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8 Attorneys for Meruelo Maddux Properties, Inc., jointly  
administered Debtors and Debtors-in-Possession,  
9 Debtors and Debtors in Possession

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

13 In re ) Case No. 1:09-bk-13356-KT  
14 MERUELO MADDUX PROPERTIES, ) Chapter 11 (Jointly Administered)  
INC., et al. )  
15 Debtors and Debtors-in- ) **SUBMISSION OF REDLINE OF MODIFIED**  
16 Possession. ) **SECOND AMENDED JOINT DISCLOSURE**  
17 ) **STATEMENT DESCRIBING SECOND**  
 ) **AMENDED JOINT PLAN OF**  
 ) **REORGANIZATION OF MERUELO**  
 ) **MADDUX PROPERTIES, INC., ET AL.**

18  Affects all Jointly Administered  
Debtors

19  Affects the following Debtor(s):  
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**Disclosure Statement Hearing**  
Date: June 21, 2010  
Time: 9:30 a.m.  
Ctrm: 21041 Burbank Blvd.  
Woodland Hills, CA 91367

1 Attached hereto is a redline of the *Debtors' Modified Second Amended Disclosure*  
2 *Statement* (docket no. 1510) compared to the *Debtors' Second Amended Disclosure Statement*  
3 *Pursuant to Section 1125 of the Bankruptcy Code Accompany Joint and Consolidated Plan of*  
4 *Reorganization* (docket no. 1335).

5

6 Dated: June 10, 2010

DANNING, GILL, DIAMOND & KOLLITZ, LLP

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By: 

Eric M. Colson

Attorneys for Meruelo Maddux Properties, Inc, and Its  
53 Jointly Administered Debtors

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8 Attorneys for Meruelo Maddux Properties, Inc., and  
affiliated Debtors and Debtors-in-Possession  
9 UNITED STATES BANKRUPTCY COURT  
10 CENTRAL DISTRICT OF CALIFORNIA  
11 SAN FERNANDO VALLEY DIVISION

12 In re ) Case No. 1:09-bk-13356-KT  
13 MERUELO MADDUX PROPERTIES, INC., et ) Chapter 11 (Jointly Administered)  
al.,<sup>1</sup> )  
14 Debtors and Debtors-in-Possession. ) **MODIFIED SECOND AMENDED JOINT**  
15 ) **DISCLOSURE STATEMENT**  
16 ) **DESCRIBING SECOND AMENDED**  
17 ) **JOINT PLAN OF REORGANIZATION**  
18 ) **OF MERUELO MADDUX**  
19 ) **PROPERTIES, INC., ET AL.**  
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21 )  
22 )  
23 )  
24 )

Affects all Debtors

Affects the following Debtor(s):

Date: June 21, 2010  
Time: 9:30 a.m.  
Place: Courtroom 301  
21041 Burbank Blvd.  
Woodland Hills, California

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<sup>1</sup> Pursuant to an order of the Court, this case is being jointly administered with 53 chapter 11 cases filed by affiliated entities. The affiliated case numbers are as follows: 1:09-bk-13338-KT; 1:09-bk-13358-KT; 1:09-bk-13359-KT; 1:09-bk-13360-KT; 1:09-bk-13361-KT; 1:09-bk-13362-KT; 1:09-bk-13363-KT; 1:09-bk-13364-KT; 1:09-bk-13365-KT; 1:09-bk-13366-KT; 1:09-bk-13367-KT; 1:09-bk-13368-KT; 1:09-bk-13369-KT; 1:09-bk-13370-KT; 1:09-bk-13371-KT; 1:09-bk-13372-KT; 1:09-bk-13373-KT; 1:09-bk-13374-KT; 1:09-bk-13375-KT; 1:09-bk-13376-KT; 1:09-bk-13377-KT; 1:09-bk-13378-KT; 1:09-bk-13379-KT; 1:09-bk-13380-KT; 1:09-bk-13381-KT; 1:09-bk-13382-KT; 1:09-bk-13383-KT; 1:09-bk-13384-KT; 1:09-bk-13385-KT; 1:09-bk-13386-KT; 1:09-bk-13387-KT; 1:09-bk-13388-KT; 1:09-bk-13389-KT; 1:09-bk-13390-KT; 1:09-bk-13391-KT; 1:09-bk-13392-KT; 1:09-bk-13393-KT; 1:09-bk-13394-KT; 1:09-bk-13395-KT; 1:09-bk-13396-KT; 1:09-bk-13397-KT; 1:09-bk-13398-KT; 1:09-bk-13399-KT; 1:09-bk-13400-KT; 1:09-bk-13401-KT; 1:09-bk-13402-KT; 1:09-bk-13403-KT; 1:09-bk-13404-KT; 1:09-bk-13405-KT; 1:09-bk-13406-KT; 1:09-bk-13407-KT; 1:09-bk-13434-KT; and 1:09-bk-13439-KT.

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1 THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE  
2 AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND THE  
3 DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN  
4 IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED  
5 SINCE THE DATE HEREOF. HOLDERS OF CLAIMS SHOULD CAREFULLY READ THIS  
6 DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING THE PLAN, PRIOR TO  
7 VOTING ON THE PLAN.

8 FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND INTERESTS, THIS  
9 DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN. IF ANY  
10 INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT,  
11 THE TERMS OF THE PLAN ARE CONTROLLING. THIS DISCLOSURE STATEMENT MAY  
12 NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO  
13 VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED HEREIN SHALL  
14 CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE  
15 ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER  
16 PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL  
17 EFFECTS OF THE PLAN ON THE DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS.  
18 CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY  
19 NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS.  
20 THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF  
21 ACTUAL OUTCOMES. ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND  
22 CONSIDER FULLY THE RISK FACTORS SET FORTH IN ARTICLE XIII OF THIS  
23 DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

24 WHERE THERE ARE SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS  
25 REFERRED TO IN THIS DISCLOSURE STATEMENT, SUCH SUMMARIES DO NOT  
26 PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR  
27 ENTIRETY BY REFERENCE TO, THE FULL TEXT OF THE APPLICABLE AGREEMENT,  
28 INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN SUCH AGREEMENT.

1 THE DEBTORS BELIEVE THE PLAN WILL ENABLE THEM TO SUCCESSFULLY  
2 REORGANIZE AND ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT  
3 ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND  
4 THEIR CREDITORS.

5 THE DEBTORS URGE ALLOWED CLAIM HOLDERS IN CLASSES OF CLAIMS  
6 THAT ARE IMPAIRED AND THAT ARE NOT DEEMED TO HAVE REJECTED THE PLAN  
7 TO VOTE TO ACCEPT THE PLAN.

8 I.

9 INTRODUCTION

10 A. OVERVIEW

11 Meruelo Maddux Properties, Inc., ("MMPI"), and its 53 related debtor entities that filed  
12 voluntary bankruptcy petitions at the same time as MMPI (each a "Debtor" and, collectively, the  
13 "Debtors" or the "Company") submit this First Amended Disclosure Statement ("Disclosure  
14 Statement") pursuant to Section 1125 of Title 11 of the United States Code (the "Bankruptcy  
15 Code"). The purpose of this Disclosure Statement is to provide Holders of Claims against and  
16 Interests in the Debtors with adequate information to enable them to make informed judgments  
17 about the Debtors' Joint Second Amended Plan of Reorganization under Chapter 11 of the  
18 Bankruptcy Code, dated June 10, 2010, (as the same may be amended, the "Plan"), filed with the  
19 United States Bankruptcy Court for the Central District of California – San Fernando Valley  
20 Division (the "Bankruptcy Court") before exercising their right to vote to accept or reject the Plan.

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21 <sup>2</sup>

22  
23  
24 <sup>2</sup>Unless otherwise defined herein, all capitalized terms contained herein have the meanings  
25 ascribed to them in the Plan, a copy of which is attached hereto as Exhibit "A." A term used, but  
26 not defined herein or in the Plan, but defined in the Bankruptcy Code, has the meaning given to that  
27 term in the Bankruptcy Code unless the context of this Disclosure Statement clearly requires  
28 otherwise. References to code sections are references to the Bankruptcy Code, except as otherwise  
stated.

1 This Disclosure Statement describes the business background and operating history of the  
2 Debtors before the filing of their Chapter 11 Cases. It also summarizes certain significant events  
3 that have taken place during the Chapter 11 Cases and describes the terms of the Plan, which  
4 divides creditor Claims and the interests of shareholders into Classes and provides for the  
5 satisfaction of allowed Claims and interests.

6 The Plan is a joint Plan and not a consolidated Plan. The Debtors are not seeking  
7 substantive consolidation in the Plan. As a result, the Claims and Interests in each of the Debtors  
8 have been classified on a Debtor by Debtor basis. Votes will be tabulated and acceptances will be  
9 determined on a Debtor by Debtor basis. The Debtors will seek confirmation of the Plan as to each  
10 Debtor on an individual basis notwithstanding that the Plan is a joint Plan. The votes of creditors  
11 of one Debtor will not affect or be counted toward acceptance or rejection of a plan for any other  
12 Debtor.

13 The Plan provides for the payment in full of all Claims over time with interest. The  
14 Secured Claims will be paid interest only over the term of the Plan and the principal balance will be  
15 paid either through the sale of the property securing the claim or the refinance of the secured debt.  
16 ~~MMPI shareholders will have the option of electing to receive payment in exchange for their shares~~  
17 ~~or in exchange for their existing shares and to receive stock in Reorganized MMPI. MMPLP will~~  
18 ~~be merged into MMPI and MMPLP's equity interests will be cancelled. Payments under the Plan~~  
19 will be funded from the Debtors' operations, an infusion of capital at the Effective Date and the sale  
20 and refinance of certain of the Debtors' assets. A detailed description of the Plan is set forth in  
21 Article V of this Disclosure Statement.

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22 Upon Bankruptcy Court approval ("Confirmation") of the Plan, the Plan will be binding  
23 upon all creditors and shareholders regardless of whether an individual creditor or shareholder has  
24 voted in favor of the Plan. THE DEBTORS THEREFORE URGE YOU TO READ THIS  
25 DISCLOSURE STATEMENT AND THE PLAN CAREFULLY.

26 **B. EXHIBITS AND ADDITIONAL INFORMATION**

27 Attached as Exhibits to this Disclosure Statement are copies of the following documents:

- 28 • The Plan (Exhibit A);

- 1 • Order of the Bankruptcy Court dated [ ], 2010 (the "Disclosure Statement Order"),  
2 among other things, approving this Disclosure Statement and establishing certain procedures with  
3 respect to the solicitation and tabulation of votes to accept or reject the Plan (Exhibit B);
- 4 • Chart of the Debtors' Corporate Structure: Prepetition List of the Debtors (Exhibit  
5 C);
- 6 • Loan Modification Agreements (Exhibit D);  
7 • The Debtors' Projected Financial Information (Exhibit E);  
8 • The Debtors' Unexpired Leases and Executory Contracts (Exhibit F);  
9 • The Debtors' Liquidation Analysis (Exhibit G);  
10 • The Claims and Interests of the Debtors (Exhibit H);
- 11 • List of Administrative Expense Claims (Exhibit H.1)  
12 • List of Class "B" Priority Unsecured Claims (Exhibit H.2);  
13 • List of Class "C" General Unsecured Claims – Tenant Security Deposit  
14 Claims (Exhibit H.3);  
15 • List of Class "C" General Unsecured Claims -- Convenience Class (Exhibit  
16 H.4);  
17 • List of Class "C" General Unsecured Claims (Exhibit H.5);  
18 • List of Class "C" Unsecured Guaranty Claims (Exhibit H.6);  
19 • List of Class "D" Intercompany Claims (Exhibit H.7);  
20 • List of Class "E" Interests (Exhibit H.8);
- 21 • List of Debtors' Transfers During the 90-Day and One-Year Avoidance Periods  
22 (Exhibit I);
- 23 • Debtors' Property Valuations (Exhibit J);  
24 • Amended and Restated Certificate of Incorporation (Exhibit K);  
25 • Bylaws of Reorganized MMPI (Exhibit L);  
26 • Agreement and Plan of Merger (Exhibit M); and  
27 • Addendum of historical financial information.  
28

1 MMPI has filed public reports with the Securities and Exchange Commission (“SEC”)  
2 which contain additional information about the Company and its historic financial performance.  
3 The most recent filings are: 10-K for the year ended December 31, 2008 (filed on March 16,  
4 2009), Amended 10-K for the year ended December 31, 2008 (filed on April 30, 2009), 10-Q for  
5 the quarter ended March 31, 2009 (filed on September 9, 2009), 10-Q for the quarter ended June  
6 30, 2009 (filed on September 17, 2009) and 10-Q for the quarter ended September 30, 2009 (filed  
7 on November 9, 2009). On January 19, 2010, MMPI filed its Certification and Notice of  
8 Termination of Registration under Section 12(g) of the Securities Exchange Act of 1934 or  
9 Suspension of Duty to File Reports under Section 13 and 15(d) of the Securities Exchange Act of  
10 1934 and accordingly, the Debtor is no longer required to file public reports with the SEC.

11 You may obtain copies of these documents from:

- 12 • The SEC’s website at: <http://www.sec.gov/edgar/searchedgar/companysearch.html>;
- 13 • The Company’s website (under “Investor Relations”) at:

14 <http://www.meruelomaddux.com/noflash/index.php> or

- 15 • By requesting them in writing from:

16 Meruelo Maddux Properties, Inc.  
17 761 Terminal Street  
18 Building 1, 2nd Floor  
19 Los Angeles, CA 90021  
20 Attn: Mr. Todd Nielsen

21 A Ballot for the acceptance or rejection of the Plan is also enclosed with this Disclosure  
22 Statement submitted to the Holders of Claims and Interests that are entitled to vote to accept or  
23 reject the Plan.

24 On [ \_\_\_\_\_ ], 2010, after notice and a hearing, the Bankruptcy Court  
25 entered the Disclosure Statement Order, approving this Disclosure Statement as containing  
26 adequate information of a kind and in sufficient detail to enable hypothetical, reasonable investors  
27 typical of the Debtors’ creditors to make an informed judgment whether to accept or reject the Plan.

28 APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE  
A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS  
OF THE PLAN. THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN



1 DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF  
2 THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE BANKRUPTCY  
3 COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON THE  
4 DEBTOR AND ON ALL CREDITORS AND INTEREST HOLDERS IN THESE CHAPTER 11  
5 CASES.

6 The Disclosure Statement Order, a copy of which is annexed hereto as Exhibit B, sets forth  
7 in detail the deadlines, procedures and instructions for voting to accept or reject the Plan and for  
8 filing objections to confirmation of the Plan, and the applicable standards for tabulating Ballots. In  
9 addition, detailed voting instructions accompany each Ballot. Each holder of a Claim or Interest  
10 entitled to vote on the Plan should read this Disclosure Statement, the Plan, the Disclosure  
11 Statement Order and the instructions accompanying the Ballot in their entirety before voting on the  
12 Plan. These documents contain important information concerning the classification of Claims for  
13 voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be  
14 made except pursuant to Section 1125 of the Bankruptcy Code.

15 **C. HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE**

16 Pursuant to the provisions of the Bankruptcy Code, only Holders of Allowed Claims or  
17 Interests in Classes of Claims or Interests that are impaired and that are not deemed to have rejected  
18 the Plan are entitled to vote to accept or reject a proposed Plan. Classes of Claims or Interests in  
19 which the Holders of Claims or Interests are unimpaired under a Chapter 11 Plan are deemed to  
20 have accepted the Plan and are not entitled to vote to accept or reject the Plan. Classes of Claims  
21 or Interests in which the Holders of Claims or Interests will receive no recovery under a Chapter 11  
22 Plan are deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.  
23 For a detailed description of the treatment of Claims and Interests under the Plan, see Article V of  
24 this Disclosure Statement.

25 The following Classes are impaired and, to the extent Claims or Interests in such Classes  
26 are Allowed Claims or Interests, the Holders of such Claims will receive distributions under the  
27 Plan. As a result, Holders of Claims or Interests in those Classes are entitled to vote to accept or  
28 reject the Plan:

1 • Classes 10A, 11A, 12A, 13A, 14A, 15A, 16A, 18A, 20A, 21A-1, 22A, 24A, 25A,  
2 26A, 27A-1, 28A-1, 29A-1, 30A-1, 32A-1, 33A-1, 34A-1, 35A-1, 36A-1, 37A-1, 38A-1, 39A-1,  
3 40A-1, 41A-1, 42A-1, 43A-1, 44A-1, 45A-1, 46A-1, 47A-1, 48A-1, 49A-1, 50A-1, 51A-1, 52A-1,  
4 53A-1, and 54A-1 (consisting of secured tax Claims against the Debtors);

5 • Classes 21A-2, 28A-2, 29A-2, 29A-3, 30A-2, 32A-2, 33A-2, 34A-2, 35A-2, 36A-2,  
6 36A-3, 37A-2, 37A-3, 38A-2, 39A-2, 40A-2, 41A-2, 42A-2, 43A-2, 44A-2, 45A-2, 46A-2, 47A-2,  
7 48A-2, 49A-2, 50A-2, 50A-3, 51A-2, 51A-3, 52A-2, 53A-2, 54A-2, and 54A-3 (consisting of the  
8 Secured Claims of lenders and other secured creditors against each relevant Debtor);

9 • Classes 1C-3, 2C-3, 3C, 4C-2, 5C-2, 6C, 7C, 8C-2, 9C-2, 10C-2, 11C-3, 12C-3,  
10 13C-2, 14C-3, 15C-2, 16C-2, 17C, 18C-2, 19C-2, 20C, 21C-3, 22C, 23C, 24C-2, 25C-3, 26C-3,  
11 27C-3, 28C-3, 29C-2, 30C-3, 31C-2, 32C, 33C-3, 34C-3, 35C-2, 36C-3, 37C-2, 38C-3, 39C-3,  
12 40C-3, 41C-3, 42C-2, 43C-2, 44C-2, 45C-2, 46C-2, 47C-2, 48C-2, 49C-2, 50C-2, 51C-2, 52C-3,  
13 53C, and 54C-3 (consisting of the general unsecured Claims against each relevant Debtor); and

14 • Class 1E, consisting of the Class of Interests of MMPI,

15 The Plan provides for the merger of MMPLP into MMPI. The interests of the holders of  
16 LTIP units in Class 2E will be cancelled and extinguished at the Effective Date and the remaining  
17 interests will be extinguished as a result of the merger of MMPLP and MMPI. As a result Class 2E  
18 is deemed to reject the Plan and is not entitled to vote on the Plan.

19 The following Classes of the Plan are Unimpaired. As a result, Holders of Claims and  
20 Interests in those Classes are conclusively presumed to have accepted the Plan:

21 • Classes 1B, 5B, 32B, 33B, 36B and 52B, (consisting of the Priority Unsecured  
22 Benefits Claims of present and former employees of each relevant Debtor);

23 • Classes 11C-1, 12C-1, 14C-1, 15C-1, 21C-1, 25C-1, 26C-1, 27C-1, 28C-1, 30C-1,  
24 32C-1, 33C-1, 34C-1, 35C-3, 36C-1, 37C-1, 38C-1, 39C-1, 40C-1, 41C-1, 43C-3, 44C-3, 46C-1,  
25 48C-3, 49C-3, 52C-1 and 54C-1 (consisting of the unsecured Claims for security deposits of the  
26 Debtors' tenants);

27 • Classes 1C-1, 2C-1, 4C-1, 8C-1, 9C-1, 10C-1, 11C-2, 12C-2, 13C-1, 14C-2, 15C-1,  
28 16C-1, 18C-1, 19C-1, 21C-2, 24C-1, 25C-2, 26C-2, 27C-2, 28C-2, 29C-1, 30C-2, 31C-1, 32C-2,

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**Deleted:** are being cancelled and extinguished, and the Holders of such Interests will not receive distributions under the Plan. As a result, Holders of Interests in Class 1E are deemed to reject the Plan, and are not entitled to vote.

**Deleted:** unimpaired

1 33C-2, 34C-2, 35C-1, 36C-2, 38C-2, 39C-2, 40C-2, 41C-2, 42C-1, 43C-1, 44C-1, 45C-1, 47C-1,  
2 49C-1, 50C-1, 51C-1, 52C-2, and 54C-2 (consisting of the Convenience Claims of each relevant  
3 Debtor);

4 • Classes 2D through 7D, 9D-35D, and 37D-53D (consisting of the Intercompany  
5 Claims);

6 • Classes 3E through 54E (consisting of the Interests in the Debtors other than MMPI  
7 and MMPLP).

**Deleted:** of MMPLP, MMP Ventures, LLC ("MMP Ventures"), Meruelo Maddux Construction, Inc. ("MM Construction")

**Deleted:** Meruelo Maddux Management, LLC ("MM Management")

8 As a condition to confirmation for each Debtor's Chapter 11 Case, the Bankruptcy Code  
9 requires that each Class of Impaired Claims and Interests vote to accept the Plan, except under  
10 certain circumstances. Section 1126(c) of the Bankruptcy Code defines acceptance of a Plan by a  
11 Class of Impaired Claims as acceptance by holders of at least two-thirds in dollar amount and more  
12 than one-half in number of Claims in that Class, but for that purpose counts only those who  
13 actually vote to accept or to reject the Plan. Thus, a Class of Claims will have voted to accept its  
14 Debtor's Plan only if two-thirds in amount and a majority in number actually voting cast their  
15 Ballots in favor of acceptance. For each Debtor's Chapter 11 Case, under Section 1126(d) of the  
16 Bankruptcy Code, a Class of Interests has accepted the Plan if Holders of such Interests holding at  
17 least two-thirds in amount actually voting have voted to accept the Plan. Holders of Claims or  
18 Interests who fail to vote are not counted as either accepting or rejecting the Plan. Thus,  
19 acceptance of a Plan by the Impaired Classes of Claims listed above for each Debtor will occur  
20 only if at least two-thirds in dollar amount and a majority in number of the Holders of such Claims  
21 in each Class that cast their Ballots vote in favor of acceptance.

22 A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing,  
23 that such acceptance or rejection was not solicited or procured in good faith or in accordance with  
24 the provisions of the Bankruptcy Code. For a more detailed description of the requirements for  
25 confirmation of the Plan, see Article IX of this Disclosure Statement.

26 With respect to each Debtor's Chapter 11 Case, if a Class of Claims or Interests entitled to  
27 vote on the Plan rejects the Plan, the relevant Debtor reserves the right to amend the Plan or request  
28 confirmation of the Plan pursuant to Section 1129(b) of the Bankruptcy Code or both. Section

1 1129(b) permits the confirmation of a plan of reorganization notwithstanding the non-acceptance of  
2 the Plan by one or more impaired Classes of Claims or Interests. Under that Section, a Plan may be  
3 confirmed by a Bankruptcy Court if it does not “discriminate unfairly” and is “fair and equitable”  
4 with respect to each non-accepting Class. For a more detailed description of the requirements for  
5 confirmation of a nonconsensual Plan, see Article IX of this Disclosure Statement.

6 For each Debtor, in the event at least one Impaired Class of Claims votes to accept the Plan  
7 (and at least one Impaired Class either votes to reject the Plan or is deemed to have rejected the  
8 Plan), such Debtor shall request the Bankruptcy Court to confirm the Plan under the cramdown  
9 provisions of Section 1129(b) of the Bankruptcy Code.

10 **D. VOTING PROCEDURES**

11 If you are entitled to vote to accept or reject the Plan, in the Chapter 11 Case in which you  
12 have an Allowed Claim or Allowed Interest, a Ballot is enclosed for the purpose of voting on the  
13 Plan. If you hold Claims in more than one Class or against more than one Debtor and you are  
14 entitled to vote each of such claims or interests, you will receive separate Ballots for each case in  
15 which you are entitled to vote and for each separate Class of Claims or Interests for which you are  
16 entitled to vote. Please vote and return your Ballot(s) to:

17  
18 DANNING GILL DIAMOND & KOLLITZ LLP  
19 2029 Century Park East, Third Floor  
20 Los Angeles, CA 90067  
Attention: Yves Pierre Derac

21 DO NOT RETURN ANY NOTES OR SECURITIES WITH YOUR BALLOT. TO BE  
22 COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN  
23 MUST BE RECEIVED BY NO LATER THAN [ ] P.M., LOS ANGELES TIME, ON  
24 [ ], 2010. ANY EXECUTED BALLOT RECEIVED THAT DOES NOT  
25 INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL BE  
26 DEEMED TO CONSTITUTE AN ACCEPTANCE OF THE PLAN.

27 Any Claim in an impaired Class as to which an objection or request for estimation is  
28 pending or which is scheduled by the relevant Debtor as unliquidated, disputed or contingent and

1 for which no proof of Claim has been filed is not entitled to vote unless the holder of such Claim  
2 has obtained an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of  
3 voting on the Plan.

4 If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot,  
5 received a damaged Ballot or lost your Ballot, or if you have any questions concerning this  
6 Disclosure Statement, the Plan or the procedures for voting on the Plan, please email the Debtors'  
7 counsel at: [mmpi@dgdk.com](mailto:mmpi@dgdk.com).

8 **E. CONFIRMATION HEARING**

9 Pursuant to Section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on  
10 [\_\_\_\_], 2010 commencing at [\_\_\_\_] Los Angeles Time, before the Bankruptcy  
11 Court, the Honorable Kathleen Thompson, Presiding, Courtroom 301, 21041 Burbank Blvd.,  
12 Woodland Hills, California 91367. The Bankruptcy Court may adjourn the Confirmation Hearing  
13 from time to time without further notice except for the announcement of the adjournment date  
14 made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

15 Any objection to confirmation must be made in writing and specify in detail the name and  
16 address of the objector, all grounds for the objection and the amount of the Claim or number of  
17 shares of stock held by the objector. Any such objection must be filed with the Bankruptcy Court  
18 and served so that it is received by the Bankruptcy Court, the Official Committee of Unsecured  
19 Creditors (the "Creditors Committee") and the Debtors on or before \_\_\_\_\_, 2010. Objections  
20 to confirmation of the Plan are governed by Bankruptcy Rule 9014.

21 **F. NOTICES**

22 All notices, requests and demands hereunder to be effective must be in writing and unless  
23 otherwise expressly provided herein, shall be deemed to have been duly given or made when  
24 actually delivered by U.S. Mail or email addressed as follows: \_\_\_\_\_

28 **DEBTORS AND REORGANIZED DEBTOR COUNSEL TO THE DEBTORS AND**

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Deleted: Appointed

Deleted:

**REORGANIZED DEBTORS**

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**II.**

**DEBTORS' BUSINESS AND OPERATIONS PRIOR TO THE FILING**

**A. CORPORATE HISTORY OF THE DEBTORS**

MMPI is the parent company of the fifty-three related Debtor entities that, along with MMPI, filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on March 26 and 27, 2009. A list of each of the Debtors is attached as part of Exhibit "C." MMPI was incorporated in 2006 under the laws of the State of Delaware, and is registered with the California Secretary of State to do business in the State of California. Each of the other Debtors was formed under either the laws of the State of Delaware or the laws of the State of California. The Delaware Debtors are registered with the California Secretary of State to do business in the State of California.

**B. NATURE OF THE DEBTORS' BUSINESS**

MMPI, together with its subsidiary operating partnership, MMPLP, and its affiliates and related entities, is a self-managed, full-service real estate company that develops, redevelops and owns industrial, commercial and multi-unit residential real properties primarily located in downtown Los Angeles and other areas in southern California. The Company focuses on unique properties that it believes have an alternate, more profitable use achievable through major renovation, redevelopment or development. The Company's projects are predominantly located in

1 a densely populated urban, multi-ethnic environment and involve numerous local entitlement,  
2 property assemblage and physical challenges.

3 The Company is committed to responsible property investing that has economic,  
4 environmental and social benefits. Its development activities include urban infill projects that are  
5 expected to meet the demands of urban communities and that utilize or upgrade existing  
6 infrastructure instead of creating new infrastructure. The Company is known as a "smart growth"  
7 developer, and many of the Company's projects are designed to locate businesses, customers and  
8 employees close to each other and close to existing public transit systems. The Company is also  
9 known as an "incubator" of new businesses, actively seeking development projects in  
10 empowerment zones. The Company is very familiar with the social, cultural, business and political  
11 issues of land development in Southern California, and especially the Los Angeles area.

12 The Debtors were formed to succeed to certain operations of a predecessor group, whose  
13 owners were Richard Meruelo, Maria Meruelo and John Charles Maddux. Through their  
14 predecessor business, the Company's principals have been investing in urban real estate since  
15 1972.

16 The Debtors' current management team is led by Richard Meruelo, who serves as MMPI's  
17 Chief Executive Officer and Chairman of MMPI's Board of Directors, and John Charles Maddux,  
18 who serves as MMPI's President and Chief Operating Officer and a member of MMPI's Board of  
19 Directors. Messrs. Meruelo and Maddux both have more than 20 years experience in identifying,  
20 acquiring, entitling, financing, developing and redeveloping urban real estate. They have worked  
21 together since 1987.

22 The Company does not utilize the same business model as typical real estate investment  
23 companies, many of which utilize real estate investment trusts ("REITs"), and the Company's  
24 business Plan is distinctive among publicly traded companies. Many public real estate companies  
25 focus on properties with stable occupancies at market rents or properties with stable occupancies at  
26 below-market rents that may benefit from more efficient management or minor renovations. In  
27 contrast, the Company focuses on urban in-fill development and on finding different, more  
28 profitable uses for existing urban properties. The Company looks for properties that have value

1 intrinsic to the property itself, such as the property's location, whether there is an end user of the  
2 property on the horizon who might want to purchase the property, how well the property will fit in  
3 with the growth patterns of the area and community in which it is situated, and other factors. Such  
4 properties may have substantial vacancies, unstable occupancies, or require major renovations for a  
5 new use. The Company's business requires local and other special knowledge to identify viable  
6 alternative uses for urban property, and presents higher potential returns than the returns that the  
7 property owner might otherwise derive.

8         The Company's business model anticipates the need for time to develop properties and  
9 requires the infusion of funds to pay the costs of such development, including the carrying costs.  
10 To help defray costs during development, properties may be utilized as parking lots or other uses,  
11 not because such use generates substantial income but because the land itself is extremely valuable  
12 since it can be developed at an appropriate time in the future, and the parking lot revenue provides  
13 some interim revenue. Many of the Company's properties have gone through the land use process  
14 to the point where entitlements have been obtained thus increasing the value substantially, but  
15 development has been deferred pending an improvement in the credit markets. In summary, the  
16 Company's business model contemplates and is based upon the purchase, development and resale  
17 of properties, pursuant to which the Company turns over such properties in a relatively short period  
18 of time, such as a few years instead of decades, and uses the profit from such properties to fund  
19 operations of MMPI and all of its other affiliates and the purchase and development of other  
20 properties.

21         Currently, the Company owns in excess of forty discrete properties consisting in some cases  
22 of a number of parcels, some of which generate income and others of which are in various stages of  
23 development. With approximately 80 acres of land, the Company is believed to be the largest non-  
24 government land owner in downtown Los Angeles.

25         Properties the Debtors currently own include the following:

26                 **1.         210 – 212 and 230 West Avenue 26, Los Angeles**

27         The subject property is owned by Meruelo Maddux-230 W. Avenue 26, LLC ("MM 230 W.  
28 Avenue 26") and is unencumbered. The property is located at the corner of Humboldt Street and



1 West Avenue 26 near the Northeast boundary of downtown Los Angeles. It is comprised of one  
2 property totaling approximately 1.8 acres of land which has been improved with a group of multi-  
3 tenant industrial buildings consisting of approximately 67,671 net rentable square feet. As of  
4 March 31, 2010, the improvements were leased to five tenants occupying approximately 30% of  
5 the total rentable area. Two of the tenants, occupying 33% of the rented space are on month to  
6 month tenancies. The average occupancy for month to month tenants is 47 months. The largest  
7 tenant occupies 6.9% of the total area. The property is currently being utilized as an industrial and  
8 distribution space facility.

9 This property is an example of how MMPI services the multitude of business owners and  
10 their numerous employees who are involved in the (a) design, (b) production and (c) distribution  
11 sectors of the garment industry in downtown Los Angeles.

12 **2. 306 – 330 North Avenue 21, Los Angeles**

13 The subject property is owned by Meruelo Maddux Properties-306-330 N. Avenue 21, LLC  
14 (“MMP 306-330 N. Avenue 21”) and is unencumbered. The property is located near the corner of  
15 Humboldt Street and North Avenue 21 near the Northeast boundary of downtown Los Angeles. It  
16 is comprised of approximately 1.1 acres which have been improved with industrial buildings  
17 consisting of approximately 80,712 net rentable square feet. As of March 31, 2010, the  
18 improvements were leased to five tenants occupying approximately 30% of the total rentable area.  
19 All of the tenants are on month to month tenancies. The average occupancy for month to month  
20 tenants is 34 months. The largest tenant occupies 13.4% of the total area. The property is currently  
21 being utilized as an industrial and distribution space facility.

22 This property is an example of how MMPI services the multitude of business owners and  
23 their numerous employees who are involved in the (a) design, (b) production and (c) distribution  
24 sectors of the garment industry in downtown Los Angeles.

25 **3. 1000 East Cesar Chavez, Los Angeles**

26 The subject property is owned by Meruelo Maddux-1000 E. Cesar Chavez, LLC (“MM  
27 1000 E. Cesar Chavez”) and is unencumbered. The property is comprised of four separate  
28 properties located near the Northeast boundary of downtown Los Angeles. Specifically, properties

1 one and two are located at the corner of East Cesar Chavez Avenue and North Mission Road and  
2 properties three and four are located east of the parking lot on East Cesar Chavez Avenue. The  
3 subject property is improved with an industrial building, parking lot, and two single-family  
4 residences and totals approximately 1.6 acres consisting of approximately 50,373 net rentable  
5 square feet. As of March 31, 2010, the improvements were leased to seven tenants occupying  
6 approximately 17% of the total rentable area. All of the tenants are on month to month tenancies.  
7 The average occupancy for month to month tenants is 39 months. The largest tenant occupies 6.6%  
8 of the total area. The non-residential portion of the property is currently being utilized as an  
9 industrial and distribution space facility.

10 This property is home to an assortment of small business owners prevalent in downtown  
11 Los Angeles whereby the Company looks to support and incubate their businesses.

12 **4. 2415 East Washington Boulevard, Los Angeles**

13 The subject property is owned by Meruelo Maddux-2415 E. Washington Blvd., LLC ("MM  
14 2415 E. Washington Boulevard"). As a result of the Debtors' settlement with Imperial Capital  
15 Bank, a division of City National Bank, a national banking association ("Imperial") and  
16 Bankruptcy Court approval thereof, the property is encumbered by a lien in favor of Imperial. The  
17 property is located near the corner of South Santa Fe Avenue and East Washington Boulevard,  
18 adjacent to Santa Fe Commerce Center, near the Southeast Industrial part of downtown Los  
19 Angeles. It is comprised of one property totaling approximately 0.5 acres which has been  
20 improved with an industrial building consisting of approximately 18,500 net rentable square feet.  
21 As of March 31, 2010, the improvements were not leased. The property is currently a multi-tenant  
22 industrial space facility.

23 This property is intended to be used by an assortment of small business owners prevalent in  
24 downtown Los Angeles whereby the Company looks to support and incubate their businesses.

25 **5. 1211 East Washington Boulevard, Los Angeles**

26 The subject property is owned by Merco Group-1211 E. Washington Boulevard, LLC  
27 ("MG 1211 East Washington Boulevard") and is unencumbered. The property is located at the  
28 corner of Washington Boulevard and South Central Avenue just south of the Interstate 10 Freeway

1 in downtown Los Angeles. It is comprised of three properties totaling approximately 2.0 acres  
2 which have been improved with a multi-tenant industrial building and a retail plaza consisting of  
3 approximately 113,479 net rentable square feet. The third property is a parking lot. As of March  
4 31, 2010, the improvements were leased to seven tenants occupying approximately 73.2% of the  
5 total rentable area. Two of the tenants, occupying 46% of the rented space are on month to month  
6 tenancies. The average occupancy for month to month tenants is 35 months. The largest tenant  
7 occupies 31.6% of the total area. The property is currently being utilized primarily as a garment  
8 manufacturing space.

9 This property is an example of how MMPI services the multitude of business owners and  
10 their numerous employees who are involved in the (a) design, (b) production and (c) distribution  
11 sectors of the garment industry in downtown Los Angeles.

12 **6. 13853, 13822 and 13916 Garvey Avenue, 13904 Corak Street and 3060**  
13 **Feather Avenue, Baldwin Park**

14 The subject property is owned by Meruelo Baldwin Park, LLC and is unencumbered. The  
15 property is located at the intersection of Francisquito Avenue and the Interstate 10 Freeway in  
16 Baldwin Park, California. It is comprised of approximately 6.3 acres of land and improvements  
17 containing approximately 3,878 net rentable square feet which include two single-family  
18 residences. As of March 31, 2010, the improvements were leased to three tenants occupying  
19 approximately 100% of the total rentable area. All of the tenants are on month to month tenancies.  
20 The average occupancy for month to month tenants is 43 months. The largest tenant occupies 40.3  
21 % of the total building area. The largest component of this property is unimproved land  
22 immediately adjacent to the Interstate 10 Freeway.

23 This property is intended to be a retail development as a compliment to the garment,  
24 produce, multi-tenant and residential activities of MMPI.

25 **7. 1910 - 1922 Santa Fe Avenue, 2425 East 12th Street and 303 South**  
26 **Hewitt, Los Angeles**

27 The subject property is owned by Santa Fe & Washington Market, LLC ("Santa Fe &  
28 Washington Market"). The subject property includes three separate properties of which one is

1 located in the Arts District of downtown Los Angeles at 303 South Hewitt Street and two of which  
2 are located adjacent to the Santa Fe Commerce Center at 1910-1922 Santa Fe Avenue and 2425  
3 East 12th Street in downtown Los Angeles. The property located at 303 South Hewitt Street has  
4 been improved with a fifty-four unit apartment building. The two industrial buildings located at  
5 1910-1922 Santa Fe Avenue and at 2425 East 12th Street contain approximately 52,040 net  
6 rentable square feet in the aggregate. As of March 31, 2010, the improvements were leased to  
7 forty-six tenants occupying approximately 80% of the total rentable area. Forty-two of the tenants,  
8 occupying 27% of the rented space are on month to month tenancies. The average occupancy for  
9 month to month tenants is 47 months. The largest tenant occupies 27.2% of the total area.

10 Pursuant to a settlement with Imperial, the properties located at 1910-1922 Santa Fe  
11 Avenue are encumbered by a lien in favor of Imperial.

12 The property at 1910-1922 Santa Fe Avenue is an example of how MMPI services the  
13 multitude of business owners and their numerous employees who are involved in the (a) design, (b)  
14 production and (c) distribution sectors of the garment industry in downtown Los Angeles. The  
15 property at 2425 East 12th Street is tenanted by small business owners prevalent in downtown Los  
16 Angeles whereby the Company looks to support and be a helping hand in incubating their  
17 businesses. The property at 303 S Hewitt is an example of how the Company focuses its expertise  
18 and downtown knowledge base on supplying residential units to individuals. This effort is geared  
19 towards (a) high density urban in-fill, (b) transit oriented and/or (c) affordable development of  
20 residences.

21 **8. 5701 and 5707 - 5715 South Alameda Street and 5016 Alba Street, Los**  
22 **Angeles**

23 The subject property is owned by Merco Group - 5707 S. Alameda, LLC ("MG 5707 S.  
24 Alameda") and is unencumbered. The property is located in a major trucking thoroughfare  
25 immediately south of downtown Los Angeles. It is comprised of two separate properties totaling  
26 approximately 1.9 acres of which one property has been improved with a multi-tenant industrial  
27 building consisting of approximately 55,729 net rentable square feet. The second property  
28 includes an additional non-contiguous land parcel one block away that can be utilized as pallet

1 storage. As of March 31, 2010, the improvements were leased to five tenants occupying  
2 approximately 51.0% of the total rentable area. A sixth tenant leases the pallet storage area. Four  
3 of the tenants, occupying 96% of the rented space are on month to month tenancies. The average  
4 occupancy for month to month tenants is 35 months. The largest tenant occupies 19.9% of the total  
5 area. The property is currently being utilized as a multi-tenant industrial space facility.

6 This property is an example of how MMPI services the multitude of business owners and  
7 their numerous employees who are involved in the (a) design, (b) production and (c) distribution  
8 sectors of the garment industry in downtown Los Angeles.

9 **9. 3rd & Omar Street, Los Angeles**

10 The subject property is owned by Meruelo Maddux - 3rd & Omar Street, LLC ("MM 3rd &  
11 Omar Street") and is encumbered by a lien in favor of Legendary Investors Group No. 1, LLC, as  
12 successor to East West Bank ("Legendary"). The property is located at 3rd & Omar Streets near  
13 the Little Tokyo area of downtown Los Angeles. It is comprised of two properties totaling  
14 approximately 0.5 acres of which one has been improved with a multi-tenant building consisting of  
15 approximately 23,298 net rentable square feet and the other is being utilized as a parking lot. As of  
16 March 31, 2010, the improvements were leased to one tenant occupying approximately 10.0% of  
17 the total rentable area. The tenant is on a month to month tenancy. The average occupancy for  
18 month to month tenants is 34 months. The ground floor of this property, where the current tenant is  
19 located, is currently being utilized as retail/wholesale storefront facility.

20 This property is intended to be used by an assortment of small business owners prevalent in  
21 downtown Los Angeles whereby the Company looks to support and incubate their businesses.

22 **10. 420 Boyd Street, Los Angeles**

23 The subject property is owned by Meruelo Maddux - 420 Boyd Street, LLC ("MM 420  
24 Boyd Street") and is encumbered by a lien in favor of Legendary. The property is located at 420  
25 Boyd Street near the Little Tokyo area of downtown Los Angeles. It is comprised of two  
26 properties totaling approximately 0.6 acres which have been improved with a multi-tenant building  
27 consisting of approximately 47,806 net rentable square feet and a parking lot. As of March 31,  
28 2010, the improvements were leased to eleven tenants occupying approximately 57 % of the total

1 rentable area. Six of the tenants, occupying 67% of the rented space are on month to month  
2 tenancies. The average occupancy for month to month tenants is 94 months. The largest tenant  
3 occupies 12.6% of the total area. The property is currently being utilized as multi-tenant office  
4 space, a restaurant facility and a parking lot.

5 This property is intended to be used by an assortment of small business owners prevalent in  
6 downtown Los Angeles whereby the Company looks to support and incubate their businesses.

7 **11. 760 South Hill Street, and 325 West 8th Street, Los Angeles (The Union**  
8 **Lofts)**

9 The subject property is owned by Meruelo Maddux Properties - 760 South Hill Street, LLC  
10 ("MMP 760 S. Hill Street") and is encumbered by a lien in favor of Bank of America, N.A.  
11 ("BofA"). The property is located at the corner of West 8th Street and South Hill Street in  
12 downtown Los Angeles. It is comprised of one property totaling approximately 0.3 acres which  
13 has been improved with a ninety-two unit condominium building currently in lease-up. The  
14 building is newly restored and converted-former bank headquarters originally built in the 1920s  
15 consisting of approximately 94,270 net rentable square feet. Space located on the ground floor is  
16 intended for a restaurant tenant. As of March 31, 2010, the improvements are leased to sixty-nine  
17 tenants occupying approximately 5.77% of the total rentable area.

18 This property is an example of how the Company focuses its expertise and downtown  
19 knowledge base on supplying residential units to individuals. This effort is geared towards (a) high  
20 density urban in-fill, (b) transit oriented and/or (c) affordable development of residences.

21 **12. 788 South Alameda, Los Angeles**

22 The subject property is owned by 788 South Alameda, LLC ("788 South Alameda") and is  
23 encumbered by a lien in favor of California Bank & Trust. The property is located at 788 South  
24 Alameda Street across the street from Alameda Square in downtown Los Angeles. It is comprised  
25 of one property totaling approximately 2.3 acres which has been improved with a newly  
26 constructed modern produce market that is home to numerous small produce tenants consisting of  
27 approximately 33,984 net rentable square feet. As of March 31, 2010, the improvements were  
28 leased to twenty-four tenants occupying approximately 75% of the total rentable area. All of the

1 tenants are on month to month tenancies. The average occupancy for month to month tenants is 17  
2 months. The property is currently being utilized as a small-tenant produce industry space with  
3 coolers.

4 This property is an example of the Company's (a) significant expertise and presence and (b)  
5 focus on providing tailored solutions for a variety of space needs of the many small businesses in  
6 the food and produce distribution industry in downtown Los Angeles.

7 **13. 905 8th Street, Los Angeles**

8 The subject property is owned by 905 8th Street, LLC ("905 8th Street") and is encumbered  
9 by a lien in favor of The Stanford Group, L.P. ("Stanford"). The property is located at 905 8th  
10 Street in downtown Los Angeles. It is comprised of one property totaling approximately 0.9 acres  
11 which has been improved with a multi-tenant industrial building consisting of approximately  
12 28,200 net rentable square feet. As of March 31, 2010, the improvements were leased to seven  
13 tenants occupying approximately 23.6 % of the total rentable area. All of the tenants are on month  
14 to month tenancies. The average occupancy for month to month tenants is 23 months.

15 This property is an example of the Company's (a) significant expertise and presence and (b)  
16 focus on providing tailored solutions for a variety of space needs of the many small businesses in  
17 the food and produce distribution industry in downtown Los Angeles.

18 **14. Alameda Produce Market, Los Angeles (Including Alameda Square and**  
19 **Seventh Street Produce Market)**

20 The subject property is owned by Alameda Produce Market, LLC ("Alameda Produce  
21 Market") and includes (a) four industrial buildings totaling 1,585,816 square feet of net rentable  
22 area on approximately 20.2 acres that is home to American Apparel ("Alameda Square"), (b) a  
23 multi-tenant produce market known as the Seventh Street Produce Market with 122,120 square feet  
24 of net rentable area, (c) an unencumbered parking structure located at 1215 East 7th Street whose  
25 use has been donated to the Center City East Association to provide aid to homeless people and (d)  
26 an unencumbered parking lot located at 1339 East 7th Street that is subject to an eminent domain  
27 proceeding with the MTA. The Alameda Square and Seventh Street Produce Market properties are  
28 subject to a lien in favor of Cathay Bank ("Cathay").

1 In regards to Alameda Square it is 59.3% occupied with eleven tenants and the largest  
2 tenant is American Apparel who leases more than 55% of the area.

3 In regards to the Seventh Street Produce Market it is 65.3% leased. A significant portion of  
4 the vacant space is unusable currently and is in the process of being approved to be improved so  
5 that it can be leased.

6 Alameda Square has been an example of two characteristics of MMPI's overall operations.  
7 First, it serves as an example of how MMPI incubates small business owners in the case of  
8 American Apparel that now occupies more than 10 times more space than it initially did and  
9 employs approximately 5,000 workers daily at Alameda Square. Second, it is an example of how  
10 the Company services business owners and their numerous employees who are involved in the (a)  
11 design, (b) production and (c) distribution sectors of the garment industry in downtown Los  
12 Angeles. Seventh Street Produce Market is an example of the Company's (a) significant expertise  
13 and presence and (b) focus on providing tailored solutions for a variety of space needs of the many  
14 small businesses in the food and produce distribution industry in downtown Los Angeles. The  
15 portion of the property located at 1339 East 7th Street is currently the subject of litigation between  
16 Alameda Produce Market and the Metropolitan Transit Authority ("MTA") which initiated eminent  
17 domain proceedings. The Company asserted that the MTA did not properly pursue such  
18 proceedings and the MTA's case was dismissed. The case has been appealed by the MTA and  
19 Alameda Produce Market believes it has claims against the MTA for, among other things, the value  
20 of the Company's lost use of the property during the numerous years that the property has been  
21 possessed by the MTA. In the event the MTA is successful in taking the property, the Company  
22 will have a Claim against the MTA for the fair value thereof, among other things less amounts  
23 previously paid to lenders.

24 **15. 1500 Griffith Avenue, Los Angeles**

25 The subject property is owned by Merco Group - 1500 Griffith Avenue, LLC ("MG 1500  
26 Griffith Avenue"). The property is located at the corner of Griffith Avenue and East 16th Street in  
27 downtown Los Angeles. It is comprised of two separate properties totaling approximately 2.0 acres  
28 which have been improved with two buildings consisting of approximately 50,058 net rentable



1 square feet. One property is encumbered by a lien in favor of Yoshiaki & Fumiko Murakami and  
2 the other property is encumbered by a lien in favor of Legendary. As of March 31, 2010, the  
3 improvements were leased to three tenants occupying approximately 100% of the total rentable  
4 area. One of the tenants, occupying 12% of the rented space is on a month to month tenancy. The  
5 average occupancy for month to month tenants is 39 months. One lease is subject to renewal in  
6 2011. The largest tenant occupies 60% of the total area. The property is currently being utilized as  
7 a distribution facility.

8 This property is an example of how MMPI services the multitude of business owners and  
9 their numerous employees who are involved in the (a) design, (b) production and (c) distribution  
10 sectors of the garment industry in downtown Los Angeles.

11 **16. 1919 Vineburn Street, Los Angeles**

12 The subject property is owned by Meruelo Maddux Properties - 1919 Vineburn Street, LLC  
13 ("MMP 1919 Vineburn Street") and is encumbered by a lien in favor of Imperial. The property is  
14 located at 1919 Vineburn Street just north of downtown Los Angeles. It is comprised of one  
15 property totaling approximately 5.8 acres which has been improved with a single-tenant  
16 distribution building consisting of approximately 122,345 net rentable square feet. As of March  
17 31, 2010, the improvements were 100% leased to one tenant. The property is currently being  
18 utilized as a single-tenant distribution space facility.

19 This property is an example of how MMPI services the multitude of business owners and  
20 their numerous employees who are involved in the (a) design, (b) production and (c) distribution  
21 sectors of the garment industry in downtown Los Angeles.

22 **17. 2131 Humboldt Street, Los Angeles**

23 The subject property is owned by Meruelo Maddux Properties - 2131 Humboldt Street,  
24 LLC ("MMP 2131 Humboldt Street") and is partially encumbered by a lien in favor of Vahan &  
25 Anoush Chamlian ("Chamlian"). The subject property is located at the corner of Interstate 5  
26 Freeway and Humboldt Street near the Northern boundary of downtown Los Angeles. It is  
27 comprised of approximately 6.0 acres which has been partially improved with industrial buildings  
28 consisting of approximately 31,319 net rentable square feet. The largest component of this

1 property is unimproved land, which is encumbered and located at 2131 Humboldt Street and  
2 contains approximately 214,000 square feet of land with no improvements. This portion of the  
3 property is used from time to time for film shoots and associated parking.

4 The unencumbered portion is located at 336-346 and 350-354 North Avenue 21. It contains  
5 approximately 17,415 square feet of land and improvements containing approximately 14,668  
6 square feet of space. As of March 31, 2010, the improvements were leased to one tenant occupying  
7 approximately 17% of the total rentable area. The tenant is on a month to month tenancy. The  
8 average occupancy for month to month tenants is 44 months. The improved portion of the property  
9 is currently being utilized as an industrial and distribution space facility.

10 This property represents a large scale redevelopment site that could be redeveloped in a  
11 variety of ways to satisfy the developing needs of downtown Los Angeles space users both by itself  
12 or with other properties located in the same area and owned by other Debtors.

13 **18. 2529 Santa Fe Avenue, Vernon (Santa Fe Plaza)**

14 The subject property is owned by Merco Group – 2529 Santa Fe Avenue, LLC (“MG 2529  
15 Santa Fe Avenue”) and is encumbered by a lien in favor of 1248 Figueroa Street, LLC (“1248  
16 Figueroa”). The property is located in Vernon, California totaling approximately 1.3 acres which  
17 has been improved with a newly constructed retail plaza that opened in 2009 consisting of  
18 approximately 16,000 net rentable square feet. As of March 31, 2010, a portion of the  
19 improvements were leased to a restaurant occupying approximately 29.4% of the total rentable area  
20 with the lease expiring on April 30, 2013. The property is currently in lease up.

21 This property is an example of the development of urban in-fill property to satisfy the  
22 sometimes non-institutional needs of small businesses in downtown Los Angeles.

23 **19. 2640 East Washington Boulevard, Los Angeles (Washington Produce**  
24 **Market)**

25 The subject property is owned by 2640 Washington Boulevard, LLC (“2640 Washington  
26 Boulevard”) and is encumbered by a lien in favor of East West Bank as successor to United  
27 Commercial Bank (“UCB”). The property is located at 2640 East Washington Boulevard just  
28 south of downtown Los Angeles. It is comprised of one property totaling approximately 2.8 acres

1 which has been improved with a newly constructed modern produce center consisting of  
2 approximately 31,876 net rentable square feet. As of March 31, 2010, the improvements were  
3 leased to twenty-eight tenants occupying approximately 88.0% of the total rentable area. Twenty-  
4 seven of the tenants, occupying 97% of the rented space, are on month to month tenancies. The  
5 average occupancy for month to month tenants is 15 months. The largest tenant occupies 17.8%  
6 of the total area. The property is currently being utilized as a small-tenant produce industry space  
7 with coolers.

8 This property is an example of the Company's (a) significant expertise and presence and (b)  
9 focus on providing tailored solutions for a variety of space needs of the many small businesses in  
10 the food and produce distribution industry in downtown Los Angeles.

11 **20. 2951 Lenwood Road, Barstow (Barstow Produce Center)**

12 The subject property is owned by Meruelo Maddux Properties - 2951 Lenwood Road, LLC  
13 ("MMP 2951 Lenwood Road") and is encumbered by a secured lien in favor of FNBN-CMLCOM  
14 I, LLC ("FNBN"). The property is located at the intersection of Lenwood Road and the Interstate  
15 15 Freeway in Barstow, California. It is comprised of several properties totaling 75.0 acres which  
16 has been partially improved with three buildings consisting of approximately 261,650 net rentable  
17 square feet. The three buildings are comprised of a single-tenant cross dock building, a truck  
18 maintenance building, and a newly constructed multi-tenant cold storage building for produce  
19 tenants. As of March 31, 2010, the improvements were not leased.

20 This property is an example of the Company's (a) significant expertise and presence and (b)  
21 focus on providing tailored solutions for a variety of space needs of the many small businesses in  
22 the food and produce distribution industry.

23 **21. 3185 East Washington Boulevard, Los Angeles (Washington Cold**  
24 **Storage)**

25 The subject property is owned by Merco Group -- 3185 E. Washington Boulevard, LLC  
26 ("MG 3185 E. Washington Boulevard"). The property is commonly known as 3185 East  
27 Washington Boulevard in downtown Los Angeles. It is comprised of two parcels. The main,  
28 largest parcel is encumbered by a lien in favor of Chinatrust Bank (U.S.A.) ("Chinatrust"), and

1 totals approximately 2.7 acres which has been improved with a cold storage facility consisting of  
2 approximately 59,000 net rentable square feet. As of March 31, 2010, the improvements were  
3 leased to a tenant occupying 100% of the total rentable area. The property is currently being  
4 utilized as a single-tenant cold storage facility. MG 3185 E. Washington Boulevard also owns a  
5 small parcel across Washington Boulevard which is unencumbered.

6 This property is an example of the Company's (a) significant expertise and presence and (b)  
7 focus on providing tailored solutions for a variety of space needs of the many small businesses in  
8 the food and produce distribution industry in downtown Los Angeles.

9 **22. 620, 643 and 644 South Gladys Avenue, 830 - 838 East 6th Street and**  
10 **647 - 649 Ceres Avenue, Los Angeles**

11 The subject property is owned by Merco Group-620 Gladys Avenue, LLC ("MG 620  
12 Gladys Avenue") and is partially encumbered by a lien in favor of Legendary. The property  
13 generally is located at the corner of South Gladys Avenue and East 6th Street in the Seafood  
14 District of downtown Los Angeles. The property has been improved with several buildings  
15 housing numerous small businesses and an educational/daycare facility. The encumbered portion of  
16 the property is located at 620 S. Gladys Avenue, 830 - 838 East 6th Street and 647 - 649 Ceres  
17 Avenue. It contains approximately 107,795 square feet of land and improvements totaling  
18 approximately 73,253 square feet of space. It is being primarily used as a multi-tenant  
19 seafood/produce distribution facility. The unencumbered portion of the property is located at 643  
20 and 644 S. Gladys Avenue and contains approximately 17,400 square feet of land and  
21 improvements containing approximately 16,535 square feet of space. It is being used as a multi-  
22 tenant distribution space facility. As of March 31, 2010, the improvements on the subject property  
23 were leased to six tenants occupying approximately 78.0% of the total rentable area. Two of the  
24 tenants, occupying 46% of the rented space are on month to month tenancies. The average  
25 occupancy for month to month tenants is 24 months. The largest tenant occupies 15.7% of the total  
26 area.

1 This property is an example of the Company's (a) significant expertise and presence and (b)  
2 focus on providing tailored solutions for a variety of space needs of the many small businesses in  
3 the food and produce distribution industry in downtown Los Angeles.

4 **23. 2001 - 2021 West Mission Boulevard, Pomona**

5 The subject property is owned by Meruelo Maddux - Mission Boulevard, LLC ("MM  
6 Mission Boulevard") and is encumbered by a lien in favor of Kennedy Funding, Inc. ("Kennedy").  
7 The property is located adjacent to 1875 West Mission Boulevard in Pomona, California. It is  
8 comprised of one property totaling approximately 14.7 acres which has been improved with a  
9 three-story, single-tenant, office building consisting of approximately 242,042 net rentable square  
10 feet. As of March 31, 2010, the improvements were not leased.

11 This property represents a large scale redevelopment site that could be redeveloped in a  
12 variety of ways to satisfy the developing needs of Los Angeles space users.

13 **24. 1124 South Olive, 1117-1119 South Olive and 218 W. 11th Street, Los**  
14 **Angeles**

15 The subject property is owned by Merco Group-Little J, LLC ("MG Little J"). It is  
16 comprised of three separate properties, located on both sides of the 1100 block of South Olive  
17 Street in the South Park area of downtown Los Angeles. The western portion, which is  
18 encumbered by a lien in favor of Legendary, is improved with a building occupied by a restaurant  
19 tenant consisting of approximately 11,829 net rentable square feet. The remaining two properties,  
20 which are unimproved and unencumbered, are currently being utilized as parking lots. As of  
21 March 31, 2010, the improvements were leased to a restaurant occupying 100% of the total  
22 rentable area.

23 As a compliment to the commercial real estate activities of MMPI, the Company also  
24 focuses its expertise and downtown knowledge base on supplying residential units to individuals.  
25 This effort is geared towards (a) high density urban in-fill, (b) transit oriented and/or (c) affordable  
26 development of for rent or for sale product. This property is intended to be redeveloped for such  
27 uses.

1                   **25. 950 and 960 E. 3rd Street, Los Angeles**

2                   The subject property is owned by Merco Group, LLC ("MG") and is encumbered by two  
3                   liens in favor of Legendary, each on separate parcels.<sup>3</sup> The two properties are located at the corner  
4                   of East 3rd Street and South Santa Fe Avenue in the Arts District of downtown Los Angeles. It is  
5                   comprised of two separate properties totaling approximately 10.5 acres of which one has been  
6                   improved with a building occupied by the Southern California Institute of Architecture ("Sci-Arc")  
7                   consisting of approximately 81,741 net rentable square feet. The second property consists of  
8                   unimproved land which is entitled for 635 residential units and a portion of which is currently  
9                   being partially utilized as parking lot for Sci-Arc student parking. As of March 31, 2010, the  
10                  building was leased to Sci-Arc occupying approximately 100% of the total rentable area. Sci-Arc  
11                  exercised its option to extend its lease. The Debtor and Sci-Arc have entered into an agreement for  
12                  the purchase by Sci-Arc of the property where the building is located and the parking lot.

13                  As a compliment to the commercial real estate activities of MMPI, the Company also  
14                  focuses its expertise and downtown knowledge base on supplying residential units to individuals.  
15                  This effort is geared towards (a) high density urban in-fill, (b) transit oriented and/or (c) affordable  
16                  development of for rent or for sale product. This land portion of this property is intended to be  
17                  redeveloped for such uses.

18                   **26. 815 East Temple Street, 210 Center Street and 729 East Temple Street,**  
19                   **Los Angeles (Center Village)**

20                  The subject property is owned by Meruelo Farms, LLC ("Meruelo Farms") and is  
21                  encumbered by liens in favor of Imperial (on 815 East Temple Street) and Pacific Commerce Bank  
22                  ("PCB"), on 729 East Temple Street. The property is comprised of multiple properties totaling  
23                  approximately 5.3 acres of which 815 East Temple Street has been improved by a cold storage and  
24                  processing facility and 729 East Temple Street has been improved by industrial buildings. The  
25                  subject properties consist of approximately 176,628 net rentable square feet. The unimproved

26 \_\_\_\_\_  
27 <sup>3</sup> The Debtors reserve the right to assert that Legendary's lien is void or voidable.  
28

1 portions of the properties are currently being held as parking lots. As of March 31, 2010, the  
2 improvements at 815 East Temple Street were partly leased to a food processing tenant occupying  
3 approximately 14% of the total rentable area.

4 815 East Temple is an example of the Company's (a) significant expertise and presence and  
5 (b) focus on providing tailored solutions for a variety of space needs of the many small businesses  
6 in the food and produce distribution industry in downtown Los Angeles. 729 East Temple is  
7 intended to be a home to a large assortment of small business owners prevalent in downtown Los  
8 Angeles whereby the Company looks to support and incubate their businesses.

9 **27. 833 Wall Street (Wall Street Market), Los Angeles**

10 The subject property is owned by Meruelo Wall Street, LLC ("Meruelo Wall Street") and is  
11 encumbered by a lien in favor of East West as successor to UCB. The property is located at the  
12 intersection of East 9th Street and Wall Street in the Garment District of downtown Los Angeles.  
13 It is comprised of one property totaling approximately 2.1 acres which has been improved with a  
14 multi-tenant building consisting of approximately 98,245 net rentable square feet and rooftop  
15 parking. As of March 31, 2010, the improvements were leased to fifty-five tenants occupying  
16 approximately 94% of the total rentable area. All of the tenants are on month to month tenancies.  
17 The average occupancy for month to month tenants is 45 months. The property is currently being  
18 utilized as a garment wholesale and retail and office space facility.

19 This property is an example of how MMPI services the multitude of business owners and  
20 their numerous employees who are involved in the (a) design, (b) production and (c) distribution  
21 sectors of the garment industry in downtown Los Angeles.

22 **28. 1875 West Mission Boulevard, Pomona**

23 The subject property is owned by Merco Group – 2001 – 2021 West Mission Boulevard,  
24 LLC ("MG 2001 – 2021 West Mission Boulevard") a part of which is encumbered by a lien in  
25  
26  
27  
28

1 favor of PNL Pomona.<sup>4</sup> The property is located at 1875 West Mission Boulevard in Pomona, CA.  
2 It is comprised of two properties totaling approximately 27.7 acres on which is presently located an  
3 industrial building consisting of approximately 424,309 net rentable square feet. As of March 31,  
4 2010, the improvements were not leased.

5 This property represents a large scale redevelopment site that could be redeveloped in a  
6 variety of ways to satisfy the developing needs of Pomona space users.

7 **29. Santa Fe Commerce Center – 2445, 2460 and 2535 East 12th Street, Los**  
8 **Angeles**

9 The subject property is owned by Santa Fe Commerce Center, Inc. ("Santa Fe Commerce  
10 Center") and is encumbered by a lien in favor of Wells Fargo Bank, N.A., successor by  
11 consolidation to Wells Fargo Bank Minnesota, National Association as Trustee for the Registered  
12 Certificateholders of GMAC Commercial Mortgage Securities, Inc., Mortgage Pass-Through  
13 Certificates, Series 2002-C1 ("Wells Fargo"). In this case, Wells Fargo has acted by and through  
14 Berkadia Commercial Mortgage, Inc., its Special Servicer, and is referred to hereinafter as  
15 "Berkadia."

16 The property is located at 2445, 2460 and 2535 East 12th Street in the Southeast Industrial  
17 District of downtown Los Angeles. It is comprised of one property totaling approximately 6.8  
18 acres which has been improved with a three building industrial complex consisting of  
19 approximately 244,501 net rentable square feet. As of March 31, 2010, the improvements were  
20 leased to seven tenants occupying approximately 82% of the total rentable area. Three of the  
21 tenants, occupying 40% of the rented space, are on month to month tenancies. The average  
22 occupancy for month to month tenants is 86 months. The largest tenant occupies 35.7% of the total  
23 area. The property is currently being utilized as a multi-tenant industrial space facility.

24

25

26 <sup>4</sup> For purposes of clarification, readers should note that the real property located at 2001-2021 W.  
27 Mission Boulevard is not owned by MG 2001-2021 West Mission Boulevard but is instead owned  
28 by MM Mission Boulevard, LLC.



1 This property is an example of how MMPI services the multitude of business owners and  
2 their numerous employees who are involved in the (a) design, (b) production and (c) distribution  
3 sectors of the garment industry in downtown Los Angeles.

4 **30. 1009 North Citrus Avenue, Covina (Citrus Gardens)**

5 The subject property is owned by Meruelo Maddux Properties - 1009 North Citrus Avenue,  
6 Covina, LLC ("MMP 1009 N. Citrus Avenue") and is unencumbered. The property is located at  
7 1009 North Citrus Avenue in Covina, California. It is comprised of approximately 2.5 acres of  
8 land which has been entitled for 52 residential units. The property is currently vacant.

9 This property is an example of how the Company focuses its expertise and downtown  
10 knowledge base on supplying residential units to individuals. This effort is geared towards (a) high  
11 density urban in-fill, (b) transit oriented and/or (c) affordable development of residences.

12 **31. 817-825 South Hill Street, Los Angeles (Ullman Tower Two)**

13 The subject property is owned by Meruelo Maddux-817-825 S. Hill Street, LLC ("MM  
14 817-825 S. Hill Street") and is unencumbered. The property is located at 817-825 South Hill Street  
15 in the Historic Core/ Jewelry district of downtown Los Angeles. It is comprised of one property  
16 totaling approximately 1.0 acres of land being utilized as a commercial parking lot facility.

17 While currently being utilized as a parking facility, this property is an example of how the  
18 Company focuses its expertise and knowledge base on supplying future residential units to  
19 individuals. This effort is geared towards (a) high density urban in-fill, (b) transit oriented and/or  
20 (c) affordable development of residences.

21 **32. 1060 North Vignes, Los Angeles (Vignes Village)**

22 The subject property is owned by Meruelo Maddux Properties-1060 N. Vignes, LLC  
23 ("MMP 1060 N. Vignes") and is unencumbered. The property is located near the corner of North  
24 Vignes Street and North Main Street near Chinatown in downtown Los Angeles. It is comprised of  
25 one property totaling approximately 4.0 acres of land, which is currently unoccupied. Interim  
26 operating revenue is typically generated from parking revenues from film production parking.

1 This property is an example of how the Company focuses its expertise and downtown  
2 knowledge base on supplying residential units to individuals. This effort is geared towards (a) high  
3 density urban in-fill, (b) transit oriented and/or (c) affordable development of residences.

4 **33. 12361 and 12385 San Fernando Road, Sylmar (San Fernando Court)**

5 The subject property is owned by Meruelo Maddux Properties - 12385 San Fernando Road,  
6 LLC ("MMP 12385 San Fernando Road") and is unencumbered. The property is located at 12361  
7 and 12385 San Fernando Road in Sylmar, California. It is comprised of approximately 5.5 acres of  
8 land entitled for approximately 247 residential housing units, along with retail and office space.

9 This property is an example of how the Company focuses its expertise and knowledge base  
10 on supplying residential units to individuals. This effort is geared towards (a) high density urban  
11 in-fill, (b) transit oriented and/or (c) affordable development of residences.

12 **34. 801 East 7th Street, Los Angeles**

13 Merco Group – 801 E. 7th Street, LLC owns a parking lot located at 648 S. Stamford  
14 Avenue in downtown Los Angeles that occupies approximately 0.13 acres and is unencumbered. It  
15 generates no income currently.

16 **35. 1308 South Orchard, Los Angeles**

17 The subject property is owned by Merco Group - 1308 S. Orchard, LLC ("MG 1308 S.  
18 Orchard") and is unencumbered. The subject property is located west of downtown Los Angeles. It  
19 is comprised of approximately 0.3 acres of land.

20 **36. 758 Ceres Avenue, Los Angeles (Ceres Street Produce Market)**

21 The subject property is owned by Merco Group - Ceres Street Produce, LLC ("MG Ceres  
22 Street Produce") and is unencumbered. The property is located in the industrial district of  
23 downtown Los Angeles. It is comprised of approximately 0.4 acres of land.

24 This property is intended to be developed based upon the Company's (a) significant expertise and  
25 presence and (b) focus on providing tailored solutions for a variety of space needs of the many  
26 small businesses in the food and produce distribution industry in downtown Los Angeles.

1           **37. 336 West 11th Street, Los Angeles (South Park Towers)**

2           The subject property is owned by Meruelo Maddux - 336 W. 11th Street, LLC (“MM 336  
3 W. 11th Street”) and is encumbered by a lien in favor of Legendary. The property is located at the  
4 corner of West 11th Street and South Olive Street in the South Park area of downtown Los  
5 Angeles. The property is entitled for an 80 unit residential development. It is comprised of  
6 approximately 0.7 acres of land being utilized as a parking lot.

7           This property is an example of how the Company focuses its expertise and downtown  
8 knowledge base on supplying residential units to individuals. This effort is geared towards (a) high  
9 density urban in-fill, (b) transit oriented and/or (c) affordable development of residences.

10           **38. 915-949 South Hill Street, Los Angeles (Ullman Tower One)**

11           The subject property is owned by Meruelo Maddux - 915-949 S. Hill Street, LLC (“MM  
12 915-949 S. Hill Street”) and is encumbered by a lien in favor of Imperial. The property is located  
13 at 915-949 South Hill Street in the South Park area of downtown Los Angeles. It is comprised of  
14 approximately 1.5 acres of land being utilized as a commercial parking lot.

15           This property is an example of how the Company focuses its expertise and downtown  
16 knowledge base on supplying residential units to individuals. This effort is geared towards (a) high  
17 density urban in-fill, (b) transit oriented and/or (c) affordable development of residences.

18           **39. 900, 910 and 926 East 4th Street and 405 – 411 S. Hewitt Street, Los**  
19           **Angeles**

20           The subject property is owned by Merco Group - 4th Street Center, LLC (“MG 4th Street  
21 Center”) and is encumbered by a lien in favor of Legendary. The property is located at the corner  
22 of South Hewitt Street and East 4th Street in the Arts District of downtown Los Angeles. It is  
23 comprised of approximately 1.3 acres which has been improved with two buildings consisting of  
24 approximately 13,430 net rentable square feet. As of March 31, 2010, the improvements were  
25 leased to one tenant occupying 53% of the net rentable area. The lease is subject to renewal in  
26 2011. The property is a multi-tenant industrial and distribution space facility.

27           This property is intended to be used by an assortment of small business owners prevalent in  
28 downtown Los Angeles whereby the Company looks to support and incubate their businesses.

1                   **40. 425 West 11th Street, Los Angeles (Desmond Building)**

2                   The subject property is owned by Merco Group - 425 West 11th Street, LLC ("MG 425 W.  
3 11th Street") and is encumbered by a lien in favor of Legendary. The subject property consists of  
4 two properties located on 11th Street, a few blocks away from the Staples Center and LA Live in  
5 the South Park area of downtown Los Angeles. The two properties total approximately 0.67 acres  
6 which has been improved with a multi-story industrial building known as the "Desmond Building"  
7 consisting of approximately 78,500 net rentable square feet. As of March 31, 2010, the  
8 improvements were leased to a tenant occupying approximately 20.0% of the total rentable area.  
9 The tenant is on a month to month tenancy with the average occupancy of 48 months. The other  
10 property is currently utilized as a parking lot.

11                   Both the improved and unimproved parts of this property are intended to be redeveloped  
12 based on the Company's focus on supplying residential units to individuals. This effort is geared  
13 towards (a) high density urban in-fill, (b) transit oriented and/or (c) affordable development of  
14 residences.

15                   **41. West 11th Street and South Grand Avenue, Los Angeles (Southpark  
16 Towers, TransAmerica Lofts & Olive Street Towers)**

17                   The subject properties are owned by Merco Group -- Southpark, LLC ("MG Southpark"),  
18 and are encumbered by a lien in favor of Bank of America. The properties are approximately three  
19 to four blocks east of the Staples Center and the L.A. Live complex. One property is located along  
20 Pico Boulevard between Olive Street and Hill Street, and consists of four adjacent parcels, part of  
21 which is improved with a three-story parking structure and an adjoining one-story brick industrial  
22 building. One and one-half blocks northeast of the first property is another property located at the  
23 intersection of 11th Street and South Olive Street, consisting of one parcel. One full major street  
24 west of the first two properties is the third property, located along South Grand Avenue and  
25 reaching to the corner of 12th Street and South Olive Street, consisting of three parcels. Pending  
26 development or sale, the properties are leased to Prestige Parking and utilized as parking lots.

1 This property is an example of how the Company focuses its expertise and downtown  
2 knowledge base on supplying residential units to individuals. This effort is geared towards (a) high  
3 density urban in-fill, (b) transit oriented and/or (c) affordable development of residences.

4 **C. Consolidated Operations**

5 The Company's business model and strength is based on the fact that it is a single enterprise  
6 with a single management team that manages a portfolio of properties that were assembled and are  
7 managed in an efficient and synergistic manner. In addition, the acquisition and development of a  
8 relatively large number of properties in a small geographic area allows for great flexibility in the  
9 development of such properties. Accordingly, the properties together are more valuable than the  
10 properties separately because of this synergistic relationship. For instance, the Company is an  
11 incubator for small businesses. Certain properties in the portfolio are conducive to start-up  
12 businesses (e.g., smaller tenant spaces, less expensive costs). As those start-up businesses grow,  
13 the Company has the flexibility to move them to another property to meet the needs of their  
14 growing businesses. This is particularly true with respect to Alameda Square, Seventh Street  
15 Produce Market, 788 Alameda, and 2640 Washington. Additionally, certain employees of  
16 businesses at the larger facilities of Alameda Square or Seventh Street Produce Market learn the  
17 business then start their own businesses, often at one of the smaller facilities. This is also true of  
18 the Company's garment tenants. Urban in-fill development is very different from single-family  
19 home-building over large swaths of land. Urban in-fill development involves many moving parts  
20 which may require business relocations amongst various properties. In the process, the Company is  
21 able to improve and update facilities and organize these smaller businesses into a cohesive market  
22 that helps improve the business of each.

23 Although the Debtors formally consist of a parent company and various levels of subsidiary  
24 Debtors, including the Property Level Debtors, the Company has been, before and after its  
25 formation in 2006, and presently continues to be, effectively operated as a single enterprise. With  
26 limited exceptions, revenues for each of the entities are commingled, and the funds are used to pay  
27 the expenses of MMPI and the subsidiary Debtors. Accordingly, there are some Debtors which  
28 generate revenues in excess of operating expenses and debt service, but there are some that do not.

1 The Company may purchase and keep properties that are cash flow negative because the Company  
2 believes that those properties will, in time, generate a positive return and the enterprise will be  
3 significantly more valuable as a result. The recent unprecedented freezing of credit markets and  
4 economic downturn caused the Company to suspend substantially all of its various development  
5 projects.

6 Before and after the IPO, like most larger developers, the Debtors utilized a concentration  
7 account for its cash management. The cash management system provides for funds to flow to and  
8 from a cash concentration account maintained by MMPLP. The concentration account is linked to  
9 the operating bank accounts of each of Debtors, which bank accounts are maintained as zero  
10 balance accounts. When needed to fund payment on checks issued by a particular affiliate, funds  
11 are transferred from the concentration account to the operating account of that affiliate. Excess  
12 funds, if any, are invested in interest bearing accounts pending their utilization. The Company  
13 rarely disrupts this flow of funds.

14 As a public company, MMPI has been required to file various reports with the SEC,  
15 including among others, quarterly reports as well as annual reports with audited financial  
16 statements. These reports have been prepared and filed on a consolidated basis. Although the  
17 Debtors' SEC filings do provide information relating to individual subsidiaries, the filings  
18 generally discuss the business as a consolidated enterprise. This consolidated reporting is a  
19 manifestation of the synergy and economic efficiencies gained through the Company's corporate  
20 structure. The indirect overhead expenses for administrative services provided by certain Debtors  
21 may be allocated to other Debtors. With a few exceptions, revenues received from the operation of  
22 the Debtors' properties are swept daily into a general operating account, and the Debtors'  
23 obligations are paid from such account.

24 **D. THE DEBTORS' CURRENT AND ON-GOING BUSINESS STRATEGIES**

25 The Company's business is focused on real estate development and redevelopment. The  
26 substantial majority of the Company's properties are not stabilized, i.e., the property is either not a  
27 rental property or if a rental property, the property has not reached full occupancy or has not yet  
28 been redeveloped to its full income producing level. The Company's strategy has three primary