPO") of MMPI's common
14 stock. Between January 30, 2007, and February 14, 2007, MMPI consummated its IPO and sold to
15 the public 45,550,000 shares of common stock at \$10.00 per share. MMPI raised approximately
16 \$425.7 million, after underwriting discounts but before expenses related to the IPO.

17 **(c) MMPI Existing Common Stock**

18 The authorized capital stock of MMPI consists of up to 200,000,000 shares of common
19 stock, \$.01 par value per share (the "Common Stock"), and up to 50,000,000 shares of preferred
20 stock, \$.01 par value per share. As of April 23, 2010, there are 87,845,789 shares of Common Stock
21 issued and outstanding held by approximately sixty holders of record. Holders of Common Stock
22 have no right to convert their Common Stock into any other securities. The Common Stock has no
23 preemptive or other subscription rights. There are no redemption or sinking fund provisions
24 applicable to the Common Stock. All outstanding shares of Common Stock are duly authorized,
25 validly issued, fully paid and non-assessable.

26 **(d) MMPI's Equity Incentive Plan**

27 Since January 30, 2007, MMPI has maintained an equity incentive Plan (the "Equity
28 Incentive Plan") to provide MMPI with the flexibility to use restricted stock, Long Term Incentive

1 Plan (“LTIP”) Units and other awards as part of its employee compensation packages. The LTIP
2 units are interests in MMPLP that, upon the allocation of profits from MMPLP over time, may be
3 converted into MMPLP’s common units and consequently become redeemable by the Holder on a
4 one-for-one basis for cash equal to the value of a share of MMPI’s common stock or a share of such
5 common stock. MMPI initially reserved 2,277,500 shares of common stock for issuance of awards
6 under the Equity Incentive Plan. As of June 30, 2009, there remain 1,083,334 shares available from
7 the initial reservation.

8 **3. Corporate Structure of the Other Debtors**

9 MMPI is the sole general partner of, and holds a 99.6% ownership interest in, MMPLP. The
10 remaining 0.4% limited partnership units are owned by certain members of MMPI’s management
11 team who obtained their interests through the LTIP available to certain personnel as part of their
12 compensation packages.

13 MMPLP owns 100% of the common stock of Meruelo Maddux Construction, Inc. (“MM
14 Construction”), 99% of the membership units in Meruelo Maddux Management, LLC (“MM
15 Management”) and 99% of the membership units in Funes Architecture, LLC (“Funes”). The
16 remaining membership units in MM Management and Funes are owned by MM Construction.

17 MMPLP also owns 100% of the membership units in MMP Ventures, LLC (“MMP
18 Ventures”). MMP Ventures, in turn, owns 100% of the stock or membership units in a number of
19 subsidiary corporations and limited liability companies referred to as Property Level Debtors
20 because they are the entities which hold title to the various real properties and real estate projects
21 developed and operated by MMPI through MMPLP.

22 **B. Description of Properties**

23 Currently, the Debtors own in excess of forty discrete properties consisting in some cases of
24 a number of parcels, some of which generate income and others of which are in various stages of
25 development. With approximately 80 acres of land, the Debtors are among the largest non-
26 government land owners in downtown Los Angeles. Attached hereto as **Exhibit “6”** is a description
27 of the Debtors’ properties.
28

1 **C. Events Leading to Filing**

2 The Debtors have asserted that prior to the Petition Date, their primary objective was to
3 maximize return on investment through development and redevelopment activities, which activities
4 require significant amounts of capital. The Debtors experienced significant, recurring cash shortfalls
5 from (a) operating activities, (b) recurring investment activities such as carrying costs for interest
6 payments, real estate taxes and unfunded development expenditures, and (c) capital expenditures on
7 existing rental properties. Shortfalls in operating capital have been funded by the refinance or sale
8 of real property assets, and the use of the proceeds for operating and reinvestment in the purchase of
9 replacement real property assets.

10 The Debtors have asserted that the economic climate and associated disruption in the debt
11 and equity capital markets shortly before the Petition Date were extremely challenging for them.
12 The Debtors have asserted that during 2008 they took significant steps in an effort to improve their
13 financial position. Among other things, the Debtors sold three rental projects and three development
14 projects for an aggregate sales price of approximately \$110.6 million. The Debtors also completed
15 nine acquisitions or conversions of development projects to rental projects, resulting in the
16 availability of 949,905 net rental square footage. The Debtors have asserted that their efforts could
17 not overcome the collapse of credit markets and the American banking system that took place in the
18 fall of 2008. On or about October 1, 2008, the Debtors suspended development of twelve
19 construction projects.

20 A number of the Debtors' loans secured by real property matured prior to the Petition Date or
21 were to mature soon thereafter. The Debtors have asserted that they were unable to extend or
22 refinance three loans aggregating \$86.9 million that matured on or about February 28, 2009, or
23 March 1, 2009, including two secured by the property housing the Debtors' corporate headquarters,
24 and one which is secured by the Union Lofts project owned by MMP 760 S. Hill Street. In total, the
25 Debtors had twelve loans that were set to mature during 2009 with an aggregate principal balance of
26 \$170.8 million, in addition to \$1.7 million of principal amortization on other long-terms loans.

27 Prior to the Petition Date, two lenders filed lawsuits seeking, among other things, the
28 appointment of a receiver. On or about March 4, 2009, California Bank & Trust filed a complaint

1 against 788 South Alameda and MMPI for, among other things, judicial foreclosure and the
2 appointment of a receiver. In addition, on or about March 17, 2009, Chinatrust Bank filed a
3 complaint against MG 3185 E. Washington Boulevard for, among other things, judicial foreclosure
4 and the appointment of a receiver.

5 The Debtors have asserted that during the year prior to the Petition Date they investigated
6 borrowing additional capital in order to continue to fund their development projects and, if
7 necessary, operating expenses. The Debtors have asserted, however, that they were not able to
8 borrow or refinance at conventional or otherwise acceptable rates, in large part, due to the
9 deterioration of the credit markets that appears to have affected all banks and other lenders.

10 The Debtors have asserted that due to the Debtors' inability to obtain additional capital, and
11 the unwillingness of current lenders to extend the terms of maturing loans on acceptable terms, the
12 fifty-four jointly administered MMPI Debtors sought relief under Chapter 11 of the Bankruptcy
13 Code to reorganize their financial affairs and prevent the piecemeal dismemberment of their business
14 to the detriment of their creditors.

15 **D. Chapter 11 Events**

16 **1. Administrative Orders And Matters**

17 **(a) Introduction**

18 On March 26 and 27, 2009, the Debtors filed their voluntary petitions for relief under
19 Chapter 11 of the Bankruptcy Code. Shortly after the commencement of the Chapter 11 Cases, the
20 Bankruptcy Court held several hearings on emergency motions presented by the Debtors on a variety
21 of matters. The Debtors obtained Orders of the Bankruptcy Court, among other things, (a)
22 authorizing, on an interim basis, the Debtors' use of cash collateral (see below for more detail), (b)
23 authorizing the Debtors to employ and compensate legal and financial advisors, (C) authorizing the
24 Debtors to honor certain obligations to employees and to continue employee benefit plans in effect,
25 (d) permitting the Debtors, on an interim basis, to continue to utilize their cash management systems,
26 (e) establishing procedures for the Debtors to ensure continued provision of utility services; (f)
27 limiting the scope of notice required; (g) extending the time to file schedules and statement of
28 financial affairs; and (h) directing the joint administration of the Cases of the Debtors.

1 Subsequently, the Bankruptcy Court established September 24, 2009, as the last day for creditors
2 and parties in interests to file proofs of Claim and proofs of interest against the Debtors. The
3 Debtors filed the required monthly operating reports on a timely basis. The Debtors were authorized
4 and continue to operate their business and manage their properties as debtors in possession pursuant
5 to Sections 1107 and 1108 of the Bankruptcy Code.

6 **(b) The Cash Collateral Motions and Corresponding Orders**

7 **(1) MMPI Debtors' Cash Collateral Motions and Orders**

8 By their first *Motion for Entry of Interim and Final Orders Authorizing Debtors to Use Cash*
9 *Collateral* (the "Cash Collateral Motion"), the Debtors sought permission to use the cash collateral
10 of various lenders. Oppositions were filed by most of the Debtors' lenders. The Bankruptcy Court
11 entered a series of interim orders authorizing such use and continued to hear testimony and consider
12 evidence concerning the Debtors' proposed use of cash collateral on a final basis. These hearings
13 concluded in October 2009. The Bankruptcy Court ruled in the Debtors' favor and entered a final
14 order authorizing the use of the cash collateral of the following lenders through ~~March 31~~, June 30,
15 2010: BofA, CBT, Berkadia, Cathay, Chinatrust, Legendary, Stanford, UCB (now succeeded by
16 EWB), 1248 S. Figueroa and Chamlian. In making that ruling, the Bankruptcy Court determined
17 that the following lenders were entitled to additional adequate protection and are therefore entitled to
18 an adequate protection lien in one or more of the Debtors' unencumbered real properties: Berkadia,
19 CBT, Chinatrust, Legendary with respect to 425 W. 11th Street; 3rd & Omar Street, and 420 Boyd
20 Street, and EWB with respect to 2640 Washington. In addition, the Bankruptcy Court determined
21 that BofA was entitled to additional adequate protection with respect to MM 760 S. Hill Street and
22 was entitled to an adequate protection lien on the properties owned by MG Southpark, junior to
23 BofA's existing senior lien against such properties.

24 As a result of the Cash Collateral determinations made by the Bankruptcy Court, the Debtors
25 filed a motion seeking to designate certain properties that would serve as adequate protection for the
26 Debtors' use of cash collateral. The Debtors sought authority to limit the continuing adequate
27 protection lien to certain identified properties in place of a blanket lien on all of the Debtors'
28 unencumbered properties. [The matter has been continued from time to time and remains pending.](#)

1 The Debtors also filed a motion seeking authority to use a portion of certain insurance
2 proceeds resulting from fire damage to one of the Debtors properties which currently secures certain
3 obligations of the Debtors to PNL Pomona. The Bankruptcy Court authorized the Debtors to use a
4 portion of the insurance proceeds to demolish the remaining structure on the property in order to be
5 able to market and sell the property as vacant land. [Under the Plan, the Proponents intend to use the](#)
6 [remaining insurance proceeds to reduce the principal balance owed to PNL Pomona.](#)

7 On March 8, 2010, the Debtors filed their Motion for Order Extending Authority for the Use
8 of Cash Collateral and to Maintain Cash Management System Through June 30, 2010. A hearing on
9 the motion was held on March 29, 2010. On June 30, 2010, the Bankruptcy Court entered its Order
10 Granting Debtors' Motion for Order Extending Authority for the Use of Cash Collateral and to
11 Maintain Cash Management System Through June 30, 2010, on the terms provided in the Order.
12 Subsequently, the Debtors filed a motion requesting that their authority to use cash collateral and
13 utilize their cash management system be extended through September 30, 2010. On July 1, 2010,
14 the Bankruptcy Court entered an order granting the motion on an interim basis, and the Debtors'
15 request for such approval on a final basis was resolved on a final basis at a hearing held on August 2,
16 2010.

17 On April 2, 2010, SFCC filed a motion seeking authority to use cash collateral held by
18 Berkadia in certain reserves for the purpose of paying for repairs to the roof of buildings and HVAC
19 equipment located on the property subject to Berkadia's lien.

20 **(c) The Debtors' Single Asset Real Estate ("SARE") Motion**

21 The Debtors filed a motion seeking an order determining that none of the fifty-four Debtors
22 are subject to the single asset real estate provisions of Sections 101(51B) and 362(d)(3) of the
23 Bankruptcy Code. Two lenders (BofA and Cathay) filed motions seeking a determination from the
24 Bankruptcy Court that MG Southpark, MMP 760 S. Hill Street and Alameda Produce Market are
25 subject to the SARE provisions of the Bankruptcy Code. The Creditors Committee supported the
26 Debtors' position. Approximately, fourteen oppositions and joinders in opposition were filed by
27 various lenders. In June 2009 the Bankruptcy Court ruled in favor of the Debtors, holding that the
28 Debtors are not subject to the SARE provisions of the Bankruptcy Code. BofA has appealed from

1 the Bankruptcy Court's SARE determination. On or about June 29, 2010, the United States District
2 Court issued its decision on appeal and ruled, among other things, that MG Southpark is not subject
3 to the SARE provisions of the Bankruptcy Code, but that MMP 760 S. Hill Street is subject to such
4 provisions. On July 14, 2010, MMP 760 S. Hill Street appealed the District Court's decision as to
5 MMP 760 S. Hill Street to the United States Court of Appeals for the Ninth Circuit. MMP 760 S.
6 Hill Street does not anticipate that the appeal will be concluded prior to the Effective Date. In the
7 event that the Ninth Circuit were to issue a decision and such decision was not appealed, pursuant to
8 orders of the Bankruptcy Court MMP 760 S. Hill Street would have at least 60 days from the
9 issuance of such final decision, and perhaps longer, to comply with section 362(d)(3) of the Code by
10 commencing periodic payments to Union Lofts in an amount equal to interest at the then applicable
11 nondefault contract rate of interest on the value of BofA's interest in the real estate, or filing "a plan
12 of reorganization that has a reasonable possibility of being confirmed within a reasonable time." In
13 any event, it is impossible to know when a final ruling will be issued by the Ninth Circuit.

14 **(d) Motions for Relief from Stay**

15 The following motions for relief from stay have been filed by lenders to pursue their state
16 law remedies against various real properties owned by the Debtors:

- 17
- 18 ■ PNL moved for relief from stay with respect to the real property owned by MG 2001
19 - 2021 W. Mission located in Pomona. The Bankruptcy Court ruled in favor of the
20 Debtors and denied PNL's motion. PNL subsequently filed a second motion for relief
21 from stay [and an evidentiary hearing on that motion is pending](#);
 - 22 ■ BofA moved for relief from stay with respect to real property owned by MMP 760 S.
23 Hill Street and commonly known as 325 West 8th Street and 760 South Hill Street,
24 Los Angeles (the Union Lofts). The Bankruptcy Court denied the motion subject to
25 the Debtor's provision of certain adequate protection to BofA;
 - 26 ■ BofA moved for relief from the automatic stay with respect to certain real properties
27 owned by MG Southpark located in downtown Los Angeles. The Bankruptcy Court
28 ruled in favor of the Debtors and denied BofA's motion;

- 1 ▪ UCB moved for relief from the automatic stay with respect to real property owned by
2 2640 Washington Boulevard. Pursuant to an agreement between the Debtors and
3 UCB, the motion was granted for the sole and limited purpose of permitting UCB to
4 record a notice of default with respect to the real property. The Debtor 2640
5 Washington agreed to pay, out of cash collateral, the first and second installments of
6 real property taxes for the 2009 - 2010 fiscal year. UCB's motion was withdrawn in
7 all other respects;
- 8 ▪ Legendary moved for relief from the automatic stay with respect to real property
9 owned by MM 3rd & Omar Street located in downtown Los Angeles. In the context
10 of the Bankruptcy Court's rulings on the Cash Collateral Motion, the Debtors offered
11 Legendary a replacement lien in postpetition cash collateral, payment of normal and
12 ordinary expenses to maintain the property and the payment of real property taxes for
13 the 2009 - 2010 fiscal year. In addition, the Bankruptcy Court required the Debtors to
14 provide an adequate protection lien in favor of Legendary on one or more of the
15 Debtors' unencumbered properties and authorized Legendary to record a notice of
16 default with respect to the property. In light of the rulings in connection with the
17 Cash Collateral Motion, the Bankruptcy Court denied Legendary's motion, subject to
18 the provision of such adequate protection;
- 19 ▪ Legendary moved for relief from the automatic stay with respect to real property
20 owned by both MG 1500 Griffith Avenue and MG 4th Street Center and located in
21 downtown Los Angeles. The Bankruptcy Court denied Legendary's motion;
- 22 ▪ Legendary moved for relief from the automatic stay with respect to real property
23 owned by Merco Group, commonly known as Sci-Arc, and located in downtown Los
24 Angeles. The Bankruptcy Court denied Legendary's motion;
- 25 ▪ Legendary moved for relief from the automatic stay with respect to real property
26 owned by MM 420 Boyd Street and located in downtown Los Angeles. In the
27 context of the Bankruptcy Court's rulings on the Cash Collateral Motion, the Debtors
28 offered Legendary a replacement lien in postpetition cash collateral, payment of

1 normal and ordinary expenses to maintain the property and the payment of real
2 property taxes for the 2009 - 2010 fiscal year. In addition, the Bankruptcy Court
3 required the Debtors to provide an adequate protection lien in favor of Legendary on
4 one or more of the Debtors' unencumbered properties and authorized Legendary to
5 record a notice of default with respect to the property. In light of the rulings in
6 connection with the Cash Collateral Motion, the Bankruptcy Court denied
7 Legendary's motion subject to the provision of such adequate protection;

- 8 ■ Legendary moved for relief from the automatic stay with respect to real property
9 owned by Merco Group (Sci-Arc) and MG Little J and located in downtown Los
10 Angeles. The matter has been submitted to the Bankruptcy Court. An order denying
11 the Motion was entered on July 15, 2010;
- 12 ■ Legendary moved for relief from the automatic stay with respect to real properties
13 owned by MG 620 Gladys and MM 366 West 11th Street and located in downtown
14 Los Angeles. The matter has been submitted to the Bankruptcy Court. An order
15 denying the Motion was entered on July 15, 2010;
- 16 ■ Legendary moved for relief from the automatic stay with respect to real property
17 owned by MG 425 W. 11th Street and located in downtown Los Angeles. In the
18 context of the Bankruptcy Court's rulings on the Cash Collateral Motion, the Debtors
19 offered Legendary a replacement lien in postpetition cash collateral, payment of
20 normal and ordinary expenses to maintain the property and the payment of real
21 property taxes for the 2009 - 2010 fiscal year. In addition, the Bankruptcy Court
22 required the Debtors to provide an adequate protection lien in favor of Legendary on
23 one or more of the Debtors' unencumbered properties. In light of the rulings in
24 connection with the Cash Collateral Motion, the Bankruptcy Court ruled in favor of
25 the Debtors and denied Legendary's motion for relief from the automatic stay subject
26 to the provision of such adequate protection.
- 27 ■ On September 2, 2009, Chamlian moved for relief from the automatic stay with
28 respect to real property owned by MMP 2131 Humboldt Street near downtown Los

1 Angeles. The Bankruptcy Court ruled in favor of the Debtors and denied the
2 Chamlians' motion;

- 3 ■ Chinatrust moved for relief from the automatic stay with respect to real property
4 owned by MG 3185 E. Washington Boulevard, among other things. In the context of
5 the Bankruptcy Court's rulings on the Cash Collateral Motion, the Debtors offered
6 Chinatrust a replacement lien in postpetition cash collateral, payment of normal and
7 ordinary expenses to maintain the property and the payment of real property taxes for
8 the 2009 -2010 fiscal year. In addition the Bankruptcy Court required the Debtors to
9 provide an adequate protection lien in favor of Chinatrust on one or more of the
10 Debtors' unencumbered properties. In light of the rulings in connection with the
11 Cash Collateral Motion, the Bankruptcy Court ruled in favor of the Debtors and
12 denied Chinatrust's motion for relief from the automatic stay subject to the provision
13 of such adequate protection.
- 14 ■ The Stanford Group moved for relief from the automatic stay with respect to the real
15 property owned by 908 8th Street located in downtown Los Angeles. The parties
16 have reached a settlement on the Claim of Stanford Group, which was approved by
17 the Bankruptcy Court. As a result of ~~the~~[the](#) settlement, the motion was dismissed.
- 18 ■ Legendary filed a second motion for relief from the automatic stay with respect to the
19 real property owned by MM 420 Boyd Street. The Bankruptcy Court denied
20 Legendary's motion.
- 21 ■ Legendary filed a second motion for relief from the automatic stay with respect to the
22 real property owned by MM 3rd and Omar. The Bankruptcy Court denied
23 Legendary's motion.
- 24 ■ On April 1, 2010, Chamlian filed a second motion for relief from the automatic stay
25 with respect to real property owned by MMP 2131 Humboldt Street. In July 2010,
26 the Bankruptcy Court granted relief from stay effective as of December 1, 2010,
27 provided that a sale of Chamlian's real property collateral may not occur until after
28 March 26, 2011, and absent (a) confirmation of a plan providing for treatment of

1 Chamlian's claim, which treatment will supersede the relief granted by the order, (b)
2 commencement of adequate protection payments to Chamlian at the non-default rate
3 under the note, or (c) further order of the Bankruptcy Court.

4 In addition to the motions filed by the Debtors' lenders, a group consisting of three
5 individuals moved for relief from the automatic stay to seek authority to prosecute a civil action filed
6 by them in Los Angeles Superior Court and to clarify that they have authority to pursue alleged labor
7 Claims against certain current and former employees and board members of MMPI, Alameda
8 Produce Market and 788 South Alameda. A hearing on that motion was held on December 17, 2009.
9 The Bankruptcy Court entered an order granting the motion as to Debtors Alameda Produce and 788
10 S. Alameda but ordered that the movants could not pursue such litigation until June 30, 2010. The
11 motion was denied as to MMPI.

12 Also, in addition to the foregoing motions, in April 2004, the Los Angeles County
13 Metropolitan Transportation Authority ("MTA") filed suit seeking to acquire through its power of
14 eminent domain, certain property of the Debtors. In September 2008 the trial court dismissed the
15 action and the MTA appealed. Thereafter, the Debtors filed their chapter 11 petitions and the
16 automatic stay prevented further prosecution of the appeal. The Debtors and the MTA entered into a
17 stipulation to modify the automatic stay to permit the prosecution and defense of the appeal. The
18 order approving the stipulation was entered in August 2009.

19 Also, in a similar action, in February 2010, the City of Pomona filed a motion for relief from
20 the automatic stay in order to allow an eminent domain action in a non-bankruptcy forum to proceed.
21 The Debtors did not oppose the relief sought and the motion was granted.

22 The Debtors filed a motion to determine the amounts owed to the County of Los Angeles on
23 account of real property taxes. The dispute involved the proper amount of taxes owed to the County
24 and the appropriate rates of interest as well as whether certain other claimed amounts are properly
25 included in the claim. The motion was resolved through the Debtors' settlement with the County
26 described in subsection (f) below.

1 **(e) The Debtors' Compromises With Various Lenders And Disputes With**
2 **Legendary**

3 The Debtors have engaged in ~~extensive~~ settlement discussions with their lenders as to their
4 Claims under Loan Documents and as of the filing of this Disclosure Statement, the Debtors have
5 reached settlements with PCB, Imperial, Murakami, Cathay Bank, the Stanford Group and FNBN.
6 The Bankruptcy Court has approved each settlement and the essential terms of each settlement are
7 reflected in the Plan.

8 The Debtors have purported that Legendary's liens with respect to the Merco Group and
9 Little J, which will be preserved under the Plan, may be void or avoidable, respectively. Legendary
10 disagrees.

11 **(f) The Debtors' Settlement with the County of Los Angeles**

12 The Debtors engaged in extensive settlement discussions with the County of Los Angeles
13 (the "County") as to its Claims. Except as to two Debtors, MG Southpark and MMP 760 S. Hill
14 Street, the Bankruptcy Court has approved the Debtors' settlement with the County. As to those two
15 Debtors, their motion for approval of their proposed settlement with the County has been ~~severed~~
16 and has been stayed by the Bankruptcy Court pending the outcome of a certain adversary proceeding
17 filed by the County.

18 The County's adversary proceeding was filed in response to efforts by Bank of America to,
19 in the Debtors' and the County's view, disregard statements of the Bankruptcy Court with regard to
20 Bank of America's efforts to pay real property taxes prior to the Bankruptcy Court's approval of the
21 Debtors' settlement with the County. The settlement provides that the County will accept payments
22 only from the Debtors through, among other things, the effective date of a plan confirmed by the
23 Bankruptcy Court. On April 9, 2010, Bank of America sought to pay the real property taxes by
24 handing two checks to the County's attorney during a hearing on the Debtors' motion for approval of
25 the settlement. The County's attorney declined to accept the payments at that time. The Bankruptcy
26 Court observed that it had witnessed a tender but no acceptance, and continued the hearing to allow
27 for further briefing on the question of whether the Bankruptcy Court could approve the settlement
28 containing the term by which the County agreed to return such payments. Pending the outcome of
 the continued hearing, the County's attorney intended to keep the checks in his firm's safe.

1 Thereafter, Bank of America sought admissions from the County that the monthly accrual of
2 penalties had ceased as of April 9, 2010, notwithstanding that the payment had not been accepted on
3 that date. Ultimately, the County filed a complaint with the Bankruptcy Court for declaratory relief,
4 requesting that the Bankruptcy Court declare, again, that there had not been an acceptance as of
5 April 9, 2010, and requesting authority to deposit the two checks with the Bankruptcy Court.

6 Bank of America filed a motion with the District Court requesting that the District Court
7 exercise original jurisdiction over the adversary proceeding, asserting that the District Court was
8 required by law to “withdraw the reference” of the adversary proceeding. After filing its motion,
9 BofA filed a counterclaim for declaratory relief against the County seeking, among other things, a
10 determination that the County was required to accept the payment from Bank of America on April 9,
11 2010, and therefore the County’s claims against MG Southpark’s and MMP 760 S. Hill Street’s
12 estates have been satisfied. The Debtors and the County opposed Bank of America’s motion for
13 withdrawal of the reference, which was granted.

14 The District Court has set September 20, 2010, as the date on which the parties’ motions for
15 summary judgment may be heard. Bank of America asserts that if a judgment is entered in its favor
16 the County will not have allowed claims in MG Southpark’s and MMP 760 S. Hill Street’s cases.
17 The Debtors and the County dispute that Bank of America is entitled to any relief in the District
18 Court. The scope and effect, if any, of the District Court’s ruling will not be known until it is issued
19 by the District Court [and the effect of any ruling made by the District Court prior to the hearing on](#)
20 [confirmation of the Plan will be determined by the Bankruptcy Court in connection with the request](#)
21 [for confirmation of the Plan in MG Southpark’s and MMP 760 S. Hill Street’s cases.](#)

22 **(g) Unexpired Leases and Executory Contracts**

23 With the Bankruptcy Court’s approval, Meruelo Farms assumed an unexpired nonresidential
24 lease of the parking lot located at 740 E. Temple St., Los Angeles under which it is the lessee and
25 Susan E. Moody, Trustee of the Susan E. Moody Revocable Trust, dated December 1,2000, the
26 successor-in-interest to Evelyn Hammond, is the lessor.

1 **(h) Summary of Claims Process, Bar Date and Claims Filed**

2 **(1) Schedules and Statements of Financial Affairs**

3 On or before June 12, 2009 the fifty-four jointly administered Debtors filed with the
4 Bankruptcy Court their schedules of assets and liabilities and a statement of financial affairs (the
5 “Schedules and Statements”) as of their March 26, 2009 or March 27, 2009 Petition Date. The
6 Debtors ~~have stated that they will shortly file~~ filed amendments to the ~~schedules.~~ Schedules and
7 Statements on August 9, 2010.

8 For financial reporting purposes, MMPI prepares consolidated financial statements that are
9 filed with the SEC and that are audited annually. Unlike these consolidated financial statements, the
10 Schedules and Statements reflect the assets and liabilities of the Debtors on the basis of the Debtors’
11 non-audited books and tax records. This means that audited financial statements and supporting
12 schedules have not been prepared for each Debtor.

13 **(2) Claims Bar Date**

14 On July 22, 2009, the Bankruptcy Court entered an order in the case (the “MMPI Bar Date
15 Order”) establishing the general deadline for filing proofs of Claim against the fifty-four jointly
16 administered Debtors (the “Bar Date”). The deadline established by the Bankruptcy Court was
17 September 24, 2009.

18 The Bar Date established the deadline for Claims, including Claims of governmental units,
19 but excluding certain other Claims, including Claims based on the rejection of executory contracts
20 and unexpired leases as to which the bar date is the later of : (1) the applicable Bar Date; or (2) the
21 first business day that is at least thirty (30) calendar days after (a) the mailing of notice of the entry
22 of the order first approving the rejection of such contract or lease, (b) the mailing of notice of the
23 entry of an order or judgment avoiding a transfer, or (c) the date any relevant tax Claim first arises.
24 The Debtors provided notice of the Bar Date by mailing a notice of such Bar Date.

25 **(3) Proofs of Claim and Other Claims**

26 According to the Debtors’ records, a total of 415 Claims were filed against the Debtors
27 asserting Claims in the total face amount of approximately \$927,761,559.23. Numerous Claims
28 were asserted by various alleged creditors in unliquidated amounts, *i.e.* Claims that did not contain a

1 specific dollar amount. The Debtors believe that certain Claims that have been asserted are without
2 merit and intend to object to all such Claims. Other significant categories of disputed Claims
3 include certain taxing authorities that are requesting payments far in excess of those the Debtors
4 believe to be owed to such authorities.

5 The Debtors filed a motion to determine the amounts owed to the County of Los Angeles on
6 account of real property taxes. The dispute involves the proper amount of taxes owed to the County
7 and the appropriate rates of interest as well as whether certain other claimed amounts are properly
8 included in the claim. The parties reached a settlement of their disputes.

9 **2. The Debtors' Stipulation with the Creditors Committee Regarding Unsecured**
10 **Claims**

11 The Debtors entered into a stipulation with the Creditors Committee by which they agreed
12 that to the extent any party files a proof of Claim in any of the Debtors' Chapter 11 Cases prior to
13 the Bar Date, such proof of Claim shall be deemed to have been timely filed in the proper Debtor's
14 Chapter 11 Case and against the proper Debtor regardless of the name of the particular Debtor or
15 case number identified in the proof of Claim. The Stipulation was intended to address the possible
16 confusion among creditors holding claims against one or more of the Debtors where the claimant
17 was not sure of the specific Debtor against whom the claim was held because of the Debtors'
18 consolidated business operations. The Stipulation provided among other things, that claims that
19 were timely filed would be deemed to have been filed against the proper Debtor regardless of the
20 whether Debtor and/or case number were properly identified in the proof of claim. The Bankruptcy
21 Court approved that stipulation. Berkadia has appealed from the order approving the stipulation and
22 that appeal remains pending before the District Court for the Central District of California.

23 **(a) Motion to Deem Claims Filed Against the Wrong Debtor to be Filed**
24 **Against the Proper Debtor**

25 Pursuant to the terms of the Debtors' Stipulation with the Creditors Committee described
26 above, the Debtors have reviewed certain of the proofs of claim filed before the Bar Date in order to
27 identify claims filed in the wrong case or against the wrong Debtor that may properly be reassigned
28 pursuant to the Order approving the Stipulation. Those determinations were based on the documents
attached to the proofs of claim, a review of the appropriate Debtor's records and the Debtors'

1 consultation with members of the Debtors' management familiar with the claims and creditors. On
2 or about April 30, 2010, the Debtors filed their motion asking the Bankruptcy Court to enforce the
3 terms of the earlier Stipulation and Order and to deem the timely filed claims as having been filed
4 against the proper Debtor, regardless of the Debtor's name and/or case number identified on the
5 proof of claim. ~~Hearings~~A hearing on that motion ~~were~~was held on June ~~11 and August 6, 11~~, 2010.
6 That motion has been granted with regard to the majority of the relief sought by the Debtors, and a
7 continued hearing on the balance of the relief sought by the Debtors was held on August 6, 2010 at
8 which time the Motion was granted as modified by the Debtors.

9 **(b) Other Administrative Matters**

10 Early in the cases, the Debtors met with and were interviewed by the staff attorney and other
11 representative of the office of the United States Trustee (the "US Trustee"). the Debtors have stated
12 that they have complied with certain requirements promulgated by that office with respect to the
13 filing of monthly operating and cash reports. In May and June, 2009, the Debtors appeared at the
14 Section 341(a) meeting of creditors - known as the initial creditor meeting – in the cases of the fifty-
15 four jointly administered Debtors – to answer questions of creditors and parties in interest. The US
16 Trustee conducted each of the Section 341(a) meetings.

17 Various professionals have been retained and employed by the Debtors in the Chapter 11
18 Cases and will be paid pursuant to the terms of the Plan. Danning, Gill, Diamond & Kollitz, LLP
19 has been employed as general reorganization counsel for all of the Debtors in the Chapter 11 Cases.
20 The following professionals also have been employed by the Debtors: FTI Consulting, Inc., as
21 financial advisors ("FTI"), Ernst & Young as independent auditors and tax advisors, DLA Piper LLP
22 (US) as special securities and litigation counsel, and Waldron & Associates, Inc. as real estate
23 appraiser.

24 In accordance with the Bankruptcy Court's order, the Debtors submitted supplemental
25 declarations from certain brokers in connection with representing the Debtors in connection with
26 specific properties to be listed for sale. Specifically, the Debtors have retained (i) The Bradco
27 Companies regarding the listing of 2951 Lenwood Road, Barstow, CA; (ii) DAUM Commercial
28 Real Estate Services regarding the listing of (a) 905 E. 8th Street, Los Angeles, CA, (b) 308-310

1 Omar Street and 452, 464 and 470 E. 3rd Street, Los Angeles, CA, and (c) 400-428 Boyd Street, Los
2 Angeles, CA; and (iii) Cushman and Wakefield of California, Inc. regarding the listing of (a) 1875
3 West Mission Boulevard, Pomona, California; and (b) 2001-2021 West Mission Boulevard, Pomona,
4 California.

5 On April 22, 2009 the US Trustee appointed the Creditors Committee. The Creditors
6 Committee has also hired or proposed to hire its professionals to be retained in the Chapter 11 Cases.
7 SulmeyerKupetz, APC was employed as general counsel by the Creditors Committee in the Debtors'
8 cases. The Creditors Committee has filed an application to retain Kibel Green, Inc., as its financial
9 advisor. The Bankruptcy Court granted this application on April 22, 2010. In addition, certain real
10 estate brokers have been or will be employed in the Chapter 11 Cases to market and sell certain
11 properties but will be paid out of the proceeds of the sale of the properties as opposed to through the
12 Plan.

13 The Bankruptcy Court granted the Debtors' motion to extend the time during which only the
14 Debtors may file a plan of reorganization and solicit acceptances thereof through September 30,
15 2010, provided that (a) on and after May 18, 2010, the Creditors Committee is authorized to file a
16 plan of reorganization; and (b) as of June 14, 2010, an equity committee appointed in the case, if
17 any, and Charleston Capital Advisors and the Hartland Asset Management Corporation are
18 authorized to file a plan of reorganization, ~~and (e) as~~ As of August 2, 2010, Legendary and EWB
19 ~~are~~ have been authorized to file a plan of reorganization.

20 The Debtors filed their original plan of reorganization and disclosure statement, which
21 disclosure statement was considered by the Bankruptcy Court on January 20, 2010. The Debtors
22 filed their *First Amended Joint Plan of Reorganization and First Amended Joint Disclosure*
23 *Statement* on February 27, 2010. The Bankruptcy Court held hearings on approval of the first
24 amended disclosure statement on March 19 and June 30, 2010. The Bankruptcy Court set a further
25 disclosure statement hearing for June 14, 2010 which was subsequently continued to June 21, 2010,
26 July 21, 2010 and August 6, 2010. On June 10, 2010, the Debtors filed their modified second
27 amended disclosure statement, which was subsequently revised on July 15, 2010 and July 30, 2010.
28 On September 1, 2010, the Debtors filed their third amended disclosure statement and plan.

1 Equity holders Charlestown Capital Advisors LLC and Hartland Asset Management
2 Corporation proposed a chapter 11 plan described in their *Charlestown Capital Advisors, LLC's and*
3 *Hartland Management Corporation's Disclosure Statement Describing Second Amended Joint Plan*
4 *of Reorganization of Meruelo Maddux Properties, Inc., et al.* filed on July 14, 2010 [Docket No.
5 1594]. A comparison of the Debtors', Charlestown's and the Proponents' Plans is set forth below in
6 Article IX.

7 On July 19, 2010, the Office of the U.S. Trustee filed a notice with the Bankruptcy Court
8 that it had appointed the Equity Holders Committee, consisting of Taylor International Fund, Ltd.,
9 David A. Spinney, and Douglas J. McCaslin. On August 2, 2010, the Office of the U.S. Trustee
10 added the Williams & Ribb LLP Profit Sharing Plan, David Ofman, Kapil Tayal and David
11 Pourbaba as additional members of the Equity Holders Committee. The Equity Holders Committee
12 has filed an application to retain Ron Orr & Professionals, Inc. and Rodiger Law Office as its
13 counsel. [The Equity Holders Committee also filed an application to employ Jenner & Block as its](#)
14 [counsel and Kibel Green as its financial advisor.](#)

15 **3. Plan Exclusivity**

16 By order entered April 1, 2010, the Bankruptcy Court terminated the Debtors' plan
17 exclusivity as to the Creditors Committee, effective May 18, 2010. Further, by order entered on or
18 about June 11, 2010, the Bankruptcy Court terminated the Debtors' plan exclusivity as to the (yet to
19 be formed) Equity Committee and Charlestown Capital Advisors, LLC and Hartland Asset
20 Management Corporation. Finally, pursuant to a motion filed by the Proponents and by order
21 entered on or about August 25, ~~2010~~[2010](#), the Bankruptcy Court terminated the Debtors' plan
22 exclusivity as to the Proponents.

23 By order entered August ____, 2010, the Bankruptcy Court approved the Disclosure Statement
24 relating to the Debtors' Plan. By order entered _____, 2010 the Bankruptcy Court approved
25 the Disclosure Statement relating to the ~~Shareholders~~[Charlestown](#) Plan. Finally, by order entered
26 September ____, 2010, the Bankruptcy Court approved the Disclosure Statement relating to the
27 Proponents' Plan.
28

1 By order entered _____, 2010 the Bankruptcy Court approved various deadlines and
2 procedures relating to the solicitation of votes on, and confirmation of, the Debtors Plan, the
3 ~~Shareholders~~Charlestown Plan and the Plan proposed by the Proponents herein. Those procedures
4 are reflected in the Notice of Procedures served on you concurrently herewith.

5 **4. Real Property Valuation, Sales And Listings**

6 **(a) Value of Property Level Debtors Real Property Assets**

7 Attached hereto as **Exhibit "7"** is a schedule of real property owned by each of the Property
8 Level Debtors that owns real property and their estimated values. Please review such Exhibit "7" for
9 the assumptions made and methods used. A brief description of each property is set forth in Section
10 III.B hereof and Exhibit "6".

11 **(b) Sales and Listings Since the Commencement of the Chapter 11 Cases**

12 Since becoming a public company the Debtors have, among other things: completed
13 approximately nine acquisitions or conversions of development projects to rental projects;
14 completed, acquired, or placed in service four parcels attached to current rental projects; and
15 completed the sale of three rental projects and three development projects. According to the
16 Debtors, in 2008, they sold more property in downtown Los Angeles than any other landowner.

17 With regard to the six properties that were sold:

- 18 • on or about March 31, 2008, the Debtors sold a development project located at 9901
19 Alameda in south Los Angeles for approximately \$31.2 million;
- 20 • in a two-step sale culminating in or about August 2008, the Debtors sold a rental
21 project located at 2000 San Fernando Road just north of downtown Los Angeles for
22 approximately \$35 million;
- 23 • on or about September 12, 2008, the Debtors sold a rental project located at 1800 E.
24 Washington Blvd. in downtown Los Angeles for approximately \$14.2 million;
- 25 • on or about November 7, 2008, the Debtors sold a development project located at 816
26 Stanford in downtown Los Angeles for approximately \$1.0 million.
- 27 • on or about November 14, 2008, the Debtors sold a rental project referred to as the
28 "Overland Terminal" in downtown Los Angeles for approximately \$19.7 million; and

- 1 • on or about November 21, 2008, the Debtors sold a development project located at
2 801 E. 7th Street in downtown Los Angeles for approximately \$9.5 million.

3 Since the commencement of the cases, the Debtors have sold certain real estate assets. The
4 following properties have been sold, pursuant to orders entered by the Bankruptcy Court, since the
5 Petition Date:

- 6 ▪ 5500 Flotilla Street, Los Angeles, previously owned by MM 5500 Flotilla Street to
7 Camfield Partners, LLC for \$210,000;
8 ▪ 2040 Camfield Avenue, Commerce, previously owned by MG 2040 Camfield
9 Avenue to Camfield Partners, LLC for \$4,790,000;
10 ▪ 146 East Front Street, Covina, previously owned by MG 146 E. Front Street to Vartan
11 and Dzovig Koroghlian for \$1,114,450; and
12 ▪ 500 Mateo Street, Los Angeles, previously owned MM 500 Mateo Street to Mydland
13 Enterprises, LLC for \$1,900,000.

14 In addition, the Debtors have stated that they recently listed the following properties for sale:

- 15 ▪ 2051 Lenwood Road, Barstow, CA
16 ▪ 905 E. 8th Street, Los Angeles, CA
17 ▪ 308-310 Omar Street and 452, 464 and 470 E. Third Street, Los Angeles, CA
18 ▪ 400-428 Boyd Street, Los Angeles, CA
19 ▪ 1875 West Mission Boulevard, Pomona, CA
20 ▪ 2001-2021 West Mission Boulevard, Pomona, CA.

21 Finally, on April 26, 2010, MM 845 Flower closed the sale of its 34 story luxury residential
22 tower for a purchase price of \$109,500,000.

23 **5. Events in the Related Chapter 11 Cases MM 845 S. Flower and Chinatown.**

24 On September 3, 2009, MM 845 S. Flower and Chinatown each filed voluntary petitions for
25 relief under chapter 11 of the Bankruptcy Code. While MM 845 S. Flower and Chinatown are
26 affiliates of the MMPI Debtors, these cases are not jointly administered with the cases of the MMPI
27 Debtors.
28

1 MM 845 S. Flower owned a 34-story residential tower located at 705 W. 9th Street in the
2 South Park region of downtown Los Angeles (the “Project”). The building is comprised of 214
3 luxury residential units totaling approximately 254,300 square feet and an approximately 6,800
4 square foot commercial unit on the ground floor. This building is a first class iconic structure in
5 downtown Los Angeles. Viewed from the street, this curtain wall building is clad with various
6 shades of green glass and has numerous distinctive and attractive architectural features which
7 include external balconies on all four corners of the building, a seventh floor amenity deck with a
8 landscaped garden area and a premium extended balcony and viewing deck located on the ninth
9 floor.

10 Chinatown owns approximately 5.5 acres of unimproved land at 129 West College Street in
11 downtown Los Angeles (“Chinatown Property”). The Chinatown Property has significant
12 development potential and the current development plan for the property is for a mixed residential
13 and retail use. The Chinatown Property is now unencumbered. The Chinatown Property was
14 appraised at \$17,600,000 as of March 2008 based upon about \$80 per land square foot.

15 Prior to September 3, 2009 (the “Flower Petition Date”), and on or about July 31, 2008, MM
16 845 Flower executed a promissory note (the “Note”) in the original principal amount of \$84,000,000
17 in favor of Canpartners Realty Holding Company IV, LLC (“Canyon”) in connection with a Loan
18 Agreement dated as of July 31, 2008 (the “Loan Agreement”) pursuant to which Canyon made a
19 construction loan of \$84,000,000 to MM 845 Flower (the “Loan”). MM 845 Flower’s obligations
20 under the Note were secured by a construction deed of trust (the “845 Flower Deed of Trust”) in
21 favor of Canyon against the Project. MM 845 Flower also granted Canyon a security interest in
22 various deposit accounts of 845 Flower (the “Accounts Pledge”). In addition, Chinatown granted
23 Canyon a deed of trust (the “Chinatown Deed of Trust”) against Chinatown’s real property located at
24 129 West College Street, Los Angeles, California (the “Chinatown Property”). MMPI executed both
25 completion and repayment guaranties in favor of Canyon (the “MMPI Guaranties”) and MMP
26
27
28

1 Ventures pledged its membership interests in 845 Flower and Chinatown to Canyon (the “Pledge
2 Agreements”).⁷⁸

3 **(a) Important Events in MM 845 S. Flower and Chinatown Cases**

4 At the time the cases were filed, the construction of MM 845 S. Flower Project was close to
5 completion. After commencement of the 845 S. Flower case, MM 845 S. Flower completed
6 construction of the Project, completed the process of entitling the Project as condominiums and
7 developed a program for selling individual condominium units (the “Sale Program”). MM 845 S.
8 Flower filed a motion for authority to engage in the Sale Program. Canyon opposed the motion on
9 among other grounds that the Debtor could not sell units free and clear of its loan. After extensive
10 briefing and several hearings, the Bankruptcy Court denied the motion without prejudice to the
11 Debtor pursuing the Sale Program as part of its Chapter 11 Plan.

12 On November 12, 2009, Canyon filed a Motion for Relief from the Automatic Stay (the
13 “RFS Motion”) in the MM 845 S. Flower case seeking relief from the automatic stay to permit it to
14 foreclose on its Deed of Trust against the Project. Canyon asserted that it was entitled to relief from
15 the stay because the Debtor does not have any equity in the Project and according to Canyon, the
16 Debtor cannot cram down a plan on Canyon over its objection. MM 845 S. Flower vigorously
17 disputed each of Canyon’s contentions. The initial hearing on the RFS Motion was held on January
18 8, 2010. After additional briefing and a further hearing on February 5, 2010, the Bankruptcy Court
19 continued the RFS Motion to March 12, 2010 for an evidentiary hearing regarding the value of the
20 Project and testimony by the appraisers retained by Canyon and MM 845 S. Flower. The RFS
21 Motion was dismissed due to the settlement discussed below.

22 In addition, on October 19, 2009, Canyon filed an adversary proceeding against MM 845 S.
23 Flower and Chinatown in their respective cases, asserting and seeking a declaration, among other
24 things, that Canyon was not required to release its lien on the Chinatown Property or its security
25 interest in MMP Ventures’ membership interests in Chinatown (the “Chinatown Adversary
26 Proceeding”). MM 845 Flower and Chinatown answered and counterclaimed, contending, among

27
28 ⁷⁸ The Loan Agreement, the Note, the Deed of Trust, the Accounts Pledge, the MMPI Guaranties, the Chinatown Deed of Trust, the Pledge Agreements and all other documents and instruments evidencing or securing the Loan, are referred to collectively herein as the “Loan Documents.”

1 other things, that Canyon is required to release its liens on the Chinatown Property and its security
2 interest in the MMP Ventures membership interests in Chinatown. On November 19, 2009, the
3 Bankruptcy Court entered its Order approving the parties' stipulation to consolidate the two
4 adversary proceedings, deeming the complaint filed in 845 Flower's case (1 :09-ap-01435-KT) as
5 the sole operative complaint.

6 On February 16, 2010 the parties filed cross-motions for summary judgment (Chinatown
7 Adversary Proceeding docket nos. 13 - 19) which were initially set for hearing on March 12, 2010.
8 Those hearings were continued several times and the motions and Chinatown Adversary Proceeding
9 were dismissed due to the settlement discussed below.

10 **(b) Sale of the Project and Settlement with Canyon**

11 On April 13, 2010, MM 845 S. Flower filed a motion for authority to sell the Project to
12 Watermark Properties, Inc., a California corporation, or its assignee (the "Buyer") for a purchase
13 price of \$110,000,000 cash pursuant to the Purchase Agreement, subject to a \$500,000 purchase
14 price credit to the Buyer as described below. The hearing on the motion was held on April 19, 2010.
15 The Bankruptcy Court approved the sale by its order entered on April 19, 2010.

16 On April 12, 2010, MM 845 S. Flower, Chinatown, MMPI and MMP Ventures entered into a
17 settlement with Canyon (the "Canyon Settlement Agreement"). Pursuant to the settlement, Canyon
18 agreed to accept \$86,521,389 from escrow at closing in satisfaction of its Lien and has agreed to the
19 release of its Lien on the Project, on MM 845 S. Flower's bank accounts and other personal property
20 and on the real property owned by the related debtor Meruelo Chinatown, LLC. The sale closed on
21 April 26, 2010 and Canyon received payment of the settlement amount on that date.

22 The Canyon Settlement Agreement resolves all disputes arising out of or relating to
23 Canyon's claims against the Debtors or arising out of or related to the Loan Documents, the RFS
24 Motion, and the Chinatown Adversary Proceeding.

25 In addition, certain creditors have asserted, or may assert, mechanics liens against the Project
26 (the "Mechanics Lien Creditors"). The sale of the Project combined with the funds in MM 845 S.
27 Flower's construction reserve accounts (which was \$7,139,319 as of April 9, 2010) provides more
28 than enough proceeds for payment of all amounts determined to be owing to the Mechanics Lien

1 Creditors. MM 845 S. Flower has objections to certain of these claims and reserves all rights and
2 defenses thereto. As of the April 30, 2010, the aggregate amount owing to the Mechanics' Lien
3 Creditors was between \$4,179,157 and \$8,733,944. Since that date, MM 845 Flower has resolved
4 many of these claims which have been paid from the Remaining Claims Fund as provided below.
5 The Debtors have stated that MM 845 Flower continues to work to resolve the remaining claims.

6 At closing, MM 845 S. Flower established the Remaining Claims Fund as a segregated
7 account at City National Bank to hold funds for payment of the unpaid or disputed Mechanics' Lien
8 Claims and unsecured claims against the Debtor's estate (the "Remaining Claims") as provided in
9 the Canyon Settlement Agreement. The Remaining Claims Fund was funded in an amount not to
10 exceed \$10,636,268, comprised of the maximum amount of all unpaid or disputed Mechanics Lien
11 Claims, \$100,000 for payment of unsecured claims, and \$1,500,000 as provided in the Canyon
12 Settlement Agreement. The Remaining Claims Fund was funded with the remaining funds from the
13 Debtor's construction reserve accounts plus proceeds of the Sale sufficient to fully fund the account.
14 The Liens of all creditors of MM 845 S. Flower asserting Liens against the Project, including but not
15 limited to Canyon (pursuant to the Canyon Settlement Agreement) and the Mechanics Lien
16 Creditors, attached to the Remaining Claims Fund. The Canyon Settlement Agreement also
17 provided for the payment of Canyon's third party fees and expenses arising out of the Remaining
18 Claims from the Remaining Claims Fund. As a result of receipt of the Settlement Amount, all of
19 Canyon's liens, rights and interest in and to any of the Debtors' assets have been fully released,
20 reconveyed, terminated and discharged, including, without limitation, full reconveyances of the
21 Flower Deed of Trust, the Chinatown Deed of Trust, terminations of any UCC financing statements
22 and account control agreements, releases of any guaranties, assignments and pledges, including
23 MMP Ventures' membership interests in 845 Flower and Chinatown, the MMPI Guaranties and the
24 Accounts Pledge and Pledge Agreements.

25 As a result of the settlement, the Chinatown Adversary Proceeding has been dismissed and
26 Canyon has withdrawn its RFS Motion. The sale will provide approximately \$20 million in sale
27 proceeds to the estate and, after payment of administrative expenses, such funds will be available to
28 pay intercompany claims. The impact of successful resolution of these cases is that the remaining

1 proceeds from the sale of this Project will be available to the MMPI Debtors at the Effective Date
2 rather than one or more years later. Further, the Chinatown Property is no longer encumbered and
3 will be available to the Debtors as an unencumbered property.

4 On or about July 7, 2010, MM 845 Flower filed a motion for authority to make an interim
5 distribution or distributions in the aggregate amount of up to \$12 million from free and clear cash in
6 MM 845 Flower's estate to MMPLP.

7 **E. Material Proceedings**

8 There are several different circumstances that may create liability for the Debtors in the
9 future to the extent they are not discharged under the Plan as more fully discussed in Section III.F of
10 this Disclosure Statement.

11 **F. Potential Government Tax Audits**

12 The Debtors are subject to audit and review by federal and state taxing authorities. An
13 adverse audit report could result in the Debtors being assessed additional tax liability. The Debtors
14 have stated that they are not aware of any such pending audits and have filed all of their tax returns.

15 **1. Indemnification Claims**

16 Certain of the Debtors' contracts contain indemnification provisions that could require the
17 Debtors to make payments for Claims made against customers or employees of the Debtors,
18 including management. Additionally, the Articles and Bylaws of MMPI provide that MMPI shall
19 indemnify its officers and directors to the fullest extent permitted by law. Pursuant to its contractual
20 and legal obligations, MMPI agreed on a prepetition basis to indemnify the officers, and members of
21 its Board of Directors with respect to costs and expenses that may be incurred by them in
22 conjunction with the performance of their employment or role as a member of the Board of
23 Directors. These indemnification provisions may result in material liability to MMPI or other of the
24 Debtors. However, the Debtors assert that they maintain various insurance coverages to reduce the
25 Debtors' exposure. Also, parties in interest may object to such claims (and they could be discharged
26 under the Plan if such objections are successful) and the Litigation Trust to be established under the
27 Plan may bring claims against officers and directors who have indemnity claims.
28

1 **2. Eminent Domain**

2 The Debtors are engaged in two eminent domain actions that may result in cash awards being
3 paid to the respective Debtors. One of these eminent domain proceedings involve Alameda Produce
4 Market. In 2004, the Los Angeles County Metropolitan Transportation Authority (“MTA”) filed an
5 eminent domain action against Alameda Produce Market seeking to take the 1339 E. 7th Street Real
6 Property. Shortly thereafter, the MTA obtained an order for possession of such property and has
7 remained in possession ever since. After lengthy proceedings, the trial court dismissed the action
8 and ordered the MTA to return possession of the property to Alameda Produce Market. The MTA
9 appealed the ruling and the matter is pending before the appellate court. If the trial court ruling is
10 affirmed and not further appealed, the MTA will be required to return possession of the property to
11 Alameda Produce Market, and Alameda Produce Market may, among other things, be entitled to
12 damages and/or compensation as a result of the MTA’s use of the property. A reversal of the trial
13 court’s ruling could result in a remand to the trial court for a hearing on the valuation of the property.
14 IN the event the MTA is permitted to proceed with the taking of the property, the MTA would be
15 required to pay just compensation in connection with such taking.

16 Earlier this year, MG - 2001-2021 West Mission Blvd. stipulated to relief from the automatic
17 stay to permit the City of Pomona, acting in concert with Cal-Trans (“City”) to proceed with an
18 eminent domain action. The action seeks to take a number of small portions of property owned by
19 MG - 2001-2021 West Mission Blvd. in connection with the 71 Expressway/Mission Boulevard
20 Project. MG - 2001-2021 West Mission Blvd. filed its answer and cross complaint for inverse
21 condemnation. The matter was only recently commenced and may take 18-20 months to be
22 resolved.

23 In addition, in November 2007, the State of California commenced an eminent domain action
24 against Meruelo Baldwin Park in the Los Angeles Superior Court seeking to condemn two small
25 portions of property. The parties reached an agreement which was submitted to the Bankruptcy
26 Court and was approved in early 2010. Generally, the agreement provides that the state will pay
27 MBP approximately \$80,000 in exchange for taking a small portion of land in fee absolute and a
28

1 temporary construction easement in the other small portion. The parties are in the process of
2 finalizing the Agreement and making the above-referenced payment.

3 **3. Litigation After Lifting of the Automatic Stay**

4 The Debtors are also involved in litigation regarding matters for which the automatic stay
5 had been lifted in the Chapter 11 Case. The Debtors have stated that these litigations are not
6 material.

7 **IV.**

8 **SUMMARY OF LEGENDARY/EWB PLAN**

9 The Proponents intend to financially restructure the Debtors' business to deleverage it and
10 create an operating entity which reliably delivers positive Net Operating Income from stabilized
11 assets. The Proponents intend to grow the reorganized business by employing the skills of its new
12 management to "put to work" currently languishing assets and to create value by development of
13 real estate assets for portfolio enhancement or sale at maximum returns. By making the enterprise
14 bankable, the Proponents will be able to access the financial markets. With low debt ratios and the
15 stellar record and reputation of management, the Proponents expect that they will be able to secure
16 necessary financing for construction and for portfolio products.

17 The Plan's foundation is an \$70 million recapitalization via a \$5 million cash infusion by
18 Legendary, conversion of approximately \$65 million of the Proponents' debt to equity.
19 Additionally, Holders of MMPI Existing Common Stock will also be offered the right to invest up to
20 \$10 million to purchase up to a total of 2,202,500 additional shares of Reorganized MMPI Common
21 Stock (the Subscription Shares), equal to a 10% stake in Reorganized MMPI. This restructuring will
22 greatly reduce the Reorganized Debtors' debt service load permitting them to meet all of their
23 obligations both in the short term and over the life of the Plan. Legendary's cash contribution
24 combined with the proceeds of the rights offering and the Debtors' cash from operations will provide
25 more than sufficient funds for the payment of all amounts due on or around the Plan's Effective
26 Date.

1 **A. Unclassified Claims**

2 Certain types of claims are not placed into voting classes; instead they are unclassified. They
3 are not considered impaired and they do not vote on the Plan because they are automatically entitled
4 to a specific treatment provided for them in the Bankruptcy Code. As such, the Debtors have not
5 placed the following claims in a class. The treatment of these claims is provided below.

6 The Claims of Creditors the treatment of which has already been settled and resolved by
7 Order entered by the Bankruptcy Court (including the settled Claims of Cathay, FNBN, Imperial,
8 PCB and Stanford) are not classified, or separately classified under the Plan. The terms and
9 conditions of such Bankruptcy Court-approved settlements are assumed by the relevant Reorganized
10 Debtors and shall be unaltered and unmodified by the terms and conditions of the Plan. The Holders
11 of such Claims are not entitled to vote under the Plan.

12 **1. Administrative Claims**

13 Administrative Claims are claims for costs or expenses of administering the Debtors' Chapter
14 11 Cases which are allowed under Section 507(a)(2) of the Bankruptcy Code. The Bankruptcy Code
15 requires that all Administrative Claims be paid on the Effective Date of the Plan, unless a particular
16 claimant agrees to a different treatment.

17 **(a) General**

18 Subject to the bar date provisions herein and additional requirements for professionals and
19 certain other entities set forth below, the surviving Reorganized Debtor shall pay to each Holder of
20 an Allowed Administrative Claim, on account of its Administrative Claim and in full satisfaction
21 thereof, Cash equal to the Allowed amount of such Administrative Claim on the Effective Date or as
22 soon as practicable thereafter, unless the Holder agrees or shall have agreed to other treatment of
23 such Claim. Payment on and Administrative Claim which arose in the ordinary course of each
24 Debtor's business, including Ordinary Course Professionals, will be made when such payment
25 would have become due in the ordinary course of each Debtor's business or under the terms of the
26 Claim in the absence of the Chapter 11 Cases.
27
28

1 **(b) Payment of Statutory Fees**

2 On or before the Effective Date, all fees payable pursuant to 28 U.S.C. § 1930, as determined
3 by the Bankruptcy Court at the hearing on Confirmation, shall be paid in Cash equal to the amount
4 of such Administrative Claim.

5 **(c) Bar Date for Administrative Claims**

6 **(1) General Provisions**

7 Except as provided below for (i) non-tax liabilities incurred in the ordinary course of
8 business by each Debtor and (ii) Postpetition Tax Claims, requests for payment of Administrative
9 Claims must be Filed and served on counsel for the Reorganized Debtors no later than forty-five (45)
10 days after the Effective Date, or such later date, if any, as the Bankruptcy Court shall order upon
11 application made prior to the end of such 45-day period. Holders of Administrative Claims
12 (including, without limitation, professionals requesting compensation or reimbursement of expenses
13 and the Holders of any Claims for federal, state or local taxes) that are required to File a request for
14 payment of such Claims and that do not File such requests by the applicable bar date shall be forever
15 barred from asserting such Claims against any of the Debtors or the Reorganized Debtor or any of
16 their respective properties.

17 **(2) Professionals**

18 All professionals or other Persons requesting compensation or reimbursement of expenses
19 pursuant to any of Sections 327, 328, 330, 331, 503(b) and 1103 of the Bankruptcy Code for services
20 rendered on or before the Effective Date (including, inter alia, any compensation requested by any
21 professional or any other Person for making a substantial contribution in the Reorganization Case)⁸⁹
22 shall File and serve on the Proponents, the Reorganized Debtors, the Equity Holders Committee and
23 the Creditors Committee an application for final allowance of compensation and reimbursement of
24 expenses no later than (i) forty-five (45) days after the Effective Date, or (ii) such later date as the
25 Bankruptcy Court shall order upon application made prior to the end of such 45-day period.
26 Objections to applications of professionals for compensation or reimbursement of expenses must be

27
28 ⁸⁹ The Proponents reserve their right to assert a “substantial contribution” claim pursuant to Section 503(b)(3) of the Bankruptcy Code against the Estates for fees and expenses incurred in connection with proposing and obtaining approval of the Plan.

1 Filed and served on the Proponents, the Reorganized Debtors, the Equity Holders Committee, the
2 Creditors Committee and the professionals to whose application the objections are addressed on or
3 before (i) fourteen days after such application is Filed and served or (ii) such later date as the
4 Bankruptcy Court shall order or upon agreement between the Reorganized Debtors and the affected
5 professional.

6 Any professional fees and reimbursements of expenses incurred by the Reorganized Debtors
7 subsequent to the Effective Date may be paid by the Reorganized Debtors without application to or
8 Order of the Bankruptcy Court.

9 **(3) Ordinary Course Liabilities**

10 Holders of Administrative Claims based on liabilities incurred post-petition in the ordinary
11 course of the Debtors' businesses, including Ordinary Course Professionals, (other than Claims of
12 governmental units for taxes or Claims and/or penalties related to such taxes) shall not be required to
13 File any request for payment of such Claims. Such Administrative Claims shall be assumed and
14 paid by such Reorganized Debtor pursuant to the terms and conditions of the particular transaction
15 giving rise to such Administrative Claim, without any further action by the Holders of such Claims.

16 **(4) Tax Claims**

17 All requests for payment of Postpetition Tax Claims, for which no bar date has otherwise
18 been previously established, must be Filed on or before the later of (i) forty-five (45) days following
19 the Effective Date; and (ii) 120 days following the filing of the tax return for such taxes for such tax
20 year or period with the applicable governmental unit. Any Holder of any Postpetition Tax Claim that
21 is required to File a request for payment of such taxes and that does not File such a Claim by the
22 applicable bar date shall be forever barred from asserting any such Postpetition Tax Claim against
23 any of the Debtors or Reorganized Debtor, or any of their respective properties, whether any such
24 Postpetition Tax Claim is deemed to arise prior to, on, or subsequent to, the Effective Date. The
25 Debtors are paying all Postpetition Tax Claims as they come due; however, certain taxing authorities
26 conduct audits which may result in a postpetition tax liability of which the Debtors are currently
27 unaware. The County of Los Angeles has filed administrative priority claims against MMPI and
28 MMP 12385 San Fernando Road for \$229,193 and \$6,864 respectively. The Debtors have asserted

1 that these taxes have been paid and, in any event, are resolved pursuant to the terms of the settlement
2 between the Debtors and the County of Los Angeles.

3 [Allowed Secured Tax claims will be paid timely in the ordinary course of business with all](#)
4 [costs, fees, charges and interest as required by sections 506\(b\) and 511 of the Bankruptcy Code, if](#)
5 [applicable.](#)

6 (5) **Inter-Debtor Administrative Claims**

7 The Debtors' cash management system provides for funds to flow to and from a cash
8 concentration account maintained by MMPLP. The concentration account is linked to the operating
9 bank accounts of each of the Debtors, which bank accounts are maintained as zero balance accounts.
10 When needed to fund payment on checks issued by a particular affiliate, funds are transferred from
11 the concentration account to the operating account of that affiliate. Excess funds, if any, are invested
12 in interest bearing accounts pending their utilization. The cash management system produces inter-
13 Debtor account receivables and account payables. Transactions occurring after the Petition Date and
14 prior to the Effective Date produce inter-Debtor Administrative Claims owed to MMPLP. MMPLP
15 shall retain such Administrative Claims and all rights, interests, and obligations related thereto,
16 which, post-Effective Date, shall be paid and settled in accordance with the Debtors' ordinary course
17 of business with respect to the settlement and payment of intercompany obligations.

18 **2. Priority Tax Claims**

19 Priority Tax Claims are certain unsecured income, employment and other taxes described by
20 Bankruptcy Code Section 507(a)(8). The Bankruptcy Code requires that each holder of such a
21 507(a)(8) priority Tax Claim receive the present value of such claim in deferred cash payments, over
22 a period not exceeding five years after the Petition Date. The chart attached as **Exhibit "8"** hereto is
23 the Debtors' Section 507(a)(8) priority Tax Claims (as represented to the Bankruptcy Court by the
24 Debtors in their Disclosure Statement). All Priority Tax Claims will paid in full within a reasonable
25 period of time after the Effective Date (or after a Final Order of the Bankruptcy Court allowing such
26 Claims).

B. Classes of Claims, Treatment, Impairment, Voting Status

The categories of Claims and Interests listed in the chart below classify Claims (except for Administrative Claims and Priority Tax Claims) and Interests in each of the Estates⁹¹⁰ for all purposes, including voting, confirmation and distribution pursuant to the Plan. On the Effective Date, the Plan pays in full all Allowed Unsecured Claims, including General Unsecured, Priority Tax, and Priority Non-Tax claims.

CLASS	DESCRIPTION OF CLASS	IMPAIRED? VOTING?	TREATMENT
Class A-1 in the following cases: 21, 54	Secured Claim – RoofCorp of CA, Inc.	Unimpaired Not Voting	On the Effective Date, the claim shall be reinstated and the Holder shall retain its lien, if any.
<u>Class A-2 in the following case: 42</u>	<u>Secured Tax Claims (Other than Los Angeles County)</u>	<u>Unimpaired Not Voting</u>	<u>Common Secured Tax Claim Treatment</u>
Class A-2 in all the following cases except: 1-9, 17, 19, 23, 31 and 42	<u>Los Angeles County Secured Tax Claims</u>	Impaired Voting	Common <u>The treatment of Los Angeles County’s Secured Tax Claim Treatment Claims shall be consistent in all regards with its Bankruptcy Court-approved settlement.</u>
Class A-3 in the following cases: 16, 26, 32, 33, 39, 40, 43, 49, 50, 53, 54	Non-Settled Secured Lender Claims (Includes Legendary Secured Claims in Merco Group secured by Sci-Arc Real Property and Sky-Arc Real Property in Case 50)	Impaired Voting	Common Non-Settled Secured Lender Claim Treatment
<u>Class A-3 in the following case: 29</u>	<u>Grand Avenue Lofts, LLC / CIM Urban RE Fund GP II, LLC Secured Claim</u>	<u>Impaired Voting</u>	<u>Grand Avenue Lofts’ (“GAL”) Position. GAL asserts that it does not have a claim that is subject to modification or discharge. Rather, GAL asserts a current right in the real property that cannot be extinguished through bankruptcy, that when it conveyed property to MM 336 W. 11th Street, it reserved a power of termination, as reflected in the grant deed. GAL asserts that MM 336 W. 11th Street never had title free and clear of GAL’s property right. GAL asserts that an attempted discharge of Grand Avenue’s power of termination would, in effect, be a forced conveyance of a property interest, beyond the scope of a discharge that would ultimately give the estate a property interest it</u>

⁹¹⁰ See Exhibit 2 – Key to Debtors’ Estates and Secured Claims.

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CLASS	DESCRIPTION OF CLASS	IMPAIRED? VOTING?	TREATMENT
			<p><u>did not have before filing bankruptcy. Proponents' Position. The Plan Proponents believe GAL holds a disputed, unliquidated, and contingent Secured Claim. If it is found that GAL holds a valid covenant running with the underlying land it will "ride through" confirmation of the Plan or GAL shall receive its indubitable equivalent under section 1129(b)(2)(A)(iii) of the Bankruptcy Code; to the extent not, it will be extinguished. Any related breach of contract claim is disputed, unliquidated, and contingent; accordingly, it shall not receive a Distribution under the Plan.</u></p>
<p>Class A-4 in the following case: 48</p>	<p>Secured Lender Claims (Legendary Secured Claims – MM Little J)</p>	<p>Unimpaired Not Voting</p>	<p>On the Effective Date, the claim shall be reinstated and the Holder shall retain its lien, if any.</p>
<p>Class A-4 in the following cases: 28, 29, 30, 37, 44, 45, and 46</p>	<p>Secured Lender Claims (All other Legendary Secured Claims)</p>	<p>Impaired Voting</p>	<p>In exchange for its approximately \$33 million in Secured Claims, its release of guaranties against MMPI and MMPLP relating to these Secured Claims, and its \$5 million equity contribution, Legendary shall receive between 8,369,500 and 9,565,458 shares of Reorganized MMPI, equal to a stake of between 38% and 43% of Reorganized MMPI, dependent upon the outcome of the Reorganized MMPI rights offering described in the treatment for Class E in case 1 (MMPI).</p>
<p>Class A-4 in the following cases: 41 and 52</p>	<p>Lender Secured Claims (EWB)</p>	<p>Impaired Voting</p>	<p>In exchange for its approximately \$32 million in Secured Claims and its release of guaranties against MMPI relating to these Secured Claims, EWB shall receive between 7,048,000 and 8,054,543 shares of Reorganized MMPI, equal to a stake of between 32% and 37% of Reorganized MMPI, dependent upon the outcome of the Reorganized MMPI rights offering described in the treatment for Class E in case 1 (MMPI).</p>
<p>Class B in the following cases: 1, 5, 32, 33, 36, 52</p>	<p>Other Priority Claims (Non-Tax)</p>	<p>Unimpaired Not Voting</p>	<p>Common Other Priority Claims Treatment</p>
<p>Class C-1 in all cases</p>	<p>Unsecured Claims – General</p>	<p>Unimpaired Impaired¹¹ Not Voting</p>	<p>Common General Unsecured Claim Treatment</p>
<p>Class C-2 in the following cases:</p>	<p>Unsecured Claims – Guaranty Claims against MMPI or MMPLP</p>	<p>Impaired Voting</p>	<p>Common Unsecured Guaranty Claim Treatment</p>

¹¹ The Proponents reserve their right to assert at the Confirmation Hearing that Class C-1 is Unimpaired. The Proponents are soliciting Class C-1 in all cases in the event the Court determines that this class is Impaired under the Plan.

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CLASS	DESCRIPTION OF CLASS	IMPAIRED? VOTING?	TREATMENT
1, 2	<i>except for</i> Legendary and EWB Guaranty Claims where underlying secured claim will be converted to equity. These Classes include Legendary's Guaranty Claims relating to Merco Group		
Class C-2 in the following cases: 1, 2	Unsecured Claims – Legendary and EWB Guaranty Claims against MMPI or MMPLP (but excluding Legendary's Guarantees relating to Legendary Secured Claims in Merco Group secured by Sci-Arc Real Property and Sky-Arc Real Property in Case 50).	Impaired Voting	Converted to equity of Reorganized MMPI as part of Plan treatment of Legendary Secured Claims in Cases 28, 29, 30, 37, 44, 45, and 46 and EWB Secured Claims in Cases 41 and 52.
Class C-3 in the following cases: 11, 12, 14, 15, 21, 25-28, 30, 32-41, 43, 44, 46, 48, 49 52, 54	Unsecured Claims – Tenant Security Deposits	Unimpaired Not Voting	Common Tenant Security Deposits Treatment
Class D in the following cases: 2-7, 9-35, and 37-53	Intercompany Claims	Unimpaired Not Voting	Common Intercompany Claim Treatment
Class E in all cases <i>except</i> 1 and 2	Equity Interests in all Cases <i>except</i> MMPI and MMPLP	Unimpaired Not Voting	Common Equity Interest Treatment
Class E-1 in case 1	Equity Interests in MMPI held by Insider Shareholders	Impaired Voting	On the Effective Date, all MMPI Existing Common Stock shall be cancelled. Holders of record as of the Effective Date shall receive one share of Reorganized MMPI Common Stock and one Subscription Right for every 20 shares of MMPI Existing Common Stock they held on the Effective Date. Holders of less than twenty shares of MMPI Existing Common Stock shall be cashed out on a pro-rata basis. Such shares of Reorganized Debtor MMPI Common Stock shall in the aggregate total 4,405,000 in number and shall constitute in the aggregate a 20% interest in Reorganized MMPI. The Rights Offering shall comply with all necessary rules to ensure its exemption, under Section 1145 of the Bankruptcy Code, from federal, state and local

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CLASS	DESCRIPTION OF CLASS	IMPAIRED? VOTING?	TREATMENT
			<p><u>security registration requirements; otherwise it shall be made available only to Holders of Existing MMPI Common Stock who are “accredited investors.”</u></p> <p>Each <u>As provided in the Ballot, each</u> Insider Shareholder may elect to enter into complete, mutual, general releases with the Reorganized Debtors, including the complete release of the Insider Causes of Action, conditioned upon cancellation and forfeiture of all MMPI Existing Common Stock, LTIP Units, rights under the Rights Offering and other interests in the Debtors held by such electing Insider Shareholder.</p>
<p>Class E-2 in case 1</p>	<p>Non-Insider Equity Interests in MMPI</p>	<p>Impaired Voting</p>	<p>On the Effective Date, all MMPI Existing Common Stock shall be cancelled. Holders of record as of the Effective Date shall receive one share of Reorganized MMPI Common Stock and one Subscription Right for every 20 shares of MMPI Existing Common Stock they held on the Effective Date. <u>Holders of less than twenty shares of MMPI Existing Common Stock shall be cashed out on a pro-rata basis.</u> Such shares of Reorganized MMPI Common Stock shall in the aggregate, total 4,405,000 in number and shall constitute in the aggregate a 20% interest in Reorganized MMPI. <u>The Rights Offering shall comply with all necessary rules to ensure its exemption, under Section 1145 of the Bankruptcy Code, from federal, state and local security registration requirements; otherwise it shall be made available only to Holders of Existing MMPI Common Stock who are “accredited investors.”</u> In the event that one or more members of Class E-1 in Case 1 accept the Insider Shareholder Settlement Offer, the Reorganized MMPI Common Stock and Subscription Rights that would otherwise be distributed to such settling Insider Shareholder shall be distributed, on a Pro Rata basis, to the Holders of MMPI Existing Common Stock as of the Effective Date who are members of Class E-2 in Case 1.</p> <p>On the Effective Date, each of the Debtors will transfer all of its Insider Causes of Action to a Litigation Trust controlled by a Litigation Trustee on behalf of the members of Class E-2 in Case 1 of record as of the Effective Date. However, such Insider Causes of Action may be released pursuant to the treatment for Class E-1.</p>

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CLASS	DESCRIPTION OF CLASS	IMPAIRED? VOTING?	TREATMENT
			In the event that all members of Class E-1 in Case 1 elect to accept the Insider Shareholder Settlement Offer, the Litigation Trust shall not be formed.
Class E-1 in case 2	Equity Interests in MMPLP held by MMPI	Unimpaired Not Voting	On the Effective Date, the Equity Interests in MMPLP held by MMPI shall be extinguished by the merger of MMPLP with or into MMPI. The rights of the Holders of such Equity Interests shall be Unimpaired.
Class E-2 in case 2	LTIP Units in MMPLP	Impaired Voting	<p>On the Effective Date, the Holders of the LTIP Units shall be entitled to receive, at the election of MMPI, either cash or shares of Reorganized MMPI Common Stock with a value equal to the value of the LTIP Units (vested as of the Petition Date) as of the Effective Date. Such value shall be determined either by agreement by and between MMPI and the Holders of the LTIP Units or by the Bankruptcy Court.</p> <p>As provided in the Ballot, each Insider Shareholders Shareholder may elect to enter into complete, mutual, general releases with the Reorganized Debtors as of the Effective Date conditioned upon cancellation and forfeiture of all MMPI Existing Common Stock, LTIP Units, rights under the Rights Offering and other interests in the Debtors held by such electing Insider Shareholder.</p>

1. Common Class Treatments for Classified Claims

The following are Common Class Treatments for the following classes of Claims and Interests: (i) Secured Tax Claims, (ii) Secured Lender Claims, (iii) Other Priority Claims, (iv) Unsecured Tenant Security Deposit Claims, (v) General Unsecured Claims, (vi) Unsecured Guaranty Claims (vii) Intercompany Claims, and (vii) Equity Interests. The Classes of Claims and Interests for each Debtor will either receive the Common Treatment or a treatment specific to a particular Class and Debtor. For each Class and for each Debtor, the Plan will specify whether such class will receive the common treatment set forth herein or another treatment.

The Proponents expressly reserve the right, at any time during the term of the Plan, to refinance the obligations secured by any of their real properties or to sell such any or all of such real

1 properties and satisfy the full amount of the Allowed Secured Claims against such real properties
2 from the proceeds of such refinancing.

3 **(a) Common Secured Tax Claim Treatment**

4 ~~Holder of~~Except to the extent that the Holder of an Allowed Secured Tax ~~Claims~~Claim
5 accepts, or has accepted, less favorable treatment, the Holder of an Allowed Secured Tax Claim shall
6 receive a cash payment equal to 100% of the amount of ~~their~~its Allowed ~~Claims on the Effective~~
7 ~~Date (or after a Final Order of the Bankruptcy Court allowing such Claims); provided~~Claim on the
8 Effective Date, plus (a) interest at the Federal Judgment Rate in effect as of the Petition Date for the
9 period from the Petition Date through the Effective Date and (b) in the event the Claim is not
10 Allowed as of the Effective Date but becomes Allowed thereafter, simple interest at 4% per annum
11 for the period from the 31st day after the Effective Date through the date the Claim is paid. Interest
12 shall not accrue during the initial 30-day period following the Effective Date. Provided, however,
13 the foregoing treatment shall not supersede treatment specified in Bankruptcy Court-approved
14 ~~settlements~~agreements where the Secured Tax Claims have been conditionally resolved pending plan
15 confirmation (e.g., Los Angeles County). The treatment of those Holders' Secured Tax Claims shall
16 be consistent in all regards with their Bankruptcy Court-approved settlements.

17 **(b) Common Secured Lender Claim Treatment**

18 The Holders shall receive quarterly Cash payments over a period of four years from the
19 Effective Date in an aggregate amount equal to the amount of their Allowed Secured Claims, plus
20 interest from the Effective Date on the unpaid portion of the Allowed Secured Claim, at the rate
21 prescribed below.

22 Payments shall be made in the amount of the accruing interest, with the principal balance and
23 any unpaid interest due and payable at the Maturity Date. The first installment shall be payable on
24 the thirty-first (31st) day after the Effective Date, or in the event such day is not a Business Day than
25 it shall be payable on the next Business Day. Each installment shall be payable quarterly thereafter
26 in the amount equal to interest on the Allowed Claim at the rate of ~~5.05~~5.5% per annum or as
27 otherwise established by the Bankruptcy Court, provided, however, that in the event such Claim is
28 not an allowed Claim at the Effective Date then interest shall be payable on the undisputed portion

1 of such Claim until the Claim is allowed pursuant to a Final Order of the Bankruptcy Court. Once a
2 Claim is an Allowed Claim pursuant to a Final Order, then on the next interest payment date, the
3 Holder shall receive a payment equal to the unpaid interest due and owing on the disputed portion of
4 the Claim from the Effective Date.

5 The terms and conditions of the agreements or instruments between the Holder and the
6 Debtor shall be restructured and amended as of the Effective Date pursuant to Loan Modification
7 Provisions, the form of which is attached to this Disclosure Statement as **Exhibit "9"**. Except as
8 provided in this section, and notwithstanding Section 1141(c) or any other provision of the
9 Bankruptcy Code, all valid, enforceable and perfected prepetition liens of the Holder in its Collateral
10 shall survive the Effective Date and continue in accordance with the contractual terms of the
11 underlying agreements with such Holder and/or applicable law until the Holder's Allowed Secured
12 Claim is satisfied pursuant to the Plan; provided however, that the Holder shall be prohibited from
13 exercising rights or remedies pursuant to such underlying agreements so long as the Reorganized
14 Debtor is in compliance with the Plan. Any lien or interest granted to the Holder by the Bankruptcy
15 Court as adequate protection shall be released and extinguished upon confirmation.

16 Holders of settled Secured Claims shall not be entitled to vote on the Plan on account of such
17 claims, as those claims are Unimpaired under the Plan and ride through Confirmation.

18 **(c) Common Other Priority Claim Treatment**

19 This Class includes Other Priority Claims for an amount entitled to priority under Sections
20 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7) of the Bankruptcy Code, and does not include any
21 Administrative Claim or Tax Claim. These Other Priority Claims are for accrued wages, salary or
22 commissions, including vacation, severance, and sick leave pay earned by an employee within 180
23 days prior to the Petition Date, to the extent of \$10,950 per employee.

24 ~~Holders of Other Priority Claims will~~ Except to the extent that (x) the Holder of an Other
25 Priority Claim accepts, or has accepted, less favorable treatment, or (y) the Other Priority Claim
26 includes accrued vacation or sick pay and the Holder remains employed with the Reorganized
27 Debtors after the Effective Date, the Holder of an Other Priority Claim shall receive a cash payment
28 equal to 100% of the amount of ~~their Allowed Claims on the Effective Date (or after a Final Order of~~

1 ~~the Bankruptcy Court allowing such Claims), except to the extent such a~~ his or her Allowed Claim on
2 the Effective Date, plus (a) interest at the Federal Judgment Rate in effect as of the Petition Date for
3 the period from the Petition Date through the Effective Date and (b) in the event the Claim is not
4 Allowed as of the Effective Date but becomes Allowed thereafter, simple interest at 4% per annum
5 for the period from the 31st day after the Effective Date through the date the Claim is paid. Interest
6 shall not accrue during the initial 30 day period following the Effective Date. In the event an Other
7 Priority Claim includes accrued vacation or sick pay and the Holder remains employed with the
8 Reorganized Debtors after the Effective Date. ~~If so,~~ the vacation or sick pay shall be reinstated and
9 the Holder shall be authorized to use such amounts for vacation or sick time following the Effective
10 Date.

11 **(d) Common Tenant Security Deposits Treatment**

12 Unsecured Tenant Security Deposit Claims are those unsecured claims asserted by tenants of
13 the Debtors relating to security deposits made to their respective landlord Debtor. The Allowed
14 Claims of the Holders of such claims shall be Reinstated as of the Effective Date (i.e. such claims
15 shall be unaffected by confirmation of the Plan).

16 **(e) Common General Unsecured Claim Treatment**

17 Except to the extent that the Holder of an Allowed General Unsecured Claim accepts, or has
18 accepted, less favorable treatment, the ~~Holders~~ Holder of an Allowed General Unsecured
19 ~~Claims~~ Claim shall receive a cash payment equal to 100% of the amount of ~~their~~ its Allowed ~~Claims~~
20 ~~on the Effective Date (or after a Final Order of the Bankruptcy Court allowing such Claims).~~ Claim
21 on the Effective Date, plus (a) interest at the Federal Judgment Rate in effect as of the Petition Date
22 for the period from the Petition Date through the Effective Date and (b) in the event the Claim is not
23 Allowed as of the Effective Date but becomes Allowed thereafter, simple interest at 4% per annum
24 for the period from the 31st day after the Effective Date through the date the Claim is paid. Interest
25 shall not accrue during the initial 30 day period following the Effective Date.

26 Holders who have agreed to other treatments in court-approved settlements (including, but
27 not limited to, FNBN) shall receive the treatments provided in those settlements notwithstanding the
28 Allowance of some or all of their Claims as General Unsecured Claims.

1 **(f) Common Unsecured Guaranty Claim Treatment**

2 Claims in this Class consist of Guaranty Claims on obligations for which another one of the
3 Debtors is the principal obligor and for which the principal obligation is provided for under the Plan
4 or under the plan filed by MM 845 S. Flower and Chinatown.

5 Such claims shall be cured and reinstated, provided, however, they shall be amended to
6 conform to the restructuring of the underlying obligation owed to such Holder under the Common
7 Secured Lender Claim Treatment in Section III.B.2(b) of the Plan.

8 The foregoing treatment shall not supersede treatment specified in Bankruptcy Court-
9 approved settlements. Holders of Guaranty Claims who have agreed to a different treatment in a
10 Bankruptcy Court-approved settlement will receive the treatment provided therein.

11 **(g) Common Intercompany Claim Treatment**

12 The Allowed Claims and the Holders of such claims shall be Unimpaired.

13 **(h) Common Equity Interest Treatment**

14 The Holders of the Interests in these Classes shall retain their Interests in the Debtor.

15 **C. Executory Contracts and Leases**

16 The Plan constitutes a motion to assume or reject all executory contracts and nonresidential
17 real property leases, except for those executory contracts and nonresidential real property leases that
18 have already been assumed or rejected pursuant to an earlier Order of the Bankruptcy Court or that
19 are the subject of a motion for such an Order pending as of the Confirmation Hearing. Prior to the
20 Confirmation Hearing, the Proponents will file a schedule of all real property leases and executory
21 contracts to be rejected; any contract or lease not on that schedule shall be deemed assumed by the
22 applicable Debtor as of the Effective Date. Prior to the date of hearing on the Disclosure Statement,
23 the Proponents will file a schedule of all real property leases and executory contracts to be assumed
24 listing the cure amount, if any, under such unexpired lease or executory contract. Unless the non-
25 Debtor party to any such executory contract or unexpired lease to be assumed files and serves
26 counsel for the Proponents an objection to the cure amount specified on that schedule on or before
27 the last date established by the Bankruptcy Court to file and serve objections to confirmation of the
28

1 Plan, such cure amount shall be forever binding on such non-debtor party to said executory contract
2 or unexpired lease.

3 Except as otherwise agreed by the parties to an executory contract or unexpired lease, each
4 Reorganized Debtor will cure any and all undisputed defaults within thirty days of the Effective Date
5 under any executory contract or unexpired lease assumed pursuant to the Plan and to which it is a
6 party, in accordance with Section 365 of the Bankruptcy Code. All disputed defaults that are
7 required to be cured shall be cured either within thirty days of the entry of a Final Order determining
8 the amount, if any, of such Debtor's or Reorganized Debtor's liability with respect thereto, or as may
9 be agreed otherwise by the parties. The Confirmation Order shall state that all pre-petition contracts
10 and unexpired leases that are listed on the schedule described herein are deemed assumed under the
11 Plan.

12 Any Claim for damages arising from the rejection of an executory contract or unexpired lease
13 must be Filed and served on counsel for the Proponents within thirty (30) days after the order of the
14 Bankruptcy Court approving such rejection becomes a Final Order or be (i) forever barred and
15 unenforceable against any Debtor, its Estate, the Reorganized Debtor and their respective property,
16 and (ii) barred from receiving any distribution under the Plan. All Allowed Claims arising from the
17 rejection of executory contracts or unexpired leases shall be treated as a General Unsecured Claim
18 against the respective Debtor who is a party to such executory contract or unexpired lease.

19 Any election of rights by a lessee under Section 365(h)(1) of the Bankruptcy Code must be
20 Filed and served on counsel for the Proponents within thirty (30) days after the order of the
21 Bankruptcy Court approving such rejection becomes a Final Order or lessee shall be deemed to have
22 waived any and all of its rights under Section 365(h)(1) of the Bankruptcy Code.

23 **V.**

24 **MEANS FOR IMPLEMENTATION OF**

25 **PLAN**

26 **A. Debt for Equity Conversion and Cash Infusion**

27 Except as otherwise provided in the Plan or the Confirmation Order, all Cash necessary for
28 the Reorganized Debtors to make payments pursuant to the Plan will be obtained from the

1 Proponents' infusion of \$5 million in cash, the Rights Offering, the Reorganized Debtors' cash
2 balances existing on the Effective Date and, thereafter, from the operations of the Reorganized
3 Debtors' business, the sale or refinancing of assets of the Reorganized Debtors, as deemed necessary
4 and appropriate by the Reorganized Debtors, and from any other lawful source. The Reorganized
5 Debtors' restructured balance sheet on account of the Proponents' debt conversion will severely
6 reduce the Debtors' secured debt load.

7 **B. Sources and Uses of Cash for Effective Date**

8 Attached hereto as **Exhibit "3"** is an analysis that shows the estimated sources and uses of
9 cash with respect to the Plan as of the Effective Date. The analysis includes the requirement of
10 setting aside adequate reserves to pay in full disputed Claims that will not necessarily be paid on or
11 shortly after the Effective Date. As more fully disclosed in **Exhibit "3"**, the Proponents believe that
12 the Reorganized Debtors will have more than sufficient cash on hand to adequately pay, or reserve
13 for the payment of all Claims required to be paid under the Plan on the Effective Date or within
14 thirty days thereof even absent any subscriptions pursuant to the Rights Offering.

15 **C. Business Plan; Feasibility of Ongoing Operations**

16 Attached hereto as **Exhibit "4"** are ~~the Proponents'~~[Legendary's](#) Projections with respect to
17 ~~their~~[the](#) business plan for the Reorganized Debtors and the feasibility of the Reorganized Debtors'
18 restructured obligations under the Plan. The Projections are based upon historical operating
19 information provided, or disclosed by the Debtors and are premised upon all of the assumptions set
20 forth therein. In particular, the Proponents have made certain assumptions about rents and operating
21 income; assume the sale of certain properties during the four-year performance period contemplated
22 by the Plan; and anticipate the commencement of certain development activities, all as more fully set
23 forth in the notes and assumptions to the Projections.

24 The Proponents believe that given the conservative assumptions upon which the Projections
25 are based, the Plan is feasible. In particular, during the four-year period of the Plan, the Reorganized
26 Debtors' debt coverage ratio (calculated on an aggregate basis) grows from 0.62 to 1.36, and the
27 debt ratio (based upon conservative real estate valuations noted in the Projections) falls from 72% to
28 55%.

1 At the end of the four-year period of the Plan, under the Projections, the Reorganized
2 Debtors will have refinanced approximately \$205 million of secured mortgage debt. Based upon
3 conservative operating and asset valuation assumptions, the Reorganized Debtors will have a debt
4 ratio of approximately 55% percent and will be generating sufficient income to establish a debt
5 coverage ratio of approximately 1.36 after refinancing. The Proponents believe that the projected
6 strength of the Reorganized Debtors' operations and balance sheet will enable them to refinance all
7 of this debt before the fourth anniversary of the Effective Date.

8 Based upon the Projections, as a result of "lease up" operations to achieve stabilized
9 occupancy by the fourth year, conversion of approximately \$65 million in debt to equity and the
10 infusion of \$15 million in cash from the Rights Offering and Legendary's equity contribution, the
11 Reorganized Debtors will not need to sell any assets to meet cash flow needs nor to service their
12 operations or debt. However, the Proponents intend to sell or divest approximately \$77 million in
13 assets during the term of the Plan in order to generate sufficient cash and reduce debt by an
14 additional \$48.7 million. Sales are staggered to avoid massive value erosion through asset dumping.
15 The value of assets sold in each year of the Plan is:

- 16 • Year 1 -- \$36 million;
- 17 • Year 2 -- \$25.4 million;
- 18 • Year 3 -- \$9.4 million; and
- 19 • Year 4 -- \$2.4 million.

20 As more fully set forth in the Projections, the Proponents have identified a pool of assets that
21 will likely be divested during the term of the Plan in order to provide adequate cash flow to service
22 all of the Reorganized Debtors' obligations.⁺⁹¹² The Proponents believe that some or all of these
23 assets can be sold at an adequate price and within an adequate period of time in order to maximize
24 values and to generate the cash required for the Plan to be feasible.

25 Other significant features of the Plan are as follows:

26 1. The Proponents allocate \$5 million over the term of the Plan for capital
27 improvements *over and above* the \$8.2 million assigned for tenant improvements and

28 ⁺⁹¹² Attached as page 3 of Exhibit 4 herein is a spreadsheet providing details of anticipated asset sales under the Plan.

1 maintenance/repair by the Debtors' Plan. Despite the substantial improvements the Proponents
2 intend, the budget conservatively does not reflect rent increases based on those improvements.

3 2. The Proponents set aside \$20 million from the Reorganized Debtors' operating
4 budget over the term of the Plan for development activities, beginning in Year 1. The budgets do not
5 reflect any income from development activities which will begin to materialize in Year 4 and
6 thereafter.

7 3. Of critical importance, the Proponents budget the cost for refinance "as and when"
8 the loans mature or balloon payments are required. By the end of the Plan term, all outstanding debt
9 will have been paid from sales proceeds or refinanced with all costs associated therewith accounted
10 for.

11 4. Positive net operating income is achieved in Year 1 and grown annually. The
12 Reorganized Debtors' debt coverage ratio (calculated on an aggregate basis) grows from 0.62 to
13 1.36, and the debt ratio falls from 72% to 55% using asset values that are approximately 74% of the
14 Debtors' estimates as supported by recent appraisals.

15 5. All "lease-up" activities are projected to reach stabilized occupancy by the close of
16 the four-year Plan term – both lease rate discounts and market rate adjustments are budgeted.

17 6. Property sales are minimal and spread to achieve the highest value from a market
18 turn-around and to avoid "fire sales" of the properties. The Plan proposes just \$77 million in asset
19 sales over the four year term but such sales are not necessary to pay debt service or to meet
20 operational requirements.

21 7. Operating expenses are severely reduced by out-sourcing property management on a
22 revenue-dependent contract. Corporate overhead is severely reduced and could be more so,
23 however, this cannot be determined until the Proponents obtain access to this information.

24 8. The Plan is extremely flexible in that asset sales can be increased if necessary to
25 overcome unachieved lease-ups or cost reductions; funds set aside for development can be deferred
26 as can capital expenditure allowances, if necessary; and sales can be increased if profit opportunities
27 from sales emerge. Under the Plan, refinancing can be accomplished for assets individually or as
28

1 tranches bundled to meet even the most rigorous underwriting criteria to achieve the lowest
2 borrowing costs.

3 9. Equity in Reorganized MMPI grows by over 30% during the four-year Plan term.

4 **D. Insider Litigation Trust**

5 Unless the Insider Shareholder Settlement Offer is accepted by all members of Class E-1 in
6 Case 1, as of the Effective Date, the a Litigation Trustee will retain all rights on behalf of a
7 Litigation Trust to commence, pursue and settle, as appropriate, any and all Insider Causes of Action
8 assigned to the Litigation Trust in any court or other tribunal, including, without limitation, an
9 adversary proceeding filed in the Chapter 11 Cases. The failure to explicitly list any Insider Causes
10 of Action is not intended to limit the rights of the Litigation Trust, through the Litigation Trustee, to
11 pursue any and all Insider Causes of Action, including Insider Causes of Action not so identified
12 herein. Notwithstanding any otherwise applicable principle of law or equity, including, without
13 limitation, any principles of judicial estoppel, res judicata, collateral estoppel, issue preclusion, or
14 any similar doctrine, the failure to list, disclose, describe, identify, analyze or refer to any Insider
15 Cause of Action in the Plan, the Disclosure Statement, or any other document filed with the
16 Bankruptcy Court will in no manner waive, eliminate, modify, release, or alter the Debtors' or the
17 Litigation Trustee's right to commence, prosecute, defend against, settle, and realize upon any
18 Insider Cause of Action that the Debtors or the Estates have or may have as of the Effective Date.
19 The Litigation Trustee may commence Insider Litigation, prosecute Insider Litigation, recover on
20 account of Insider Causes of Action, and settle Insider Causes of Action assigned to the Litigation
21 Trust in accordance with the best interests, and for the benefit of, the Litigation Trust, subject to the
22 terms of any applicable Litigation Trust Agreement.

23 Unless a Cause of Action against a Person is expressly waived, relinquished, released,
24 compromised in writing, or settled in the Plan or any Final Order, the Debtors and their Estates, for
25 the benefit of beneficiaries of the Litigation Trust in which such Insider Causes of Action shall vest,
26 expressly reserve such Insider Causes of Action for later adjudication (including, without limitation,
27 Insider Causes of Action of which the Debtors, the Equity Holders Committee, the Creditors
28 Committee or any party in interest may presently be unaware, or which may arise or exist by reason

1 of additional facts or circumstances unknown to the Debtors, the Equity Holders Committee, the
2 Creditors Committee or any party in interest at this time, or facts or circumstances which may
3 change or be different from those which the Debtors, the Equity Holders Committee, the Creditors
4 Committee or any party in interest now believe to exist) and, therefore, no preclusion doctrine,
5 including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim
6 preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches will apply to Insider Causes
7 of Action upon, or after, the Confirmation or consummation of the Plan based on their description or
8 lack of identification or description in the Disclosure Statement, the Plan, or the Confirmation Order,
9 except where such Insider Causes of Action have been expressly released by virtue of the Plan or
10 other Final Order.

11 As of the Effective Date, subject to any Litigation Trust Agreement, the Litigation Trustee,
12 on behalf of the Litigation Trust, will be authorized to exercise and perform the rights, powers and
13 duties held by the Debtors' Estates under the Insider Causes of Action, including, without limitation,
14 the authority under Section 1123(b)(3) of the Bankruptcy Code to provide for the settlement,
15 adjustment, retention and enforcement of claims and interests of the estate, without the consent or
16 approval of any third party, and without any further order of the Bankruptcy Court, except as
17 otherwise provided in the Plan.

18 Subject to the Litigation Trust Agreement, the Litigation Trustee will make the decision of
19 whether or not to pursue Insider Litigation or otherwise prosecute Insider Causes of Action. The
20 Litigation Trust shall be initially funded in accordance with the terms of an agreement to be
21 negotiated between Reorganized MMPI and the Equity Holders Committee at such time as is
22 appropriate.

23 Any and all Net Proceeds derived by the Litigation Trust from the prosecution of the Insider
24 Causes of Action shall be distributed on a Pro Rata basis to the Holders of record of MMPI Existing
25 Common Stock as of the Effective Date.

1 **E. Equity Ownership in Reorganized MMPI and the Litigation Trust**

2 **1. Issuance of New Common Stock**

3 Under the Plan, as of the Effective Date all outstanding equity securities of MMPI will be
4 cancelled and, on or promptly after the Effective Date, Reorganized MMPI will issue 22,025,000
5 shares of its common stock (the Reorganized MMPI Common Stock), as follows (assuming the
6 Rights Offering is fully subscribed):

7 An aggregate of 15,417,500 shares of New Common Stock, representing 70% of the
8 Reorganized MMPI Common Stock assuming full subscription of the Rights Offering, will be issued
9 to the Proponents in exchange for their Secured Claims in each of the Debtors' cases except Merco
10 Group⁺⁺¹³ and for Legendary's equity contribution. Of such shares, (a) 8,369,500 shares (or 38% of
11 the Reorganized MMPI Common Stock assuming full subscription of the Rights Offering) will be
12 issued to Legendary in exchange for its approximately \$33 million in Secured Claims and \$5 million
13 equity contribution and (b) 7,048,000 shares (or 32% of the Reorganized MMPI Common Stock
14 assuming full subscription of the Rights Offering) will be issued to EWB in exchange for its
15 approximately \$32 million in Secured Claims.

16 An aggregate of 4,405,000 shares of Reorganized MMPI Common Stock, representing 20%
17 of the Reorganized MMPI Common Stock will be issued to the Holders of the MMPI Existing
18 Common Stock in exchange for their shares of MMPI Existing Common Stock.

19 An aggregate of up to 2,202,500 shares of Reorganized MMPI Common Stock, representing
20 10% of the Reorganized MMPI Common Stock, will be issued to Holders of the MMPI Existing
21 Common Stock electing to participate in the Rights Offering, pursuant to which Holders of the
22 MMPI Existing Common Stock will be offered rights to purchase an aggregate of up to 2,202,500
23 shares New Common Stock at the price of \$4.54 per share (the "Subscription Price"); in accordance
24 with the Subscription Rights discussed in Section V.E.9, below.

25 The Subscription Rights and the Reorganized MMPI Common Stock constitute "securities"
26 within the definition of Section 2(a)(1) of the Securities Act of 1933, as amended (the "Securities
27 Act") and corresponding definitions under state securities laws and regulations ("Blue Sky Laws").

28

⁺⁺¹³ Legendary's Secured Claim in the Merco Group case shall receive the Common Secured Lender Treatment.

1 Accordingly, the Subscription Rights and the Reorganized MMPI Common Stock will be subject to
2 registration under the Securities Act and Blue Sky Laws unless an exemption from such registration
3 is available.

4 Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a
5 plan of reorganization from registration under the Securities Act and Blue Sky Laws if three
6 principal requirements are satisfied:

7 (i) The securities are offered and sold under a plan of reorganization and are securities of
8 the debtor, of an affiliate of the debtor participating in a joint plan with the debtor, or of a successor
9 to the debtor under the plan;

10 (ii) The recipients of the securities hold a pre-petition or administrative claim against the
11 debtor or an interest in the debtor; and

12 (iii) The securities are issued entirely in exchange for the recipient's claim against or
13 interest in the debtor, or principally in such exchange and partly for cash or property.

14 In addition, Section 1145(a)(2) exempts the offer and sale of any security "through any
15 warrant, option, right to subscribe, or conversion privilege" that is sold in the manner specified in
16 Section 1145(a)(1), and the sale of any security upon the exercise of such a warrant, option, right or
17 privilege.

18 The Proponents believe that the Reorganized MMPI Common Stock will qualify as securities
19 "of the debtor, of an affiliate of the debtor participating in a joint plan with the debtor, or of a
20 successor to the debtor under the plan." The Proponents believe that the Reorganized MMPI
21 Common Stock will be issued (a) to the Proponents, principally in exchange for the Proponents'
22 Claims against the Debtors and only partly for an additional cash infusion, (b) to Holders of MMPI
23 Existing Common Stock who do not elect to exercise their Subscription Rights, exclusively in
24 exchange for their MMPI Existing Common Stock (*i.e.*, no part of the consideration received by
25 Reorganized MMPI from such Holders will include any cash), and (c) to Holders of MMPI Existing
26 Common Stock who elect to exercise some or all of their Subscription Rights, principally in
27 exchange for their MMPI Existing Common Stock and only partly for cash. In the view of the
28 Proponents, the Reorganized MMPI Common Stock to be issued to the Proponents will be issued

1 “principally” in exchange for such shares and only “partly” for cash because the value of the
2 Proponents’ Claims, as described more fully in Section IV.B hereof, approximates \$65 million,
3 which is an amount that far exceeds the \$5 million cash infusion to be made by the Proponents.
4 Furthermore, the Reorganized MMPI Common Stock to be issued to the Holders of shares of MMPI
5 Existing Common Stock who elect to exercise their Subscription Rights will be issued “principally”
6 in exchange for such shares and only “partly” for cash because, even assuming that all such Holders
7 elect to exercise their Subscription Rights, the value of the approximately 88.1 million shares of
8 MMPI Existing Common Stock that would be surrendered in exchange for Reorganized MMPI
9 Common Stock substantially exceeds the maximum aggregate cash subscription price that
10 Reorganized MMPI would receive. Under the Plan, the Reorganized MMPI Common Stock being
11 issued to the Holder of each 20 shares of MMPI Existing Common Stock has a notional value of
12 \$4.54 per share (based upon the approximate conversion price being paid by the Proponents with
13 respect to their converted debt obligations). The Holder of each such share of Reorganized MMPI
14 Common Stock is entitled, pursuant to the associated Subscription Right, to purchase an additional
15 ~~0.9~~number of shares of Reorganized MMPI Common Stock equal to up to 0.95 times the number of
16 shares of Reorganized MMPI Common Stock ~~held by~~distributed to such Holder under the Plan.
17 Thus, the Proponents believe that no Holder of MMPI Existing Common Stock as of the Effective
18 Date will be able to subscribe for additional Reorganized MMPI Common Stock with a value in
19 excess of 90% of the nominal value of the shares of MMPI Existing Common Stock held by such
20 Holder as of the Effective Date.

21 In the view of the Proponents, the Subscription Rights constitute “rights to subscribe” to
22 Reorganized MMPI Common Stock (*i.e.*, a security that will be sold in the manner specified in
23 Section 1145(a)(1)), and therefore issuance of the Subscription Rights, together with the
24 Reorganized MMPI Common Stock issuable upon exercise of the Subscription Rights (like all
25 Reorganized MMPI Common Stock issuable pursuant to the Plan) should be exempt from
26 registration under the Securities Act and Blue Sky Laws.

27 Based on the foregoing, the issuance of the Reorganized MMPI Common Stock pursuant to
28 the Plan should satisfy the applicable requirements of Section 1145(a)(1) and Section 1145(a)(2) of

1 the Bankruptcy Code, and should be exempt from registration under the Securities Act and any
2 applicable Blue Sky Law. Accordingly, the Proponents will not file a registration statement under
3 the Securities Act or Blue Sky Laws with respect to the Reorganized MMPI Common Stock or
4 otherwise. Notwithstanding the foregoing, the Proponents have not sought any “no-action” letter by
5 the SEC with respect to any such matters, and therefore no assurance can be given regarding the
6 availability of any exemptions from registration with respect to the Reorganized MMPI Common
7 Stock, any other securities, if any, issued pursuant to the Plan, and the Rights Offering.
8 Nevertheless, the Proponents are aware of a number of published “no-action” letters by the SEC in
9 which staff members of the SEC have indicated that, in reliance on Section 1145, they would not
10 recommend enforcement action against issuers of unregistered securities under factual circumstances
11 that the Proponents consider are similar to those applicable to the Reorganized MMPI. *See,*
12 *generally*, Barry’s Jewelers, Inc., SEC No-Action Letter, 1998 SEC No-Act. LEXIS 735 (July 20,
13 1998), Zenith Laboratories, Inc., SEC No-Action Letter, 1990 SEC No-Act. LEXIS 37 (January 12,
14 1990), Bennett Petroleum Corporation, SEC No-Action Letter, 1983 SEC No-Act. LEXIS 3102
15 (December 27, 1983), Jet Florida System, Inc., Airport Systems, Inc., SEC No-Action Letter, 1987
16 SEC No-Act. LEXIS 1490 (January 12, 1987).

17 **2. Interests in the Litigation Trust**

18 Pursuant to the Plan, on the Effective Date, each of the Debtors will transfer all of its Insider
19 Causes of Action to a Litigation Trust controlled by a Litigation Trustee and the Equity Holders
20 Committee on behalf of present non-Insider MMPI Equity Holders and Reorganized MMPI (the
21 “Litigation Trust Beneficiaries”). As will be set forth in the Litigation Trust Agreement, the
22 Litigation Trust Beneficiaries will have beneficial interests (the “Litigation Trust Interests”) in the
23 Litigation Trust.

24 The Proponents acknowledge that certain beneficial interests in certain types of trusts may be
25 subject to characterization as “securities” within the definition of such term set forth in Section
26 2(a)(1) of the Securities Act, the offer or sale of which may be subject to the registration requirement
27 of Section 5 of the Securities Act. However, the Proponents do not believe that the Litigation Trust
28 Interests are securities and, even if the Litigation Trust Interests were deemed to be “securities,” the

1 Proponents believe that the issuance of the Litigation Trust Interests to holders of Class E Claims
2 exclusively in exchange for their MMPI Existing Common Stock should be exempt under Section
3 1145(a)(1), discussed above. In a number of published “no-action” letters, the SEC staff has
4 recognized that the securities of business entities that purchase, acquire or succeed to the assets of a
5 Chapter 11 debtor in a variety of circumstances can qualify as securities of a “successor under a
6 plan” within the meaning of Section 1145(a)(1). This appears to be the case regardless of whether
7 less than substantially all of the assets are acquired. *See, generally*, Bercor, Inc., SEC No-Action
8 Letter, 1989 SEC No-Act. LEXIS 802 (July 11, 1989), Cyclops Industries, Inc., SEC No-Action
9 Letter, 1988 SEC No-Act. LEXIS 626 (June 2, 1988), and Argo Petroleum Corporation, SEC No-
10 Action Letter, 1987 SEC No-Act. LEXIS 2405 (September 14, 1987). Accordingly, the fact that the
11 Litigation Trust will acquire only certain assets of the Debtors does not seem to be an impediment.
12 Furthermore, the SEC has imposed no requirement that there be only a single successor. *See,*
13 *generally*, Oregon Steel Mills, Inc., SEC No-Action Letter, 1993 SEC No-Act. LEXIS 326
14 (February 26, 1993) and American First Corporation, SEC No-Action Letter, 1989 SEC No-Act.
15 LEXIS 980 (September 14, 1989). Accordingly, the Proponents are not aware of any reason why
16 successor status should be available to both Reorganized MMPI and to the Litigation Trust. Finally,
17 in a number of no-action letters the SEC has recognized that Chapter 11 trusts can qualify as
18 “successors under a plan.” Examples include The Marbella Founders Trust, SEC No-Action Letter,
19 1993 SEC No-Act. LEXIS 1252 (December 1, 1993), UNR Industries, Inc., No-Action Letter, 1989
20 SEC No-Act. LEXIS 799 (July 11, 1989), Bedford Computer Corporation, No-Action Letter, 1987
21 SEC No-Act. LEXIS 2580 (October 14, 1987), and LMX Corp, No-Action Letter, 1984 SEC No-
22 Act. LEXIS 2230 (May 15, 1984). The purpose, functions and terms of the Trust, like those of the
23 trusts in these no-action letters, are expressly authorized by the Plan and are in furtherance of the
24 Debtors’ reorganization or liquidation under the Plan. Like such trusts, (i) the Litigation Trust
25 Interests are not represented by certificates or, if they are, the certificates bear a legend stating that
26 the certificates are transferable only upon death or by operation of law; (ii) the Litigation Trust will
27 exist only to effect a liquidation and will terminate within a reasonable period of time; and (iii) the
28 Litigation Trust will issue annual unaudited financial information to all beneficiaries.

1 Based on such no-action letters, the Proponents believe that the Litigation Trust Interests may
2 be issued without registration under the Securities Act in reliance upon the exemption provided by
3 Section 1145(a)(1) of the Bankruptcy Code. However, the views of the SEC on the matter have not
4 been sought by the Proponents and, therefore, no assurance can be given regarding this matter.

5 **3. Sales and Transfers of the New Common Stock and Litigation Trust Interests**

6 **(a) Restrictions Under Operative Agreements/Documents**

7 The Litigation Trust Interests will not be certificated and will be subject to certain transfer
8 restrictions as set forth in the Liquidating Trust Agreement (“Trust Interest Ownership Change
9 Restrictions”). Generally, the Litigation Trust Interests cannot be assigned or transferred other than
10 by death, by operation of law or otherwise in compliance with the securities laws (as more
11 specifically set forth in the Litigation Trust Agreement), and will not be represented by certificates.

12 Subject to the provisions of the amended and restated articles of incorporation and bylaws of
13 MMPI adopted pursuant to the Plan (“Post-Effective Date MMPI Charter Documents”), except as
14 provided below with respect to persons deemed to be “underwriters,” the New Common Stock
15 should otherwise be transferable.

16 **(b) Restrictions/Exemptions under Applicable Law**

17 Generally, as securities issued pursuant to Section 1145(a)(1) of the Bankruptcy Code, the
18 New Common Stock may be sold by the recipient without registration under the Securities Act.
19 Under Section 1145(c) of the Bankruptcy Code, the offer and sale of securities of the kind and in the
20 manner specified in Section 1145(a)(1) is deemed to be a “public offering” and therefore such
21 securities are deemed not be “restricted securities” under applicable securities laws. Furthermore,
22 Section 1145(b)(3) of the Bankruptcy Code confirms, subject to the exceptions set forth below, the
23 “non-underwriter” status of recipients of securities offered or sold in the manner specified in Section
24 1145(a)(1). (By virtue of such non-underwriter status, such recipients become entitled to sell such
25 securities without registration under the Securities Act in reliance upon the exemption provided by
26 Section 4(1) of such act. The effect of these provisions generally is to make the New Common
27 Stock freely transferable under applicable law, subject any restrictions on transfer that may be
28 imposed by the Post-Effective Date MMPI Charter Documents or state corporation statutes.

1 Notwithstanding the foregoing, Section 1145(b)(1) identifies certain categories of persons
2 not entitled to sell securities issued in reliance upon Section 1145, which persons are sometimes
3 referred to as “statutory underwriters.” Such categories include:

4 (1) Persons who purchase a claim against, an interest in, or a claim for administrative
5 expense against the debtor with a view to distributing any security received in exchange for such a
6 claim or interest (sometimes referred to as “accumulators”);

7 (2) Persons who offer to sell securities offered under a plan for the holders of such
8 securities (sometimes referred to as “distributors”);

9 (3) Persons who offer to buy such securities from the holders of such securities, if the
10 offer to buy is (a) with a view to distributing such securities and (b) made under a distribution
11 agreement; and

12 (4) Persons who are “issuers” with respect to the securities, as the term “issuer” is
13 defined in Section 2(11) of the Securities Act.

14 For purposes of category 4, an “issuer” includes not only the issuer of a security itself but
15 also any person directly or indirectly controlling, controlled by the issuer or any person under direct
16 or indirect common control with the issuer (i.e., an “affiliate”). “Control” under applicable securities
17 laws means the possession, direct or indirect, of the power to direct or to cause the direction of the
18 management and policies of a person, whether through the ownership of voting securities, by
19 contract or otherwise. Whether “control” exists is a question of fact. As an example, an officer or
20 director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be
21 “in control” of such debtor or successor, particularly if the management position or directorship is
22 coupled with ownership of a significant percentage of the reorganized debtor’s or its successor’s
23 voting securities. For this purpose, ownership of ten percent (10%) or more of the voting securities
24 of a reorganized debtor may be presumed to be a “control person.” Finally, the Proponents note that,
25 under applicable SEC rules, a group of separate entities that act in concert with respect to a security
26 may be deemed a single “person” to whom the securities holdings of each group member may be
27 attributed for purposes of determining whether control exists.
28

1 The Bankruptcy Code definition of “underwriter” is subject to certain exclusions for
2 “ordinary trading transactions” by non-issuers and certain transactions pursuant to an agreement that
3 provides only for the purchase, sale, matching, or combining of fractional interests in securities
4 offered or sold under the plan of reorganization. In addition, certain holders of securities issued
5 pursuant to the Plan may be able to resell pursuant to other exemptions, such as Securities Act Rule
6 144, Securities Act Rule 144A, or the so-called “Section 4(1 ½)” exemption. More specifically,
7 Rule 144 permits the resale of securities subject to applicable volume limitations, notice and manner
8 of sale requirements, and certain other conditions; Rule 144A permits resales to “qualified
9 institutional buyers” subject to certain conditions; and the so-called “Section 4(1 ½)” exemption
10 permits resales in certain private transactions. Notwithstanding the foregoing, there can be no
11 assurance that any such or other exemptions will be available to any particular holder.

12 WHETHER ANY PARTICULAR PERSON WILL FALL WITHIN ANY CATEGORY OF
13 “STATUTORY UNDERWRITER” WITH RESPECT TO ANY SECURITY, IF ANY, TO BE
14 ISSUED PURSUANT TO THE PLAN, OR WHETHER ANY PARTICULAR PERSON WILL BE
15 ABLE TO RESELL SUCH SECURITY DEPENDS UPON VARIOUS FACTS AND
16 CIRCUMSTANCES. GIVEN THE COMPLEXITY AND FACTUAL NATURE OF SUCH
17 ISSUES, THE PROPONENTS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT
18 OF ANY PARTICULAR PERSON TO TRADE IN THE SECURITIES, IF ANY, TO BE
19 DISTRIBUTED PURSUANT TO THE PLAN. FURTHERMORE, THE PROPONENTS HAVE
20 NOT SOUGHT AND DO NOT EXPECT TO RECEIVE ANY NO-ACTION POSITION FROM
21 THE SEC WITH RESPECT TO ANY SECURITIES REGULATORY MATTERS CONCERNING
22 THE PLAN, AND NO ASSURANCE CAN BE GIVEN THAT THE SEC OR “BLUE SKY”
23 SECURITIES REGULATORY AUTHORITIES WILL NOT TAKE A POSITION WITH
24 RESPECT TO SUCH MATTERS THAT IS INCONSISTENT WITH THOSE OF THE
25 PROPONENTS AS DESCRIBED HEREIN. POTENTIAL RECIPIENTS OF THE SECURITIES
26 DISTRIBUTED PURSUANT TO THE PLAN ARE STRONGLY URGED TO CONSULT THEIR
27 OWN COUNSEL WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.
28

4. Exchange Act Compliance and Related Consequences Thereof

1 Section 12(g) of the Securities Exchange Act, as amended (the “Exchange Act”) requires any
2 company that has both (A) total assets in excess of \$10 million and (B) a class of equity securities
3 held by more than 500 persons as of the end of its fiscal year, to register such class of equity
4 securities. Companies having a class of equity securities registered under Section 12(g) of the
5 Exchange Act are subject to the periodic reporting and certain other requirements of the Exchange
6 Act.

7
8 MMPI is subject to the periodic reporting and other requirements of the Exchange Act,
9 including filing annual reports on Form 10-K, quarterly reports on Form 10-Q, and reports of events
10 reportable on Form 8-K. Reorganized MMPI is expected to continue to be subject to all applicable
11 requirements of a reporting company following the Effective Date. As a reporting company under
12 the Exchange Act, Reorganized MMPI will be able to and will endeavor to cause its common stock
13 to be listed on a national securities exchange or a qualifying interdealer quotation system and, as
14 discussed herein, the New Common Stock should be freely sellable and transferable by the holders
15 thereof (subject to the limited exceptions described above). The Proponents believe that
16 Reorganized MMPI’s reporting status, and the listing or quotation of its securities, would provide
17 holders of the New Common Stock with a readily available trading market, access to current
18 information regarding the company, and greater liquidity for their securities.

19 In addition, registration of the New Common Stock under the Exchange Act and related
20 actions may have other potential benefits, including (i) Reorganized MMPI may subsequently
21 determine to more appropriately compensate or offer to compensate potential or current executives
22 with more liquid, transferable equity (common stock of Reorganized MMPI), and (ii) the
23 Reorganized Debtors may be able subsequently to facilitate acquisitions and/or other corporate
24 transactions using common stock of Reorganized MMPI in lieu of cash or other forms of
25 consideration.

26 The Proponents acknowledge that certain beneficial interests in certain types of trusts may be
27 deemed to be “equity securities” within the meaning of the Exchange Act. In such event, and if the
28 Litigation Trust were to have both total assets in excess of \$10 million and Litigation Trust Interests

1 held by more than 500 holders of record as of the end of any of its fiscal years, then the Litigation
2 Trust could become subject to the registration requirement of Section 12(g) of the Exchange Act.
3 However, the Proponents are aware of a number of published “no-action” letters by the SEC in
4 which the SEC staff has indicated that they would not recommend enforcement action in respect of
5 certain types of Chapter 11 trusts that do not register under the Exchange Act. Examples include
6 Guerdon Real Estate Trust, SEC No-Action Letter, 1989 SEC No-Act. LEXIS 562) Mar. 31, 1989),
7 Seiscom Delta, Inc., SEC No-Action Letter, 1987 SEC No-Act. LEXIS 2430 (September 14, 1987).
8 Like the trusts that are the subject of these no-action letters, (i) the Litigation Trust has the purpose
9 of liquidating assets and distributing funds, (ii) the trustee of the Litigation Trust will provide an
10 annual report to beneficiaries containing financial or other information, (iii) the Litigation Trust will
11 have a limited term; and (iv) the Litigation Trust Interests are not represented by certificates or, if
12 they are, the certificates bear a legend stating that the certificates are transferable only upon death or
13 by operation of law.

14 **5. Certain Transactions by Stockbrokers**

15 Section 1145(a)(4) of the Bankruptcy Code provides that a “stockbroker” that executes a
16 transaction in a security that was issued under Section 1145(a)(1) or (a)(2) within 40 days following
17 the first date on which such security was bona fide offered to the public by the issuer, or by or
18 through an underwriter, has an exemption from the registration requirement of Section 5 of the
19 Securities Act and the comparable requirements of the Blue Sky Laws with respect to such
20 transaction. The exemption is subject to the condition that the stockbroker provides, at or before the
21 time of such transaction, a copy of the Disclosure Statement (and supplements to the Disclosure
22 Statement, if any, if ordered by the Bankruptcy Court). The Proponents note that the exemption is
23 available to persons considered “dealers” under the Securities Act, and believe that the Effective
24 Date will be the date on which the 40-day period will begin.

25 **6. Listing of Reorganized MMPI Stock**

26 Reorganized MMPI will use commercially reasonable efforts to cause its common stock to
27 be listed on a national securities exchange or a qualifying interdealer quotation system as soon as
28 practicable after the Effective Date, but shall have no liability if it is unable to do so.

1 **7. Investment Company Act**

2 Because, in the Proponents' view, the assets of the Litigation Trust do not consist securities
3 issued by the Debtors or any other person, and for other reasons, the Proponents do not believe that
4 the Litigation Trust falls within the definition of "investment company" in any manner requiring
5 such entity to register under the Investment Company Act of 1940, as amended (the "Investment
6 Company Act").

7 **8. Compliance by the Litigation Trust If Required**

8 Notwithstanding the preceding discussion, if the Litigation Trustee determines, with the
9 advice of counsel, that the Litigation Trust is required to comply with the registration and reporting
10 requirements of the Exchange Act or the Investment Company Act, then prior to the registration of
11 the Litigation Trust under the Exchange Act or the Investment Company Act, the Litigation Trustee
12 shall seek to amend the Liquidating Trust Agreement to make such changes as are deemed necessary
13 or appropriate to ensure that the Litigation Trust is not subject to registration or reporting
14 requirements of the Exchange Act or the Investment Company Act, and the Litigation Trust
15 Agreement, as so amended, shall be effective after notice and opportunity for a hearing and the entry
16 of a final order of the Bankruptcy Court. If the Litigation Trust Agreement, as amended, is not
17 approved by final order of the Bankruptcy Court or the Bankruptcy Court otherwise determines in a
18 final order that registration under one or both of the Exchange Act or Investment Company Act is
19 required, then the Litigation Trustee shall take such actions as may be required to satisfy the
20 registration and reporting requirements of the Exchange Act and/or the Investment Company Act, as
21 applicable.

22 **9. Rights Offering to Holders of MMPI Existing Common Stock.**

23 Holders of MMPI Existing Common Stock of record as of the Effective Date shall each
24 receive one (1) share of Reorganized MMPI Common Stock and one Subscription Right for each
25 twenty (20) shares of MMPI Existing Common Stock held by such Holder of record as of the
26 Effective Date. The Subscription Right shall entitle the Holder thereof to subscribe for the purchase
27 of a ~~portion~~number of the Subscription Shares equal to ~~1.9~~up to 0.95 times the ~~Holder's Pro-Rata~~
28 ~~Share of~~number of shares of Reorganized MMPI Common Stock ~~held as of the Effective~~

1 ~~Date~~[distributed to such Holder under the Plan](#), at a purchase price of \$4.54 per share, provided such
2 Holder makes a written election to exercise such Subscription Right and timely delivers such written
3 election, together with the purchase price of the Reorganized MMPI Common Stock to be purchased
4 pursuant to the exercise of the Subscription Right, to the Transfer Agent on or before the end of the
5 Subscription Period. The number of Subscription Shares available to be purchased pursuant to the
6 exercise of the Subscription Rights shall be limited to 2,202,500 shares (i.e. shares with an aggregate
7 purchase price of \$10 million). In the event that the Rights Offering is oversubscribed, each holder
8 of a Subscription Right that has been properly and timely exercised shall receive a number of
9 Subscription Shares equal to 2,202,500 (the total number of Subscription Shares available)
10 multiplied by its Subscription Share Pro Rata Allocation. In the event of such oversubscription,
11 excess subscription funds shall promptly be reimbursed to subscribing parties.

12 The foregoing transaction pursuant to which Holders of MMPI Existing Common Stock may
13 acquire additional MMPI Common Stock is referred to in this Plan as the “Rights Offering.” The
14 Rights Offering is subject to and conditioned upon the confirmation of the Plan for MMPI. The
15 Rights Offering shall comply with all rules necessary to ensure its exemption, under Section 1145 of
16 the Bankruptcy Code, from federal, state and local security registration requirements: [or shall be](#)
17 [made available only to current equity owners who are “accredited investors.”](#) The form of any
18 subscription agreement relating to the Rights Offering shall be approved by the Bankruptcy Court at
19 Confirmation.

20 NEITHER THIS DISCLOSURE STATEMENT, NOR ANY PORTION THEREOF
21 INCLUDING THIS SECTION, HAS BEEN SUBMITTED FOR APPROVAL UNDER THE
22 SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS.
23 NEITHER THE SEC NOR ANY STATE REGULATORY AUTHORITY HAS PASSED UPON
24 THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR THIS
25 SECTION. CREDITORS AND INTEREST HOLDERS SHOULD CONSULT THEIR OWN
26 LEGAL COUNSEL AND ADVISORS AS TO ANY SECURITIES LAW RELATED MATTERS.

1 **F. Board of Directors and Management of Reorganized MMPI; Compensation; Asset and**
2 **Property Management**

3 **1. Board Composition**

4 The Board will be comprised of seven directors, as follows: two directors will be designated
5 by Legendary, one will be designated by EWB, one will be designated by the Equity Holders
6 Committee and three shall be independently named by the board based upon the Proponents'
7 recommendations.

8 **2. Management**

9 The Reorganized Debtors will be managed by a team assembled by Legendary
10 Developments, LLC, an affiliate of Legendary. Surjit P. Soni and Dilip Bhavnani will serve as co-
11 CEOs. Mr. Soni and Mr. Bhavnani have agreed to serve for a minimum initial term of five years
12 renewable for two year terms. Mr. Soni and Mr. Bhavnani have worked together for over 15 years
13 on a variety of projects and businesses. They share the position of Managing Member for Legendary
14 Development, LLC and its several subsidiaries, as well as for Legendary.¹²¹⁴ Mr. Soni will also
15 assume the function of general counsel for the Reorganized Debtors. A CFO with public company
16 and real estate experience will be recruited through a search if management cannot secure an
17 agreement to retain the Debtors' current CFO. The Proponents expect to retain select current
18 employees with company history, asset and systems knowledge. However, the Proponents do not
19 believe the size of the corporate staffing maintained by the Debtors is justified and staffing will be
20 appropriately down-sized.

21 **3. Compensation**

22 A compensation committee of the Board of Directors (the "Compensation Committee") will
23 be responsible for establishing the underlying policies and principles of the Reorganized Debtors'
24 compensation program, as well as determining the compensation of executive officers ("EOs"),
25 subject to approval by the Board of Directors.

26 In assessing the compensation of executives, the Compensation Committee will be expected
27 to utilize strategies intended to attract and retain talented executives, including both new hires and
28 the existing team, in a competitive and dynamic real estate marketplace. A core principle of the

¹²¹⁴ An informational brochure regarding Legendary is attached hereto as **Exhibit "10"**.

1 compensation program will be to position EOs' cash, including cash bonuses, and equity-based
2 compensation to be within a competitive range (e.g., +/-15%) of the average compensation paid by
3 the 50th to the 75th percentile of certain relevant labor markets for similarly situated positions.
4 Another principle of the compensation strategy will be to provide a meaningful portion of total
5 compensation via equity-based awards.

6 The Compensation Committee will evaluate EO compensation by reviewing available
7 competitive data representing organizations of varying sizes (measured by market capitalization) and
8 operating strategies. The Compensation Committee will engage compensation consultants to
9 compile data from independent sources. In making decisions regarding EO compensation, the
10 Compensation Committee will considers recommendations from the CEOs with respect to each of
11 the other EOs. These recommendations will be based upon the CEOs' analysis of each EO's
12 performance and contributions. However, the Compensation Committee will have the right to act in
13 its sole and absolute discretion.

14 To remain competitive in the market, the Reorganized Debtors will provide certain benefits
15 and perquisites to its EOs. These include health, dental, life, disability and long term care insurance,
16 certain club membership dues and contributions to 401(k)/profit sharing and defined benefit plans.

17 **4. Asset and Property Management**

18 As stated above, the Proponents have secured the services of VRES to provide asset
19 management and property management services for the Debtors' property portfolio. VRES is a full
20 service commercial real estate services firm that provides strategic property solutions scaled to
21 clients' needs. VRES combines its nearly four decades of experience in real estate operations,
22 ownership, investment advisory services, financial analysis, market research, asset management,
23 development, tenant advisory and brokerage services to provide clients with forward looking
24 strategies that create value for their assets.

25 VRES is privately held, debt-free and has owned, developed and managed over 26 million
26 square feet of commercial real estate, participated in \$1.3 billion of construction projects and
27 completed over \$32 billion in brokerage transaction volume. VRES offers asset management,
28 project management, property and association management, financial analysis, asset valuation,

1 receivership, brokerage, asset, business plan strategies, market research, environmental assessment
2 and development and construction management services. In unrelated engagements, VRES is
3 currently advising Wells Fargo, GE Finance, Chase Commercial Bank, California Bank & Trust,
4 Lehman Brothers, TriMont, Midland/Trigild, US Bank (including Cal National Bank assets), Zions
5 & Wachovia Bank.

6 **G. Revesting of Assets/Discharge/Limited Plan Releases**

7 **1. Vesting of Assets**

8 Except as otherwise provided in any provision of the Plan, on the Effective Date, all legal
9 and equitable interests of the Debtors in property of their respective estates shall be vested in such
10 Reorganized Debtors, free and clear of all Claims, Liens, encumbrances and Interests except to the
11 extent and only as is expressly provided for otherwise in the Plan. On the Effective Date, each of the
12 Debtors will transfer all of its Insider Causes of Action to a Litigation Trust controlled by a
13 Litigation Trustee and the Equity Holders Committee on behalf of present non-Insider MMPI Equity
14 Holders and Reorganized MMPI. All settlements reached with Holders of Secured Lender Claims
15 and all other Claims shall be enforced by and against the Reorganized Debtors in the form approved
16 by the Bankruptcy Court.

17 **2. Retained Claims and Defenses and Reservation of Rights**

18 **(a) No Waiver and Retention of Claims and Defenses**

19 Unless otherwise expressly set forth in the Plan or the Confirmation Order, pursuant to
20 Section 1123(b)(3)(B), all Retained Claims and Defenses of any kind or nature whatsoever against
21 third parties arising before the Effective Date and belonging to the Debtors or their Estates shall
22 become property of the Reorganized Debtors. Notwithstanding any otherwise applicable principle
23 of law or equity, including, without limitation, any principles of judicial estoppel, *res judicata*,
24 collateral estoppel, issue preclusion, or any similar doctrine, the failure to list, disclose, describe,
25 identify, analyze or refer to any such Retained Claims and Defenses in the Plan, the Disclosure
26 Statement, or any other document filed with the Bankruptcy Court will in no manner waive,
27 eliminate, modify, release, or alter the Reorganized Debtors' right to commence, prosecute, defend
28 against, settle, and realize upon any Retained Claims and Defenses that the Debtors or the Estates

1 have or may have as of the Effective Date. Retained Claims and Defenses shall include, without
2 limitation:

- 3 • All claims and defenses pursuant to applicable non-bankruptcy law and Sections 502,
4 506, 524 and 553 of the Bankruptcy Code against any Creditor regarding the amount
5 of such Holder's Allowed Claim (whether prepetition or postpetition), to enforce the
6 discharge of any Secured Creditors' Claims;
- 7 • All claims and defenses pursuant to applicable non-bankruptcy law and Sections 502,
8 506, 510, 524, 542 and 553 of the Bankruptcy Code including, without limitation,
9 claims and defenses based on any Creditors' assertion of unreasonable professionals'
10 fees, costs, charges and penalties (whether disguised as interest, or otherwise);
- 11 • All avoidance causes of action and objections to Claims under Sections 105, 502,
12 506, 510, 542 through 551 and 553 of the Bankruptcy Code that belong to the
13 Debtors or to the Estates.
- 14 • All claims and defenses related to the recovery of professionals' fees and expenses by
15 the Debtor or Reorganized Debtor from Creditors;
- 16 • All Insider Causes of Action, including, but not limited to, claims against the
17 Debtors' Insiders, employees, and/or agents relating to pre-confirmation and/or pre-
18 petition conduct, including without limitation, claims for fraud, breach of fiduciary
19 duty or negligence; and
- 20 • All claims and defenses attributable to the filing of personal Chapter 7 or Chapter 11
21 bankruptcy petitions by an Insider who is a natural person, including without
22 limitation, claims or defenses related to the diminution of security for the Debtors'
23 debts if an Insider obtains a discharge of their personal guaranty obligations.

24 From and after the Effective Date, the Reorganized Debtors are authorized to assert the
25 Retained Claims and Defenses including, but not limited to, for purposes of objection to the
26 allowance of any Claim. Nothing contained in the Plan or the Confirmation Order shall be deemed
27 to be a waiver or the relinquishment of any of the Debtors' rights with respect to the Retained
28

1 Claims and Defenses and Reorganized Debtors shall be entitled to assert the Retained Rights and
2 Defenses as fully as if the Chapter 11 Cases had not been commenced.

3 **(b) Unknown Retained Claims and Defenses / No Preclusion**

4 Unless otherwise expressly set forth in the Plan or the Confirmation Order, the reservation of
5 rights and Retained Claims and Defenses set forth above shall include, without limitation, any
6 Retained Claims and Defenses of which the Debtors may presently be unaware, or which may arise
7 or exist by reason of additional facts or circumstances unknown to the Debtors at this time or facts or
8 circumstances that may change or be different from those the Debtors now believe to exist including,
9 without limitation, claims based on theories of construction defect, breach of warranty, negligence,
10 indemnification and contribution. Therefore, no preclusion doctrine, including, without limitation,
11 the doctrines of *res judicata*, collateral estoppel, waiver, estoppel (judicial, equitable or otherwise),
12 or laches will apply to the Reorganized Debtors with respect to the Retained Claims and Defenses
13 upon or after the Confirmation of the Plan based on the Plan, the Disclosure Statement or the
14 Confirmation Order.

15 **3. Discharge of the Debtors and Injunction**

16 **(a) Discharge**

17 Except as otherwise provided in the Plan, the Confirmation Order or Section 1141(d)(6) of
18 the Bankruptcy Code: (i) on the Effective Date, each Debtor shall be deemed discharged and
19 released to the fullest extent permitted by Section 1141 of the Bankruptcy Code from all Claims and
20 Interests, including, but not limited to, demands, liabilities, Claims and Interests that arose before the
21 Confirmation Date and all debts of the kind specified in Sections 502(g), 502(h) or 502(i) of the
22 Bankruptcy Code, whether or not: (A) a proof of Claim or proof of Interest based on such debt or
23 Interest is Filed or deemed Filed pursuant to Section 501 of the Bankruptcy Code, (B) a Claim or
24 Interest based on such debt or Interest is allowed pursuant to Section 502 of the Bankruptcy Code or
25 (C) the Holder of a Claim or Interest based on such debt or Interest has accepted the Plan; and (ii) all
26 Persons shall be precluded from asserting against each Reorganized Debtor, its successors, or its
27 assets or properties any other or further Claims or Interests based upon any act or omission,
28 transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date.

1 Except as otherwise provided in the Plan or the Confirmation Order, the Confirmation Order shall
2 act as a discharge of any and all Claims against and all debts and liabilities of the Debtor, as
3 provided in Sections 524 and 1141 of the Bankruptcy Code, and such discharge shall void any
4 judgment against each Debtor at any time obtained to the extent that it relates to a Claim discharged.

5 **(b) Injunction**

6 All Persons that have held, currently hold or may hold a Claim or other debt or liability or an
7 Interest or other right of an Equity Holder, are permanently enjoined from taking any of the
8 following actions on account of any such Claims, debts or liabilities or terminated Interests or rights
9 discharged pursuant to Section IV.N.1. of the Plan: (a) commencing or continuing in any manner any
10 action or other proceeding against any of the Debtors; (b) enforcing, attaching, collecting or
11 recovering in any manner any judgment, award, decree or order against any of the Debtors; (c)
12 creating, perfecting or enforcing any lien or encumbrance against any of the Debtors; (d) asserting a
13 setoff, right of subrogation or recoupment of any kind against any obligation due to any of the
14 Debtors; and (e) commencing or continuing any action, in any manner, in any place that does not
15 comply with or is inconsistent with the provisions of the Plan. The injunction described herein does
16 not apply to and shall not enjoin or otherwise prevent the Reorganized Debtors or its representatives
17 from commencing or continuing any action against the Debtors' current or former officers, directors,
18 or employees for claims arising before or after the commencement of the Debtors' bankruptcy cases.

19 Any Person injured by any willful violation of such injunction shall recover actual damages,
20 including costs and attorneys' fees, and, in appropriate circumstances, may recover punitive
21 damages, from the willful violator.

22 **(c) No Liability for Solicitation or Participation**

23 As specified in Section 1125(e) of the Bankruptcy Code, Persons that solicit acceptances or
24 rejections of the Plan and/or that participate in the offer, issuance, sale, or purchase of securities
25 offered or sold under the Plan, in good faith and in compliance with the applicable provisions of the
26 Bankruptcy Code, shall not be liable, on account of such solicitation or participation, for violation of
27 any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the
28 Plan or the offer, issuance, sale, or purchase of securities.

(d) Limitation of Liability

1 Neither (a) the Proponents or any of their employees, officers, directors, agents,
2 representatives, affiliates, attorneys or any other professional persons employed by any of them, nor
3 (b) Legendary Developments, LLC or any of its employees, officers, directors, agents,
4 representatives, affiliates, attorneys or any other professional persons employed by it, nor (c) the
5 Equity Holders Committee or any of their respective postpetition members, agents, employees,
6 directors, officers representatives, attorneys or other professional advisors, nor (d) the Creditors
7 Committee or any of their respective postpetition members, agents, employees, directors, officers
8 representatives, attorneys or other professional advisors, in each case, shall have any responsibility,
9 or have or incur any liability, to any Person whatsoever, under any theory of liability (except for any
10 Claim based upon willful misconduct or gross negligence), for any act taken or omission made in
11 good faith directly related to formulating, implementing, confirming, or consummating the Plan, the
12 Disclosure Statement, or any contract, instrument, release, or other agreement or document created
13 in connection with the Plan, provided that nothing in this paragraph shall limit the liability of any
14 Person for breach of any express obligation it has under the terms of the Plan or under any post-
15 petition agreement or other postpetition document entered into by such Person or in accordance with
16 the terms of the Plan or for any breach of a duty of care owed to any other Person occurring after the
17 Effective Date.

H. Post-Effective Date Claims Objections Process

18 Except as otherwise provided in the Plan, objections to Claims, including without limitation
19 Administrative Claims (other than objections to Administrative Claims of Professionals), shall be
20 Filed and served upon the Holder of such Claim or Administrative Claim no later than the later of:
21 (a) one hundred eighty (180) days after the Effective Date, (b) one hundred eighty (180) days after a
22 proof of Claim or request for payment of such Claim is Filed, and (c) a deadline set by the
23 Bankruptcy Court after the extension of the one hundred eighty (180)-day deadline; such extension
24 may be granted on an ex parte basis without notice or hearing. After the Confirmation Date, only the
25 Reorganized Debtors or the Litigation Trustee, as the case may be, will have the authority to File
26 objections, settle, compromise, withdraw or litigate to judgment objections to Claims and Interests.
27
28

1 From and after the Confirmation Date, the Reorganized Debtors or the Litigation Trustee, as the case
2 may be, may settle or compromise any Disputed Claim or Disputed Interest without approval of the
3 Bankruptcy Court.

4 **VI.**

5 **CONFIRMATION**

6 At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the
7 requirements of Section 1129 of the Bankruptcy Code are met. Among the requirements for
8 confirmation of a Plan are that the Plan is (i) accepted by all impaired Classes of Claims and
9 Interests or, if rejected by an impaired Class, that the Plan “does not discriminate unfairly” and is
10 “fair and equitable” as to such Class, (ii) feasible and (iii) in the “best interests” of creditors and
11 stockholders that are impaired under the Plan.

12 **A. Acceptance**

13 The Classes identified above in Section IV.B are impaired and are entitled to vote to accept
14 or reject the Plan. The Proponents reserve the right to amend the Plan in accordance with the terms
15 of the Plan or seek nonconsensual confirmation of the Plan under Section 1129(b) of the Bankruptcy
16 Code or both with respect to any Class of Claims or Interests that is entitled to vote to accept or
17 reject the Plan, if such Class rejects the Plan.

18 **B. Unfair Discrimination and the Fair and Equitable Tests**

19 Section 1129(b) of the Bankruptcy Code provides that a Plan can be confirmed even if it has
20 not been accepted by all impaired Classes as long as at least one impaired Class of Claims has
21 accepted it. The Bankruptcy Court may confirm the Plan as to one or more Debtors at the request of
22 such Debtors notwithstanding the Plan’s rejection (or deemed rejection) by impaired Classes in the
23 case of such Debtors as long as the Plan “does not discriminate unfairly” and is “fair and equitable”
24 as to each impaired Class that has not accepted it. A Plan of reorganization does not “discriminate
25 unfairly” with respect to a nonaccepting Class if the value of the cash and/or securities to be
26 distributed to the nonaccepting Class is equal to, or otherwise fair when compared to, the value of
27 the distributions to other Classes whose legal rights are the same as those of the nonaccepting Class
28 or is otherwise permitted under the circumstances. The Bankruptcy Code provides a non-exclusive

1 definition of the phrase “fair and equitable.” The Bankruptcy Code establishes “cram down” tests
2 for secured creditors, unsecured creditors and equity holders, as follows:

3 • Secured Creditors. Either: (i) each impaired secured creditor retains its liens securing its
4 secured Claim and receives on account of its secured Claim deferred cash payments having a present
5 value equal to the amount of its allowed secured Claim; (ii) each impaired secured creditor realizes
6 the “indubitable equivalent” of its allowed secured Claim; or (iii) the property securing the Claim is
7 sold free and clear of liens with such liens to attach to the proceeds of the sale and the treatment of
8 such liens on proceeds to be as provided in clause (i) or (ii) above.

9 • Unsecured Creditors. Either: (i) each impaired unsecured creditor receives or retains under
10 the Plan property of a value equal to the amount of its allowed Claim; or (ii) the Holders of Claims
11 and interests that are junior to the Claims of the dissenting Class will not receive any property under
12 the Plan.

13 • Interests. Either: (i) each Holder of an Interest will receive or retain under the Plan property
14 of a value equal to the greater of the fixed liquidation preference to which such Holder is entitled, or
15 the fixed redemption price to which such Holder is entitled or the value of the interest; or (ii) the
16 Holder of an interest that is junior to the nonaccepting Class will not receive or retain any property
17 under the Plan.

18 **C. Feasibility**

19 To confirm the Plan, the Bankruptcy Court must find that confirmation of the Plan is not
20 likely to be followed by liquidation or the need for further financial reorganization of the Debtors.
21 This requirement is imposed by Section 1129(a) of the Bankruptcy Code and is referred to as the
22 “feasibility” requirement. There are two important aspects of a feasibility analysis. The first aspect
23 considers whether the Debtors will have sufficient cash on hand on the Effective Date to meet its
24 obligations on such date. The second aspect of feasibility considers whether the Reorganized
25 Debtors will have enough cash over the life of the Plan to make the required Plan payments.

26 The Proponents’ projections for the Reorganized Debtors are set forth in **Exhibit “4”** hereto.
27 Based upon these projections, the Proponents believe that the Reorganized Debtors will be able to
28 make all payments required pursuant to the Plan and, therefore, that confirmation of the Plan is not

1 likely to be followed by liquidation or the need for further reorganization. The Projections show that
2 the Reorganized Debtors will have sufficient funds to meet this Effective Date payment obligations.
3 The Plan calls for the repayment of non-settled Secured Lender Claims within four years after the
4 Effective Date. The Secured Claims of the Debtors will be repaid during this time period either from
5 the refinancing of debt or the sale of the Collateral for such debt. Upon the sale of such Collateral,
6 the proceeds will be used to pay the costs of sale and any Secured Claim that is secured by the
7 Collateral to be sold. Excess proceeds would be unencumbered funds available for the Reorganized
8 Debtors use in the operation of their businesses or for the payment of claims as determined by the
9 Reorganized Debtors' in the sound exercise of their business judgment.

10 As stated above, the Proponents are secured creditors of the Debtors and are not affiliated
11 with the Debtors. They do not have access to the Debtors' employees, advisors, attorneys or internal
12 documents. Therefore, the Plan and this Disclosure Statement include information based on the
13 Debtors' statements in publicly available documents (such as filings in these Chapter 11 Cases).

14 Above, the Proponents have repeated or summarized information from the Debtors'
15 Disclosure Statement, which the Debtors have requested be approved by the Bankruptcy Court as
16 containing adequate information for voting on the Debtors' proposed chapter 11 plan. The
17 Proponents rely on the information contained in the Debtors' Disclosure Statement and have not
18 performed their own independent investigation of the accuracy and completeness of information
19 contained therein. Therefore, the Proponents do not represent herein that any of such information is
20 accurate or complete at the time made or as of the date of this Disclosure Statement.

21 The Proponents' financial projections for the Reorganized Debtors were prepared by
22 Legendary based upon certain assumptions that it believes to be reasonable under the circumstances.
23 Those assumptions considered to be significant are described in **Exhibit "4"** hereto. The
24 assumptions made in the projections referenced herein and contained in **Exhibit "4"** hereto are, in
25 part, based on the Debtors' statements in publicly available documents, such as filings in these
26 Chapter 11 Cases, including (without limitation) the Debtors' Disclosure Statement, which the
27 Debtors have requested be approved by the Bankruptcy Court as containing adequate information for
28 voting on the Debtors' proposed chapter 11 plan.

1 Also, the financial projections have not been examined or compiled by independent
2 accountants. The Proponents make no representation as to the accuracy of the projections or their
3 ability to achieve the projected results. Many of the assumptions on which the projections are based
4 are subject to significant uncertainties. Inevitably, some assumptions will not materialize and
5 unanticipated events and circumstances may affect the actual financial results. Therefore, the actual
6 results achieved may vary from the projected results and the variations may be material. All Holders
7 of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of
8 the assumptions on which the financial projections are based in connection with their evaluation of
9 the Plan.

10 **D. Best Interests Test**

11 Even if a plan is accepted by each class of holders of claims and interests, the Bankruptcy
12 Code requires a bankruptcy court to determine that the plan is in the “best interests” of all holders of
13 claims and interests that are impaired by the plan and that have not accepted the plan. The “best
14 interests” test, as set forth in Section 1129(a)(7) of the Bankruptcy Code, requires a bankruptcy court
15 to find either that: (i) all members of an impaired class of claims or interests have accepted the plan
16 or (ii) the plan will provide a member who has not accepted the plan with a recovery of property of a
17 value, as of the effective date of the plan, that is not less than the amount that such holder would
18 recover if the debtor were liquidated under Chapter 7 of the Bankruptcy Code. Once the bankruptcy
19 court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must
20 determine the probable distribution to general unsecured creditors and equity security holders from
21 the remaining available proceeds in liquidation. If such probable distribution has a value greater
22 than the distributions to be received by such creditors and equity security holders under a debtor’s
23 plan, then such plan is not in the best interests of creditors and equity security holders.

24 To determine what Holders of Claims and Interests in each impaired Class would receive if
25 the Debtors were liquidated under Chapter 7, the Bankruptcy Court must determine the dollar
26 amount that would be generated from the liquidation of the Debtors’ assets and properties in the
27 context of a Chapter 7 liquidation case. The Cash amount that would be available for satisfaction of
28 Claims and Interests would consist of the proceeds resulting from the disposition of the

1 unencumbered assets and properties of the Debtors, augmented by the unencumbered Cash held by
2 the Debtors at the time of the commencement of the liquidation case. Such Cash amount would be
3 reduced by the costs and expenses of liquidation and by such additional administrative and priority
4 Claims that might result from the termination of the Debtors' business and the use of Chapter 7 for
5 the purposes of liquidation. The Debtors' costs of liquidation under Chapter 7 would include the
6 fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and
7 other professionals that such a trustee might engage. In addition, other Claims that might arise in a
8 liquidation case or result from the pending Chapter 11 Cases, including any unpaid expenses
9 incurred by the Debtors during the Cases, such as compensation for attorneys, financial advisors and
10 accountants, would be paid in full from the liquidation proceeds before the balance of those proceeds
11 would be made available to pay general unsecured Claims. Moreover, the costs of liquidation in
12 these cases could be greater due to the fact that there is no guarantee that only one trustee would be
13 appointed for each of the fifty four related cases. If more than one trustee is appointed, the costs of
14 liquidation will be increased as each such trustee will retain its own professionals to assist it with the
15 case. To determine if the Plan is in the best interests of each impaired Class, the present value of the
16 distributions from the proceeds of a liquidation of the Debtors' unencumbered assets and properties,
17 after subtracting the amounts attributable to the foregoing Claims, must be compared with the
18 present value of the property offered to such Classes of Claims under the Plan. After considering the
19 effects that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to
20 creditors in the Chapter 11 Cases, including: (i) the increased costs and expenses of a liquidation
21 under Chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to
22 such trustee; (ii) the erosion in value of assets in a Chapter 7 case in the context of the expeditious
23 liquidation required under Chapter 7 and the "forced sale" atmosphere that would prevail; and (iii)
24 the substantial increases in Claims that would be satisfied on a priority basis or on parity with
25 creditors in the Chapter 11 Cases, the Debtors have determined that confirmation of the Plan will
26 provide each Holder of an Allowed Claim with a recovery that is not less than the recovery such
27 Holder would receive pursuant to the liquidation of the Debtors under Chapter 7.
28

1 The Liquidation Analysis for each of the Property Level Debtors, MMPI and MMPLP, is
2 attached hereto as **Exhibit “5”**. The information set forth in **Exhibit “5”** provides a summary of the
3 liquidation values of each of such Debtors’ assets, assuming a Chapter 7 liquidation in which a
4 trustee appointed by the Bankruptcy Court would liquidate the assets of the Estates. Reference
5 should be made to the Liquidation Analysis for a complete discussion and presentation of the
6 Liquidation Analysis.

7 Underlying the Liquidation Analysis are a number of estimates and assumptions that,
8 although developed and considered reasonable by the Proponents, are inherently subject to
9 significant economic and competitive uncertainties and contingencies beyond the control of the
10 Proponents. As stated above, the Proponents are secured creditors of the Debtors and are not
11 affiliated with the Debtors. They do not have access to the Debtors’ employees, advisors, attorneys
12 or internal documents. Therefore, the assumptions made in the Liquidations Analysis , as referenced
13 herein, and contained in **Exhibit “5”** hereto are, in part, based on the Debtors’ statements in publicly
14 available documents, such as filings in these Chapter 11 Cases, including (without limitation) the
15 Debtors’ Disclosure Statement, which the Debtors have requested be approved by the Bankruptcy
16 Court as containing adequate information for voting on the Debtors’ proposed chapter 11 plan. The
17 Proponents rely on the information contained in the Debtors’ Disclosure Statement and have not
18 performed their own independent investigation of the accuracy and completeness of information
19 contained therein. Therefore, the Proponents do not represent herein that any of such information is
20 accurate or complete at the time made or as of the date of this Disclosure Statement.

21 The Liquidation Analysis also is based on assumptions with regard to liquidation decisions
22 that are subject to change. Accordingly, the values reflected might not be realized if the Debtors
23 were, in fact, to undergo such a liquidation. The Chapter 7 liquidation period is assumed to be a
24 period of several years, primarily allowing for the sale of the real property assets of the Debtors.

25 **VII.**

26 **RISK FACTORS**

27 HOLDERS OF CLAIMS AND INTERESTS IN THE DEBTORS SHOULD READ AND
28 CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER

1 INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS
2 DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE
3 HEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS
4 SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS
5 INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

6 **A. Certain Bankruptcy Law Considerations**

7 **1. Risk of Non-Confirmation of the Plan**

8 Although the Debtors believe that the Plan will satisfy all requirements necessary for
9 confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will
10 reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will
11 not be required for confirmation or that such modifications would not necessitate the resolicitation of
12 votes.

13 **2. Risk of Non-Occurrence of the Effective Date**

14 Although the Debtors believe that the Effective Date will occur soon after the Confirmation
15 Date, there can be no assurance as to the timing of the Effective Date. If the conditions precedent to
16 the Effective Date set forth in Article VI of the Plan have not occurred or been waived by the
17 Debtors and, therefore, the Effective Date does not occur, upon notification submitted by the
18 Proponents to the Bankruptcy Court: (a) the Confirmation Order shall be vacated, (b) no
19 distributions under the Plan shall be made, (c) the Debtors and all Holders of Claims and Interests
20 shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as
21 though the Confirmation Date had never occurred, and (d) the Debtors' obligations with respect to
22 the Claims and Interests shall remain unchanged and nothing contained in the Plan shall constitute or
23 be deemed a waiver or release of any Claims or Interests by or against the Debtors or any other
24 person or to prejudice in any manner the rights of the Debtors or any person in any further
25 proceedings involving the Debtors.
26
27
28

1 **B. Risks To Recovery By Holders Of Claims**

2 **1. Ability to Service Debt**

3 The Reorganized Debtors' ability to make scheduled payments of principal, to pay the
4 interest on, to refinance its indebtedness will depend on future performance. Future performance is,
5 to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and
6 other factors that are beyond the Reorganized Debtors' control. While no assurance can be provided,
7 based upon the current level of operations and anticipated increases in revenues and cash flow
8 described in the financial projections attached as **Exhibit "4"** hereto, the Proponents believe that
9 cash flow from operations, available cash, debt refinancings and sales and the Reorganized Debtors'
10 ability to sell assets as necessary to fund its operations, of assets will be adequate to fund the Plan
11 and meet the Reorganized Debtors' future liquidity needs.

12 **2. Risks of Asset Disposition Delays**

13 Under the Plan, the Reorganized Debtors would have an approximately \$163 million balloon
14 obligation at the end of the fourth year after the Effective Date. At that time, they are projected by
15 the Proponents to be holding approximately \$332 million in real estate and \$44 million in cash,
16 without factoring in returns from development activities. The balloon obligations would be either
17 refinanced or paid off using cash-on-hand or via asset sales. The Reorganized Debtors plan to
18 liquidate approximately \$77 million of real estate over the four-year period after the Effective Date
19 based on the Debtors' valuation of such real estate (which valuation has not been independently
20 verified by the Proponents). The Plan, therefore, relies, in part, on generating proceeds from real
21 estate sales to pay Claims in the event operating revenues are insufficient. In the event that sales are
22 delayed due to economic or other constraints, payments may be correspondingly delayed.

23 **3. Projected Financial Information**

24 The financial projections included herein (including in exhibits hereto) are dependent upon
25 the successful implementation of the Plan and the validity of the other assumptions contained
26 therein. All projections, by nature, are forward-looking and contain estimates and assumptions.
27 There can be no assurance that such statements will reflect actual outcomes. The projections made
28 in this Disclosure Statement (including, without limitation, its exhibits) reflect numerous

1 assumptions, including confirmation and consummation of the Plan in accordance with its terms, the
2 anticipated future performance of the Reorganized Debtor, industry performance, general business
3 and economic conditions and other matters, many of which are beyond the control of the
4 Reorganized Debtor. In addition, unanticipated events and circumstances occurring subsequent to
5 the preparation of the projections may affect the actual financial results of the Reorganized Debtors.
6 Although the Debtors believe that the projections are reasonably attainable, variations between the
7 actual financial results and those projected may occur and may be material.

8 **4. Risks Related to Reorganized MMPI's Common Stock**

9 Although Reorganized MMPI will use commercially reasonable efforts to cause its common
10 stock to be listed on a national securities exchange or a qualifying interdealer quotation system as
11 soon as practicable after the Effective Date, the Proponents make no assurance (i) that such listing
12 will be obtained or (ii) even if Reorganized MMPI's common stock is listed, that liquid trading
13 markets for the common stock will develop. The liquidity of any market for the common stock will
14 depend on, among other things, the number of holders of the common stock, the Reorganized
15 Debtors' financial performance, and the market for similar securities, none of which can be
16 determined or predicted. Further, the trading price, if applicable, of the common stock may be
17 depressed following the Effective Date. Any and all financial projections and information in this
18 Disclosure Statement, based on numerous assumptions, are not intended to represent the potential
19 trading values of any securities issued pursuant to the Plan in public or private markets. The
20 Proponents cannot make any assurances about the development of an active trading market or, if any
21 market develops, what the liquidity or pricing characteristics of that market will be.

22 **5. Transfer Restrictions**

23 As discussed herein, the Litigation Trust Interests will be subject to certain Trust Interest
24 Ownership Change Restrictions as set forth in the Litigation Trust Agreement. Such transfer
25 restrictions may adversely affect the ability of some or all of the holders of the Litigation Trust
26 Interests to dispose of such holdings, such holdings' liquidity and potential values, and the
27 development of any market for the Litigation Trust Interests. Similarly, as discussed herein, certain
28 holders of Litigation Trust Interests, as well as the Reorganized MMPI common stock, may be

1 restricted in their ability to transfer or sell such holdings under the Securities Act and/or Blue Sky
2 Laws.

3 **6. Regulatory Related Requirements**

4 Certain of the Reorganized Debtors or their respective successors or representatives may be
5 required to adhere to certain reporting, registration and/or filing requirements under federal and state
6 securities laws and/or other applicable statutes and regulations. Such requirements may potentially
7 delay the occurrence of the Effective Date and/or the implementation of certain provisions of the
8 Plan, and no assurance can be given that all applicable entities will be able to comply with such
9 requirements. If the applicable entities cannot comply, they may become subject to liability under
10 securities laws and/or other applicable statutes, including civil fines, sanctions and/or de-listing of
11 their securities.

12 **7. Removal of Existing Management**

13 Pursuant to the Plan, certain members of existing management will likely be removed or
14 terminated from their existing management positions. Such removal and replacement of certain
15 employees may cause some disruption to the operations of the Reorganized Debtors. Further, certain
16 members of existing management contend that such removal or termination will give rise to various
17 severance and related claims against the Reorganized Debtors. While the Proponents deny that such
18 removal will give rise to any such claims and/or contend that there are counter-claims that more than
19 offset any recovery such executives might be entitled to, the Projections include an estimate for such
20 severance costs and expenses (without in any way conceding that such expenses are, or will be
21 payable in connection with confirmation of the Plan).

22 **8. Additional Claims Associated with the Plan.**

23 In addition to the severance claims addressed above, Richard Meruelo contends that
24 confirmation of the Plan (rather than the Debtors Plan) will result in increased claims against the
25 Reorganized Debtors because Mr. Meruelo has personally guaranteed some of the Debtors'
26 obligations to third parties. The Proponents believe that this contention is false and none of the
27 Projections herein take account of Mr. Meruelo's assertion. Specifically, to the extent Mr. Meruelo
28 pays a portion of any such guarantee obligations, under the Bankruptcy Code, his related

1 reimbursement or contribution claim against the Reorganized Debtors is subordinated to recovery in
2 full by the primary creditor. Further, if Mr. Meruelo did satisfy his guarantee obligations to third
3 parties in full, he would be simply subrogated to their rights against the Reorganized Debtors (i.e.
4 there would merely be a substitution of creditor rather than an increase in the obligations of the
5 Reorganized Debtors). For all of the foregoing reasons, the Proponents do not believe that
6 confirmation of the Plan would result in additional claims against the Reorganized Debtors arising
7 out of Mr. Meruelo's obligations on guarantees to third party creditors of the Reorganized Debtors.

8 **VIII.**

9 **INCOME TAX CONSEQUENCES**

10 A summary description of certain United States federal income tax consequences of the Plan
11 is provided below. This description is for informational purposes only and, due to a lack of
12 definitive judicial or administrative authority or interpretation, substantial uncertainties exist with
13 respect to various tax consequences of the Plan as discussed herein. Only the principal United States
14 federal income tax consequences of the Plan to the Debtors and to Holders of Claims who are
15 entitled to vote to accept or reject the Plan are described below. No opinion of counsel has been
16 sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of
17 the Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained
18 with respect to any tax consequences of the Plan, and the discussion below is not binding upon the
19 IRS or such other authorities. No representations are being made regarding the particular tax
20 consequences of the confirmation and consummation of the Plan to the Debtors or any Holders of
21 Claims. No assurance can be given that the IRS would not assert, or that a court would not sustain,
22 a different position from any discussed herein.

23 The discussion of United States federal income tax consequences below is based on the
24 Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations, judicial
25 authorities, published positions of the IRS and other applicable authorities, all as in effect on the date
26 of this document and all of which are subject to change or differing interpretations (possibly with
27 retroactive effect).
28

1 The following discussion does not address foreign, state or local tax consequences of the
2 Plan, nor does it purport to address the United States federal income tax consequences of the Plan to
3 special classes of taxpayers (*e.g.*, persons who are related to the Debtors within the meaning of the
4 Tax Code, banks and certain other financial institutions, insurance companies, tax-exempt
5 organizations, governmental entities, persons that are, or hold their Claims through, pass-through
6 entities, persons whose functional currency is not the United States dollar, foreign persons, dealers in
7 securities or foreign currency, employees, Holders of LTIP Units, persons who received their Claims
8 pursuant to the exercise of an employee stock option or otherwise as compensation and persons
9 holding Claims that are a hedge against, or that are hedged against, currency risk or that are part of a
10 straddle, constructive sale or conversion transaction). Furthermore, the following discussion does
11 not address United States federal taxes other than income taxes.

12 Each Holder is strongly urged to consult its own tax advisor regarding the United States
13 federal, state, and local and any foreign tax consequences of the transactions described herein and in
14 the Plan.

15 IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH
16 REQUIREMENTS IMPOSED BY THE IRS, ANY TAX ADVICE CONTAINED IN THIS
17 SUMMARY (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE
18 USED, AND CANNOT BE USED BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING
19 PENALTIES UNDER THE TAX CODE. ANY TAX ADVICE CONTAINED IN THIS
20 SUMMARY (INCLUDING ANY ATTACHMENTS) IS WRITTEN TO SUPPORT THE
21 PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY
22 THE SUMMARY. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE
23 TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX
24 ADVISER.

25 **A. Certain United States Federal Income Tax Consequences To The Debtors**

26 **1. Net Operating Losses**

27 The Debtors currently have [accumulated](#) significant net operating loss (“NOL”)
28 carryforwards for federal income tax purposes and expect to incur a substantial additional NOL

1 during their current taxable year. The ~~amount of such NOL carryforwards remains subject to~~
2 ~~adjustment by the IRS. As discussed below, the amount of the Debtors' NOL carryforwards, and~~
3 ~~possibly certain other tax attributes, will be reduced, and the subsequent utilization of such NOL~~
4 ~~carryforwards and other tax attributes may be restricted upon the implementation of the~~
5 Plan. Debtors' 10K filings with the SEC on June 21, 2010 disclosed NOLs of \$70,700,000 for federal
6 income tax purposes and \$70,600,000 for state income tax purposes. Moreover, the recent sale in
7 2010 of the 845 S. Flower property will generate a loss possibly as great as \$40,000,000. Because
8 almost all of the Debtors are limited liability companies, the NOLs generally may be utilized to
9 reduce income taxes that otherwise would be paid by such Debtors. The only Property Level Debtor
10 that is a Subchapter C corporation is Santa Fe Commerce Center. NOLs that may be offset against
11 gains realized by MMPI and its limited liability company subsidiaries may not be available to offset
12 gains realized by Santa Fe Commerce Center.

13 The Debtors' auditors have required the Debtors to write down virtually all of the potential
14 tax savings from accumulated NOLs because, as of December 31, 2009, it was unlikely that the
15 Debtors would be able to generate profits to use these accumulated losses. Accordingly,
16 \$91,656,000 was reduced from the Debtors' books in 2009, \$18,459,000 in 2008 and \$4,796,000 in
17 2007. The Form 10K also discloses that losses from property and equipment costs of \$62,016,000 in
18 2009 are not likely to produce a tax benefit. The amount of such NOL carryforwards also remains
19 subject to adjustment by the IRS.

20 As discussed below, the amount of any NOL carryforwards, and possibly certain other tax
21 attributes, will be reduced, and the subsequent utilization of such NOL carryforwards and other tax
22 attributes may be restricted upon the implementation of the Plan if it is determined that there has
23 been a change of ownership resulting from less than 50% of the shares being held by the pre-change
24 owners and holders who exchanged qualified debt for their stock

25 The Plan does not assume the benefit of these NOLs for purposes of meeting obligations
26 under the Plan.

1 **2. Cancellation of Debt**

2 In general, the Tax Code allows a debtor in a bankruptcy case to exclude from income any
3 cancellation of indebtedness income (“CODI”) that is realized, but the debtor must reduce certain of
4 its tax attributes - such as NOL carryforwards, current year NOLs, tax credits and tax basis in assets
5 by the amount of the CODI that is excluded from income. CODI is that amount by which the
6 adjusted issue price (including accrued but unpaid interest) of the indebtedness satisfied exceeds the
7 cash and fair market value of the other property issued therefor, subject to certain statutory or
8 judicial exceptions that can apply to limit the amount of CODI (such as where the payment of the
9 cancelled debt would have given rise to a tax deduction). To the extent the amount of excluded
10 CODI exceeds the tax attributes available for reduction, the remaining CODI is simply forgiven.
11 Any reduction in tax attributes does not effectively occur until the first day of the taxable year
12 following the year the CODI occurs. If advantageous, a debtor could elect to reduce the basis of
13 depreciable property prior to any reduction in its loss carryforwards.

14 As a result of the implementation of the Plan, the Debtors expect to realize CODI in an
15 amount that is less than its current year NOL and NOL carryforwards.

16 **3. Substitution of Debt**

17 The Proponents are secured creditors of operating subsidiaries of limited liability company
18 entities controlled by MMPI and in some cases the Proponents are unsecured creditors of MMPI and
19 MMPLP by virtue of guaranties by MMPI or MMPLP. The Proponents under the Plan will
20 exchange their rights as creditors secured by real estate owned by the subsidiaries for stock of MMPI
21 as described in this Disclosure Statement. The difference between the value of the stock and the
22 amount of the debt satisfied by the stock may be considered CODI which would be taken into
23 account as described above. The claims being exchanged by EWB include debt obligations of
24 approximately \$32,000,000. In that exchange, liens on \$500,000 in restricted cash, approximately
25 \$500,000 in cash collateral adequate protection and real estate valued in excess of \$32,000,000 by
26 the Debtor securing payment to EWB will be released by EWB. A similar release of liens in the
27 Legendary exchange will occur. The Proponents believe that the stock will be valued to be the
28

1 collateralized value of the debt obligations being exchanged and accordingly the value of the stock
2 will be equal to the value of the claims exchanged and no CODI will be created by the exchange.

3 **4. Limitation on NOL Carryforwards and Other Tax Attributes**

4 Following the implementation of the Plan, any NOLs and carryforwards and possibly certain
5 other tax attributes of the Debtors, allocable to periods prior to the Effective Date, may be subject to
6 the limitations imposed by Section 382 of the Tax Code [if it is determined that a change of](#)
7 [ownership has resulted.](#)

8 Under Section 382 of the Tax Code, if a corporation undergoes an “ownership change” and
9 the corporation does not qualify for (or elects out of) the special bankruptcy exception discussed
10 below, the amount of its pre-change losses that may be utilized to offset future taxable income is, in
11 general, subject to an annual limitation. Such limitation also may apply to certain losses or
12 deductions, which are “built-in” (*i.e.*, economically accrued but unrecognized) as of the date of the
13 ownership change that are subsequently recognized. It is possible that the issuance of stock pursuant
14 to the Plan may result in an ownership change of the Debtors.

15 **5. General Section 382 Limitation**

16 In general, the amount of the annual limitation to which a corporation would be subject
17 would be equal to the product of (i) the fair market value of the stock of the corporation immediately
18 before the ownership change (with certain adjustments) multiplied by (ii) the “longterm tax-exempt
19 rate” in effect for the month in which the ownership change occurs (4.01% for ownership changes
20 occurring in June 2010).

21 Any unused limitation may be carried forward, thereby increasing the annual limitation in the
22 subsequent taxable year. However, if the corporation does not continue its historic business or use a
23 significant portion of its assets in a new business for two (2) years after the ownership change, the
24 annual limitation resulting from the ownership change is zero. The limitation on the use of pre-
25 change losses following an ownership change is in addition to any reduction of tax attributes in
26 connection with the realization of CODI.

27 In addition, Section 382(g)(4)(D) provides, in effect, that if a 50% or greater shareholder of a
28 loss corporation claims a Section 165(g) worthless stock loss and retains his stock at the end of the

1 year of worthlessness, the Debtors will be treated as having undergone an ownership change. The
2 Proponents are not aware that any significant shareholder has claimed or plans to claim a Section
3 165(g) worthless stock loss that would trigger the application of Section 382(g)(4)(D) and are not
4 aware of any shareholder which owns 50% or more of the stock of MMPI.

5 **6. Special Bankruptcy Exception**

6 If a corporation experiences an ownership change, there are two exceptions to the general
7 loss limitation rule under Section 382 of the Tax Code. The first exception generally applies where
8 the stockholders and/or qualified creditors of the debtor retain or receive at least 50% of the vote and
9 value of the stock of the reorganized debtor pursuant to a confirmed bankruptcy plan (the “382(1)(5)
10 Exception”). Under this exception, a debtor’s pre-change losses are not limited on an annual basis,
11 but are required to be reduced by the amount of any interest deductions claimed during the three (3)
12 taxable years preceding the date of the reorganization, and during the part of the taxable year prior to
13 and including the reorganization, in respect of the debt converted into stock in the reorganization.
14 Moreover, if this exception applies, any further ownership change of the debtor within a two-year
15 period will preclude the debtor’s utilization of any pre-change losses at the time of the subsequent
16 ownership change against future taxable income.

17 It is unclear whether the exchange by the Proponents of their rights as real estate lien secured
18 creditors of the Debtors for stock may constitute a change of ownership for purposes of section 382.
19 Stock which is exchanged for indebtedness which was beneficially held at all times before the
20 exchange by the holder for at least 18 months before the date of filing of the Debtors’ cases or which
21 arose in the ordinary course of the trade or business of the Debtors is not counted in determinations
22 of changes of ownership for purposes of section 382. All of the debt being exchanged by Legendary
23 and EWB arose in the ordinary course of the trade or business of the Debtors. All of the obligations
24 of the Debtors being exchanged for stock by Legendary were originated by EWB and EWB’s
25 retained interest in those obligations will be released as part of the exchange. The shares received by
26 Legendary in its exchange together with the shares retained by historical shareholders are expected
27 to exceed 50% of the shares thereby preventing, within the meaning of Section 382, a change in
28 ownership.

1 If the 382(1)(5) Exception is not applicable to a debtor in bankruptcy (either because the
2 debtor company does not qualify for it or a debtor company elects not to utilize it), the second
3 exception to the general Section 382 rule (the “382(1)(6) Exception”) will generally apply. When
4 the 382(1)(6) Exception applies, a corporation in bankruptcy that undergoes an “ownership change”
5 generally is permitted to determine the fair market value of its stock after taking into account the
6 increase in value resulting from any surrender or cancellation of creditor’s Claims in the bankruptcy.
7 This differs from the ordinary rule that requires the fair market value of a corporation’s equity to be
8 determined before the events giving rise to the ownership change.

9 ~~The~~

10 The Proponents continue to analyze the Debtors’ NOL issues. The Proponents are uncertain
11 of the extent to which the Debtors will be entitled to the benefit of any NOLs without the annual
12 restrictions established by Section 382. Consequently, Legendary’s projections do not take into
13 account any application of any NOLs.

14 The Debtors admit that they do not expect to use any of their accumulated NOLs during the
15 term of the Plan, and their auditors apparently agree. Legendary, however, through the
16 recapitalization and improved management, does expect to generate positive cash flow and profits
17 and will be in a position to use the Debtors’ accumulated NOLs. While the Debtors may be
18 restricted in their use of accumulated NOLs as a result of the exchange by the Proponents of ~~their~~
19 ~~rights as real estate lien secured creditors of MMPI entities for Reorganized MMPI stock may~~
20 ~~constitute a change of ownership for purposes of 382. All projections do not take into account any~~
21 ~~application of any NOLs.~~ debt for stock, it remains unclear whether the Reorganized Debtors will be
22 able to use more than the annual limitation on NOLs pursuant to section 382 whether or not there is
23 a change in ownership.

24 **7. Merger of MMPLP into MMPI**

25 Pursuant to the Plan, MMPLP will merge into MMPI and, accordingly, will distribute its
26 assets to MMPI in complete liquidation. In general, a distribution in liquidation of a partner’s
27 interests is tax-free to both the partner and the partnership unless Section 737 or 751(b) applies.
28 Section 737 requires a partner to recognize gain (but not loss) upon the partnership’s distribution of

1 property to such partner (other than property previously contributed to the partnership by such
2 partner) within seven years of the date on which such partner contributed appreciated property to
3 such partnership. Section 751(b) generally provides that to the extent that a partner receives a
4 distribution from a partnership (i) Section 751 property (unrealized receivables and inventory items
5 which have appreciated substantially in value) in exchange for relinquishing all or part of its interest
6 in the partnership's non-Section 751 property, or (ii) non-Section 751 property in exchange for
7 relinquishing all or part of its interest in the partnership's Section 751 property, the transaction is
8 recharacterized. The transaction is treated as (1) a deemed distribution to the partner of an interest in
9 the relinquished property followed by (2) a deemed taxable exchange between the partner and the
10 partnership of the relinquished property in exchange for an interest in the property actually
11 distributed by the partnership to the distributee partner.

12 Section 731 (b) provides that no gain or loss is recognized by a partnership on a distribution
13 of property to a partner. Section 731 (a) provides for (1) the nonrecognition of gain to the partner
14 except to the extent an amount of money is distributed in excess of the partner's tax basis in their
15 partnership interests, and (2) the nonrecognition of loss unless the distribution consists solely of
16 money, unrealized receivables, and inventory. Any gain or loss recognized by the partner is
17 generally treated as gain or loss from the sale or exchange of a capital asset (subject to the
18 exceptions above). Section 732(b) provides that the basis of any distributed property is equal to the
19 partner's tax basis in their partnership interest immediately prior to the distribution, reduced by any
20 cash received. The Proponents do not expect the Debtors to recognize any gain or loss in connection
21 with the liquidation of MMPLP.

22 **8. Consequences of the Sale and/or Refinance of Assets**

23 Pursuant to the Plan, the Reorganized Debtors will sell some of their assets and refinance
24 other assets as necessary during the term of the Plan to meet their operational needs and payment
25 obligations under the Plan. The sale of real property may cause the Debtors to recognize gain or
26 loss. The gain or loss is measured by the difference between the amount realized (the amount paid by
27 the purchaser) and the adjusted tax basis the Debtors have in the property sold. The amount realized
28 from a sale of real property generally includes the amount of liabilities from which the transferor is

1 discharged as a result of the sale. For purposes of this rule, the sale of real property that secures a
2 nonrecourse liability discharges the transferor from the liability, and the sale of real property that
3 secures a recourse liability discharges the transferor from the liability if another person agrees to pay
4 the liability (whether or not the transferor is in fact released from the liability).

5 Gain or loss recognized from the sale of real property may be characterized as either capital
6 or ordinary. Generally, capital gains and losses are gains or losses from the sale or exchange of a
7 capital asset. A capital asset is any property held by a taxpayer, whether or not connected with a
8 trade or business, but does not include property held by a taxpayer, whether or not connected with a
9 trade or business, but does not include property of a kind which would properly be included in the
10 inventory of the taxpayer if on hand at the close of the taxable year, or property which is held
11 primarily for sale to customers in the ordinary course of its trade or business, or property, used in the
12 taxpayer's trade or business, of a character which is subject to the allowance for depreciation, or real
13 property used in the taxpayer's trade or business.

14 Pursuant to Section 1245, a taxpayer who disposes of Section 1245 property must treat as
15 ordinary income the amount of depreciation recapture computed with respect to that property.
16 Section 1245 property includes limited types of real property which have been depreciable.
17 Depreciation recapture with respect to Section 1245 property is computed by subtracting its adjusted
18 tax basis from the lower of its recomputed basis (adjusted tax basis increased by previous
19 depreciation deductions allowed) or amount realized. Pursuant to Section 1250, a taxpayer who
20 disposes of Section 1250 property must treat as ordinary income the amount of depreciation
21 recapture computed with respect to that property. Section 1250 property is any real property which
22 has been depreciable and that is not Section 1245 property. Generally, for Section 1250 property for
23 which depreciation deductions are computed using the straight-line method for tax purposes, there is
24 no Section 1250 depreciation recapture.

25 Pursuant to Section 1231, Section 1231 gains and losses are treated as capital gains and
26 losses if the Section 1231 gains for the taxable year exceed the Section 1231 losses for that year. A
27 Section 1231 gain or loss is any recognized gain or loss from a Section 1231 transaction. A sale or
28 exchange of property used in a trade or business is a Section 1231 transaction. Real property is

1 considered to be used in a trade or business if it is held for more than one year and is not property of
2 a kind which would properly be includible in the inventory of the taxpayer if on hand at the close of
3 the taxable year or property held by the taxpayer primarily for sale to customers in the ordinary
4 course of its trade or business.

5 Generally, for tax purposes, a refinancing transaction by itself produces no income or
6 deductions as it involves the tax-free receipt of loan proceeds and the nondeductible repayment of a
7 prior loan, assuming the old debt is satisfied in full.

8 **B. Consequences To Holders Of Certain Claims**

9 **1. Consequences to Holders of Allowed General Unsecured Claims**

10 Pursuant to the Plan, a Holder of an Allowed General Unsecured Claim will receive payment
11 in full in cash equal to the full amount of its Allowed Claim on ~~or before thirty (30) days after~~ the
12 Effective Date (or after a Final Order of the Bankruptcy Court allowing such Claim) ~~(herein referred~~
13 ~~to as the “Deferred Payment Obligation”).~~

14 In general, a Holder of an Allowed General Unsecured Claim will recognize gain or loss in
15 an amount equal to the difference between (i) the “amount realized” by the Holder in satisfaction of
16 its Claim (other than any Claim for accrued but unpaid interest) and (ii) the Holder’s adjusted tax
17 basis in its Claim (other than any Claim for accrued but unpaid interest). For a discussion of the
18 treatment of any Claim for accrued but unpaid interest, see “Distribution in Discharge of Accrued
19 Interest” below. The amount realized by a Holder will equal the cash Distribution received by such
20 Holder. Such payment should be equal to the amount of the Allowed General Unsecured Claim.
21 Each Holder of a General Unsecured Claim is urged to consult its tax advisor regarding the specific
22 tax consequences to such Holder of the receipt of the Distribution provided by the Plan.

23 Where gain or loss is recognized by a Holder of an Allowed General Unsecured Claim, the
24 character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or
25 loss will be determined by a number of factors, including the tax status of the Holder, whether the
26 Claim constitutes a capital asset in the hands of the Holder and how long it has been held, whether
27 the Claim was acquired at a market discount and whether and to what extent the Holder had
28 previously claimed a bad debt deduction.

1 **2. Consequences to Holders of Allowed Secured Claims**

2 Pursuant to the Plan, a Holder of an Allowed Secured Claim that has not settled with the
3 Debtors will receive payment in full in cash over approximately four (4) years (collectively herein
4 referred to as the “Secured Deferred Payment Obligation”). The Holder will receive interest at the
5 rate of ~~5~~5.5% per annum or the rate otherwise established by the Bankruptcy Court. For federal
6 income tax purposes, the Secured Deferred Payment Obligation should be treated (and the following
7 discussion assumes, would be treated) in a similar fashion to the receipt of an actual note payable
8 after four (4) years as provided in the Plan.

9 In general, a Holder of an Allowed Secured Claim will recognize gain or loss in an amount
10 equal to the difference between (i) the “amount realized” by the Holder in satisfaction of its Claim
11 (other than any Claim for accrued but unpaid interest) and (ii) the Holder’s adjusted tax basis in its
12 Claim (other than any Claim for accrued but unpaid interest). For a discussion of the treatment of
13 any Claim for accrued but unpaid interest, see “Distribution in Discharge of Accrued Interest”
14 below. The amount realized by a Holder will equal the “issue price” of the Secured Deferred
15 Payment Obligation received by such Holder. Such issue price should be equal to the stated
16 principal amount of the Secured Deferred Payment Obligation. Each Holder of a Secured Claim is
17 urged to consult its tax advisor regarding the specific tax consequences to such Holder of the receipt
18 of the Secured Deferred Payment Obligation, including the possible application of (and the ability to
19 elect out of) the “installment method” of reporting any gain that might otherwise be recognized by
20 the Holder upon such receipt.

21 Where gain or loss is recognized by a Holder of an Allowed Secured Claim, the character of
22 such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be
23 determined by a number of factors, including the tax status of the Holder, whether the Claim
24 constitutes a capital asset in the hands of the Holder and how long it has been held, whether the
25 Claim was acquired at a market discount and whether and to what extent the Holder had previously
26 claimed a bad debt deduction.

1 **C. Consequences Of The Issuance Of New Common Stock**

2 Pursuant to the Plan, Holders of MMPI Existing Common Stock will exchange their shares
3 for newly issued shares of the same class and kind, but their proportionate holdings will be diluted
4 by distributions of New Equity to Proponents under the Plan. MMPI will not recognize gain or loss
5 on the receipt of money or other property in exchange for the issuance of its stock pursuant to
6 Section 1032.

7 Equity Holders should not recognize any gain or loss. Each Holder's tax basis in its newly-
8 issued stock will be the same as such Holder's tax basis in the MMPI Existing Common Stock,
9 surrendered in exchange therefor. The holding period for the new stock received should include the
10 holding period in the MMPI Existing Common Stock surrendered.

11 **D. Distribution In Discharge Of Accrued Interest**

12 Pursuant to the Plan, all distributions in respect of an Allowed Claim will be allocated first to
13 any portion of such Claim for ~~principal~~accrued interest, with any excess allocated to ~~the accrued~~
14 ~~interest amount of such Claim to the extent thereof~~principal, and then to all other amounts.
15 However, there is no assurance that the IRS will respect such allocation for federal income tax
16 purposes.

17 In general, to the extent that any amount received by a Holder of a debt (whether paid in cash
18 or treated for tax purposes as paid with a note or property) is received in satisfaction of accrued
19 interest during its holding period, such amount will be taxable to the Holder as interest income (if
20 not previously included in the Holder's gross income). Conversely, a Holder generally recognizes a
21 deductible loss to the extent any accrued interest claimed was previously included in its gross
22 income and is not paid in full. Each Holder of a Claim is urged to consult its tax advisor regarding
23 the allocation of consideration and the deductibility of unpaid interest for tax purposes.

24 **E. Information Reporting And Backup Withholding**

25 Certain payments, including payments in respect of accrued interest or OID, are generally
26 subject to information reporting by the payer to the IRS. Moreover, such reportable payments are
27 subject to backup withholding in certain circumstances. Under the Tax Code's backup withholding
28 rules, a Holder of Claims may be subject to backup withholding at the applicable rate with respect to

1 certain distributions or payments pursuant to the Plan, unless the Holder (a) comes within certain
2 exempt categories (which generally includes corporations) and, when required, demonstrates this
3 fact or (b) provides a correct United States taxpayer identification and certifies under penalty of
4 perjury that the Holder is a U.S. person, the taxpayer identification number is correct and that the
5 Holder is not subject to backup withholding because of a failure to report all dividend and interest
6 income.

7 **F. Importance Of Obtaining Professional Tax Assistance**

8 THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF
9 CERTAIN INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE
10 FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE
11 DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE.
12 THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY
13 DEPENDING ON A TAXPAYER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY,
14 HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE STRONGLY URGED TO CONSULT
15 THEIR TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE, LOCAL, AND
16 APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN,
17 INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING
18 REQUIREMENTS.

19 **IX.**

20 **COMPARISON OF PLAN TO OTHER**

21 **PLANS BEFORE THE COURT**

22 **A. Introduction**

23 ~~The Proponents believe for all Creditors and Interest Holders the Plan offers a higher, better,~~
24 ~~faster and more assured recovery than those provided by either the Debtors' Plan or the Charlestown~~
25 ~~Plan. Among the reasons for this is that the Debtors' Plan is suspect due to current management's~~
26 ~~failure to accurately forecast sale prices for the Debtors' properties. Evidence for this can be found~~
27 ~~in the following chart. Each of these five properties were appraised at prices significantly below~~
28

1 ~~management's forecasted values for them and often below their contracted price. Thus, Creditors~~
2 ~~and Interest Holders must discount the likelihood of success for the Debtors' Plan.~~

3 [\[TO BE SUBMITTED ON SEPTEMBER 6, 2010.\]](#)

PROPERTY	DEBTORS' VALUE MARCH 31, 2009	MARKET VALUE MARCH 2010	DISPOSITION VALUE MARCH 2010
5707 Alameda	\$4,458,320	\$3,200,000	\$2,300,000
12385 San Fernando Rd	\$9,127,800	\$4,900,000	\$3,700,000
230 W. Avenue 26	\$5,200,000	\$3,800,000	\$2,850,000
817 S. Hill	\$6,960,000	\$6,200,000	\$4,300,000
1060 N. Vignes	\$8,600,000	\$8,300,000	\$5,800,000

13 ~~Moreover, on a Class by Class basis, the Proponents' Plan provides better treatment to all~~
14 ~~Creditors and Interest Holders. A comparison of the treatment provided for each Class by the three~~
15 ~~plans follows immediately below.~~

16 **B. Administrative Claims**

17 ~~Under the Proponents' Plan and the competing plans, all Allowed Administrative Claims will~~
18 ~~be paid in full on the latter of, or shortly after the latter of, the effective date of such plan or the~~
19 ~~allowance of such claim. In this regard, the Proponents' Plan and the competing plans offer~~
20 ~~comparable treatment.~~

21 **C. Priority Claims**

22 ~~Under the Proponents' Plan, the Allowed Priority Claims would be paid upon the earlier of~~
23 ~~the Effective Date or the date of allowance of such Claims. Under the Debtors' Plan, fifty percent of~~
24 ~~Allowed Priority Claims would be paid on the Effective Date, the balance (together with interest at~~
25 ~~the rate of 1% per annum) on the first anniversary of the effective date of the Debtors' Plan. With~~
26 ~~respect to Allowed Priority Claims, the Charlestown Plan provides treatment comparable to that of~~
27 ~~the Debtors' Plan.~~

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1 **D. General Unsecured Claims**

2 The Proponents' Plan provides for the payment of Allowed General Unsecured Claims on the
3 Effective Date. The Charlestown Plan provide for payment of Allowed Claims within this category
4 within thirty days of the Effective Date of each such plan. The Debtors' Plan provides for payment
5 of such claims over a five-year period, with interest thereon at 4% per annum, unless the Holder
6 elects to accept cash equal to fifty percent (50%) of its Allowed Claim on the Effective Date.

7 **E. Secured Claims**

8 The holders of Allowed Secured Claims that have entered into Bankruptcy Court approved
9 settlements with the Debtors are treated the same under the Plan and the competing plans. As to
10 non-settling Secured Creditors (with the exception of the portions of the Proponents' Debt that is
11 being converted to equity), the Proponents' Plan provides for the payment of Allowed Secured
12 Claims, together with interest thereon at the rate of 5% per annum, within four years of the Effective
13 Date. The Charlestown Plan provides for the payment of such Allowed Secured Claims within five
14 years of such plan's effective date, together with interest thereon at the rate of 4.5% per annum. The
15 Debtors' Plan proposes to pay the post-Effective Date interest at the rate of 4% per annum on all
16 Allowed Secured Claims that have not otherwise been settled, payable within five years from the
17 effective date if the Holder thereof votes to accept such treatment, and seven years if the Holder
18 votes to reject such treatment.

19 The Proponents' Plan provides the highest interest rate and the fastest payoff timetable of any
20 of the competing plans. Moreover, the significant deleveraging arising from the conversion of
21 approximately \$65 million of the Proponents' Debt into equity of Reorganized MMPI means that in
22 terms of all applicable balance sheet and interest coverage metrics, the Plan provides for the most
23 feasible capital structure for repayment and ultimate retirement of secured debt.

24 **F. Equity Holders**

25 Under the Proponents' Plan, existing interest holders would receive new securities in
26 Reorganized MMPI, which, with the issuance of new securities to the Proponents on account of the
27 conversion of a substantial portion of their debt to equity and Legendary's cash contribution, would
28 comprise 20% of the issued and outstanding equity securities of the Reorganized MMPI as of the

1 ~~Effective Date. Based upon the value of the debt converted and cash contributed into 80% of the~~
2 ~~fully diluted equity of the Reorganized MMPI, the equity securities issued to existing interest~~
3 ~~holders in Reorganized MMPI would have a value of approximately \$4.54 (equivalent to a value of~~
4 ~~approximately \$0.227 per share of Existing MMPI Common Stock converted on the Effective Date).~~
5 ~~Moreover, existing MMPI interest holders would be permitted to participate in the Rights Offering,~~
6 ~~subject to its exemption under section 1145 of the Bankruptcy Code. Additionally, Holders of~~
7 ~~Existing MMPI Common Stock as of the Effective Date shall have the right, pursuant to the Rights~~
8 ~~Offering, to purchase an additional ten percent (10%) of Reorganized MMPI at a price of \$4.54 per~~
9 ~~share.~~

10 ~~Under the Charlestown Plan, non-Insider Equity Holders can elect to receive either \$16.00~~
11 ~~per one hundred shares of Existing MMPI Common Stock, or \$10.00 per one hundred shares of~~
12 ~~Existing MMPI Common Stock and a new share in Reorganized MMPI with a nominal value of~~
13 ~~\$6.00. Assuming all non-insider Equity Holders elected to retain an interest in Reorganized MMPI,~~
14 ~~such non-insider Equity Holders will collectively hold approximately nine percent (9%) of the stock~~
15 ~~of Reorganized MMPI after the Charlestown Plan goes effective. The remaining 4.35 million shares~~
16 ~~(or approximately 91% of the equity in Reorganized MMPI) is to be sold in a \$30 million private~~
17 ~~placement to Charlestown, Heartland, Global Asset Capital and the Perimeter Group, subject to~~
18 ~~possible overbid. Under the Charlestown Plan, insider Equity Holders would be required to accept~~
19 ~~\$16.00 for every hundred shares of Existing MMPI Common Stock held by them and would be~~
20 ~~prohibited from retaining any interest in Reorganized MMPI.~~

21 ~~Under the Debtors' Plan, MMPI would stay private, existing equity holders would receive~~
22 ~~cash in the amount of \$0.08 per share, unless they contribute to Reorganized MMPI cash in the~~
23 ~~amount of \$0.07 per share, in which case they would be permitted to retain their existing shares.~~
24 ~~Under the Proponents' Plan, Reorganized MMPI would become a publicly reporting entity which~~
25 ~~provides additional liquidity, transparency and protections for shareholders. Under the Debtors'~~
26 ~~Plan, Reorganized MMPI would be taken private (and, as a result, certain existing shareholders may~~
27 ~~be forced to cash out at \$0.08 per share in order to ensure that there are no more than 299 beneficial~~
28 ~~holders of stock in Reorganized MMPI).~~

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B. Liquidation Under Chapter 7

A Debtor-by-Debtor and consolidated analysis of the Proponents’ projected results of liquidation of the Debtors estates is annexed hereto as **Exhibit “5”**. Creditors will be paid in full under the Plan and, therefore, their claims will receive treatment that is better than their claims would be treated in a chapter 7 liquidation of one or more of the Debtors, where they would be expected to receive less than payment in full as discussed in **Exhibit “5”**. Current equity holders will receive 20% of the New Equity to be issued under the Plan and will have the opportunity to acquire up to an additional 10% of New Equity pursuant to the Rights Offering. Non-Insider Holders of MMPI equity will receive all of the beneficial interests in the Litigation Trust (the projected valuation of each Reorganized Debtor is set forth in **Exhibit “5”**). In a chapter 7 liquidation, existing Equity Holders would be expected to receive nothing. Existing non-Insider Equity Holders are also, therefore, treated better under the Plan than in a chapter 7 liquidation.

XI.

CONCLUSION AND

RECOMMENDATIONS

The Plan provides for an equitable distribution to creditors and shareholders of the Debtors and preserves the value of the business as a going concern. The Proponents believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to Holders of Claims and Interests. Other alternatives would involve significant delay, uncertainty and substantial additional administrative costs. FOR THESE REASONS, THE PROPONENTS URGE YOU TO RETURN YOUR BALLOT ACCEPTING THE PLAN SO THAT THEY WILL BE RECEIVED NO LATER THAN [], LOS ANGELES TIME, ON [], 2010.

subsequent motion to further extend their exclusivity periods, the Court further extended the Debtors’ exclusivity periods through September 30, 2010, provided that the exclusivity periods were terminated as to shareholders Charlestown Capital Advisors, LLC and Hartland Asset Management Corporation and the Committee of Equity Holders (if one is appointed), effective June 14, 2010. On motion of Legendary and EWB, the exclusivity periods were terminated as to Legendary and EWB as of August 2, 2010.

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Dated: ~~August 6,~~September 3, 2010

PACHULSKI STANG ZIEHL & JONES LLP

By /s/ Jeffrey W. Dulberg

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