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Successor in Interest to GRAND AVENUE LOFTS, LP
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7 UNITED STATES BANKRUPTCY COURT
8 CENTRAL DISTRICT OF CALIFORNIA
9 SAN FERNANDO VALLEY DIVISION
10

11 In re:

12 MERUELO MADDUX PROPERTIES,
13 INC., et al,

14 Debtors-In-Possession.

15 ■ Affects All Debtors
16
17

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

Chapter 11
(Jointly Administered)

**OBJECTION OF GRAND AVENUE
LOFTS, LP TO DEBTORS' SECOND
AMENDED JOINT DISCLOSURE
STATEMENT DESCRIBING SECOND
AMENDED JOINT PLAN OF
REORGANIZATION MERUELO
MADDUX PROPERTIES, INC., ET AL.**

DATE: June 14, 2010

TIME: 9:30 a.m.

CTRM: "301" 21041 Burbank Blvd.,
Woodland Hills, CA 91367

JUDGE: Hon. Kathleen Thompson
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22 CIM Urban RE Fund GP II, LLC, as Successor in Interest to Grand Avenue Lofts, LP ("Grand
23 Avenue"), through counsel, files this Objection (the "Objection") of Grand Avenue Lofts, LP to
24 Debtors' Second Amended Joint Disclosure Statement Describing Second Amended Joint Plan of
25 Reorganization of Meruelo Maddux Properties, Inc., et al (the "Second Amended Disclosure
26 Statement"). The Disclosure Statement is filed in support of the Debtors' Second Amended Joint
27 Chapter 11 Plan of Meruelo Maddux Properties, Inc., et al. (the "Second Amended Plan"). In further
28 support of this Objection, Grand Avenue represents as follows:

1 **I. PRELIMINARY STATEMENT**

2 Grand Avenue previously filed an objection to the Debtors' First Amended Disclosure
3 Statement on grounds that the Debtors mischaracterize and purport to discharge a valid property right
4 of Grand Avenue. In its Second Amended Disclosure Statement, the Debtors have failed to remedy
5 that flaw. Moreover, because the Second Amended Disclosure Statement is filed in support of a plan
6 which would unjustly extinguish this property right, the Second Amended Disclosure Statement
7 likewise should not be approved by the Court. Pursuant to section 1125 of the United States Code (the
8 "Bankruptcy Code"), the Second Amended Disclosure Statement also fails to provide adequate
9 information for how the Plan will treat Grand Avenue's property right. Finally, the Second Amended
10 Plan is also not confirmable as a matter of law. For all of the foregoing reasons, the Second Amended
11 Disclosure Statement should not be approved by the Court.

12 **II. JURISDICTION AND VENUE**

13 This Court has jurisdiction to consider the Objection pursuant to 28 U.S.C. § 1334.
14 Consideration of the Objection is a core proceeding pursuant to 28 U.S.C. § 157(b).

15 Venue in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409 because this is the
16 district where the chapter 11 cases for the Debtors are pending.

17 **III. BACKGROUND**

18 **A. Case History**

19 On March 27, 2009, Meruelo Maddux Properties, Inc. and 53 of its related debtor entities filed
20 voluntary bankruptcy petitions (each a "Debtor" and, collectively, the "Debtors").

21 On February 27, 2010, the Debtors filed (i) the Amended Disclosure Statement, and (ii) the
22 Amended Plan. Thereafter, on May 5, 2010 the Debtors filed (i) the Second Amended Disclosure
23 Statement, and (ii) the Second Amended Plan.

24 **B. Grand Avenue's Property Rights**

25 On September 28, 2005, Grand Avenue conveyed certain real property (the "Property") to
26 Meruelo Maddux-336 W. 11th Street, LLC, a Debtor, pursuant to that certain Deed (the "Grant Deed").
27 See Grant Deed, a true and correct copy of which is attached hereto as **Exhibit A**. On October 4, 2005,
28 the Grant Deed was duly filed in the official records at the recorder's office in Los Angeles County,

1 California. *See id.*

2 As noted in the Grant Deed, the Debtor “agreed to construct, deliver and license to Grand
3 Avenue 132 parking spaces to be located in a parking structure” on the Property (the “Parking
4 Structure”). *See id.*, ¶ 1. Grand Avenue reserved “the right, at its option, to reenter and take possession
5 of all or any of the Property” if the Debtor failed to timely or diligently complete the Parking Structure.
6 *See id.*, ¶ 2.¹

7 The Grant Deed provided that the terms of the agreement “shall be binding for the benefit of
8 [Grand Avenue] and such terms shall run with the land without regard to whether [the Debtor] is or
9 remains an owner of the Property.” *See id.*, ¶ 6-7 (“The right of [Grand Avenue] to reenter and take
10 possession of the Property shall be an encumbrance on the Property...”).

11 The Debtor failed to perform its obligation, pursuant to the Grant Deed, to construct the
12 Parking Structure.

13 By the Second Amended Disclosure Statement, the Debtors are proposing to unjustly retain the
14 Property absent Grand Avenue’s right of reentry despite the fact that the right of reentry is a validly
15 recorded property interest that runs with the land pursuant to the Grant Deed and applicable California
16 law.

17 **IV. DISCUSSION**

18 **A. Grand Avenue Possesses a Property Right**

19 As a preliminary matter, Grand Avenue has a property interest, not merely a claim, in the
20 Property such that its underlying rights cannot be discharged or extinguished through bankruptcy.
21 California Civil Code § 1468 provides that covenants to do or refrain from doing some act “run with
22 the land” when four requirements are met:

- 23 1. The land is particularly described in the instrument.
- 24 2. Successive owners are expressly bound in the instrument.
- 25 3. The act “touches and concerns” the land.
- 26 4. The instrument containing the covenant is recorded.

27 _____
28 ¹ The Debtor parties to agreements relating to Grand Avenue’s rights include: Merco Group-Little J, LLC,
Meruelo Maddux Properties, Inc., Meruelo Maddux-336 W. 11th Street, LLC, and Merco Group-Southpark, LLC

1 Cal. Civil Code § 1468.

2 Here, the right of reentry contained in the Grant Deed meets all four elements such that the
3 right of reentry, under California law, is a covenant that runs with the land. First, the introduction
4 paragraph to the Grant Deed notes that the Property is “more particular described in Exhibit ‘1’
5 attached hereto and incorporated herein by this reference” such that the first element for a covenant to
6 run with the land is satisfied. See **Exhibit A**. The second element is satisfied by Paragraph 6 of the
7 Grant Deed which states, “the terms of this Grant Deed shall be binding for the benefit of [Grand
8 Avenue] and such terms shall run with the land without regard to whether [the Debtor] is or remains an
9 owner of the Property.” See **Exhibit A**, ¶ 6. Further, the right of reentry “touches and concerns” the
10 land because it stems from a covenant to construct the Parking Structure on the actual Property. See
11 **Exhibit A**, ¶ 1-2. And finally, the recordation requirement was satisfied on October 4, 2005 when the
12 Grant Deed was officially recorded. See **Exhibit A**. Therefore, as a covenant running with the land,
13 the right of reentry is in the nature of a property right, which generally is not discharged or modified by
14 a bankruptcy petition. See, e.g., *In re Consolidated Financial Planning Corp.*, 65 B.R. 711, 713 (9th
15 Cir. BAP 1986) (holding a preemption agreement runs with the land) (overturned on other grounds);
16 *In re Rivera*, 256 B.R. 828, 832 (Bankr. M.D. Fla. 2000) (“Generally, the discharge does not modify
17 property rights.”).

18 The right of reentry is an integral part of the Property that the Debtor acquired, and as such, the
19 Debtor never had title free and clear of that certain property right. See, e.g., *id.* at 834 (“Therefore, to
20 release the debtor from a recorded covenant is to take a property interest away from the [nondebtor]
21 and give the debtor a property interest which the debtor never had in the first place.”). In the instant
22 case, the discharge of the right of reentry would, in effect, be a forced conveyance of a property
23 interest, something clearly beyond the scope of a discharge that would ultimately give the Debtors a
24 property interest they did not have before filing their bankruptcy petitions. See *id.* Therefore, the
25 Debtors’ attempt to unjustly treat Grand Avenue’s property right as an extinguishable claim is not only
26 unequitable, but also unlawful. The Second Amended Disclosure Statement mischaracterizes Grand
27 Avenue’s property right and provides misleading information respecting treatment of that property
28 right under the Plan. Accordingly, the Second Amended Disclosure Statement cannot be approved by

1 this Court.

2 **B. The Second Amended Disclosure Statement Fails to Provide Adequate**
3 **Information Regarding Grand Avenue's Property Interest**

4 Bankruptcy Code section 1125 defines "adequate information" as "information of a kind, and in
5 sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and
6 the condition of the debtor's books and records...[that would enable]...a hypothetical investor typical
7 of holders of claims or interests of the relevant class...to make an informed judgment about the plan."
8 11 U.S.C. § 1125(a)(1). Both creditors and the court rely on the disclosure statement for information to
9 assist them in making an informed judgment about a plan of reorganization and, accordingly, it must
10 provide enough information to enable interested persons to make an informed choice between two
11 alternatives. *Eubanks v. FDIC*, 977 F.2d 166, 169 (5th Cir. 1992) (holding that disclosure statement
12 must provide information that would enable a hypothetical reasonable investor typical of holders of
13 claims or interest of the relevant class to make an informed judgment about the plan); *In re U.S. Brass*
14 *Corp.*, 194 B.R. 420, 423 (Bankr. E.D. Tex. 1996); *Momentum Mfg. Corp. v. Employee Creditors*
15 *Comm. (In re Momentum Mfg. Corp.)*, 25 F.3d 1132, 1136 (2d Cir. 1994); *In re Scioto Valley Mortgage*
16 *Co.*, 88 B.R. 168 (Bankr. S.D. Ohio 1988). It has been held that "[t]he importance of full disclosure is
17 underlaid by the reliance placed upon the disclosure statement by the creditors and the court. Given
18 this reliance, we cannot overemphasize the debtor's obligation to provide sufficient data to satisfy the
19 Code standard of 'adequate information.'" *In re Little*, 126 B.R. 861, 867 (Bankr. N.D. Miss. 1991).

20 Courts and commentators have provided lists of the type of information that should be
21 addressed in a disclosure statement to provide adequate information. Ultimately, however, what
22 constitutes adequate information in any particular instance must be determined based on the facts and
23 circumstances presented by each case. *In re Tex. Extrusion Corp.*, 844 F.2d 1142, 1157 (5th Cir. 1988).
24 However, a disclosure statement should generally set forth all of those factors presently known to the
25 plan proponent that bear upon the success or failure of the proposed plan. *In re Scioto Valley Mortgage*
26 *Co.*, 88 B.R. at 170. The legislative history to Bankruptcy Code section 1125 reveals that the broad
27 standards established by Congress for determining what constitutes adequate information were
28 designed to permit a case-by-case determination of whether a particular disclosure statement was

1 adequate based on the facts and circumstances of each case. S. Rep. No. 989, 95th Cong., 2d Sess. 121
2 (1978), reprinted in 1978 U.S.C.C.A.N. 5787, 5907; *In re Ferretti*, 128 B.R. 16, 18 (Bankr. D.N.H.
3 1991). Here, the Second Amended Disclosure Statement in its current form is both facially and
4 fundamentally deficient.

5 A critical component of Grand Avenue's decision to vote for or against the Plan is how the Plan
6 proposes to handle Grand Avenue's rights in the Property. Incredibly, however, the Second Amended
7 Disclosure Statement does not acknowledge that Grand Avenue has any existing property rights in the
8 Property. Absent additional disclosures relating to Grand Avenue's existing property rights, it is
9 impossible for a "hypothetical investor," much less Grand Avenue, to make an informed judgment
10 about the Plan. In fact, as a direct result of the Debtors' non-disclosures, major issues pertaining to the
11 Property, including but not limited to its value and its alienability, are left unanswered. Grand Avenue
12 has no choice but to object to the Second Amended Disclosure Statement because it cannot be
13 reasonably expected to make an informed decision about how to vote on the Plan without receiving
14 accurate information about the proposed treatment of its property rights in the Property.

15 **C. The Plan is Unconfirmable as a Matter of Law**

16 If the Plan is, on its face, non-confirmable as a matter of law this Court must disapprove the
17 Second Amended Disclosure Statement. *In re U.S. Brass Corp.*, 194 B.R. 420 (Bankr. E.D. Tex.
18 1996); *In re 266 Washington Associates*, 141 B.R. 275, 288 (Bankr. E.D.N.Y. 1992); *In re Dow*
19 *Corning Corp.*, 237 B.R. 380 (Bankr. E.D. Mich. 1999). Although the hearing on approval of a
20 disclosure statement is not a hearing on plan confirmation, a disclosure statement should be
21 disapproved where a plan is not capable of being confirmed, because the bankruptcy court's approval
22 of a disclosure statement is an early step in the confirmation process, followed by time-consuming and
23 expensive solicitation procedures and confirmation hearings. *266 Washington Associates*, 141 B.R. at
24 288.

25 Here, approval of the Second Amended Disclosure Statement, where the Plan is patently
26 unconfirmable, can only harm the Debtors' estates. Thus, even if this Court should find that the
27 proposed Second Amended Disclosure Statement meets the informational standard contained in
28 Bankruptcy Code section 1125, this Court is authorized to deny approval of the Second Amended

1 Disclosure Statement on the grounds that the underlying Plan is patently unconfirmable. *See, e.g., In*
2 *re Mahoney Hawkes, LLP*, 289 B.R. 285, 294 (Bankr. D. Mass. 2002). The Court, therefore, should
3 not allow the process of soliciting the Plan to proceed when it is clear that the only possible result is
4 failure to confirm the Plan and further delay and expense to the estate.

5 **1. The Plan violates the best interest of the creditors test under 1129(a)(7)**

6 Because Grand Avenue is an impaired, non-consenting creditor, the Debtors must establish that
7 Grand Avenue is receiving more under the Plan than it would under a chapter 7 liquidation. 11 U.S.C.
8 § 1129(a)(7); *see also In re Patrician St. Joseph Partners*, 169 B.R. 669, 680 (D. Ariz. 1994) (“This
9 requirement has been commonly referred to as the ‘best interest of creditors’ test and compliance is a
10 prerequisite to plan confirmation.”). The Debtors simply cannot meet this burden. In the event of a
11 chapter 7 liquidation, the Debtors would still be unable to sell the Property free and clear of Grand
12 Avenue’s property interest pursuant to Bankruptcy Code 363(f). *See, e.g., In re Rivera*, 256 B.R at 832
13 (noting that a discharge does not impact property rights). Because the Plan does not comply with
14 section 1129(a)(7), the Plan cannot be confirmed.

15 **2. The Plan violates the absolute priority rule under section 1129(b)(2)(B)**

16 Even assuming *arguendo* that Grand Avenue has an unsecured claim² rather than a property
17 right, the Plan is still, on its face, non-confirmable. Section 1129(b)(2)(C) of the Bankruptcy Code sets
18 forth the “fair and equitable” standard for plan confirmation, which is based on the pre-code absolute
19 priority rule. This rule provides that the debtor may not retain its equity interests unless all creditors
20 under a plan of reorganization receive 100% of their claims. *Norwest Bank Worthington v. Ahlers*, 485
21 U.S. 197, 202 (1988).

22 The absolute priority rule requires that an objecting unsecured creditor receive cash or other
23 property equal to the present value of their claims before any of a debtor’s former equity holders retain
24 any equity interest. 11 U.S.C. § 1129(b)(2)(B); *In re Ambanc LaMesa, Ltd. P’ship*, 115 F.3d 650, 654
25 (9th Cir. 1997). If a plan does not provide for the payment of the unsecured classes in full, the plan
26 may not even allow a debtor’s existing equity holders the exclusive opportunity to buy new equity in
27

28 ² Grand Avenue does not concede or admit that it does not have a valid property right in the Property that runs
with the land.

1 the reorganized debtor during an exclusive period without violating the absolute priority rule. *Bank of*
2 *Am. Nat'l Trust & Sav. Ass'n. v. 203 N. LaSalle St. P'ship*, 526 U.S. 434, 454 (1999).

3 Here, the Plan does not satisfy Grand Avenue's claim in full, yet the Property is going to equity
4 interests in violation of the absolute priority rule. Accordingly, the Plan violates the absolute priority
5 rule and is unconfirmable as a matter of law. Therefore, the Second Amended Disclosure Statement
6 should not be approved as solicitation will be a waste of estate resources.

7 **V. CONCLUSION**

8 Apart from the obvious fact that the Plan is unconfirmable as a matter of law, Grand Avenue
9 also objects to the Second Amended Disclosure Statement because of the blatant and unjust
10 mischaracterization of its property right and lack of adequate information. Accordingly, Grand Avenue
11 reserves the right to raise these and other objections in connection with the confirmation of the Plan.

12 WHEREFORE, for all of the foregoing reasons, Grand Avenue respectfully requests that the
13 Court (i) deny approval of the Second Amended Disclosure Statement, and (ii) grant Grand Avenue
14 such other and further relief as this Court deems just and proper.

15 Dated: May 17, 2010

Respectfully submitted,

16 AKIN GUMP STRAUSS HAUER & FELD LLP

17 By: /s/ Peter J. Gurfein

Peter J. Gurfein

18 Attorneys for CIM Urban RE Fund GP II, LLC, as
19 Successor in Interest to GRAND AVENUE
20 LOFTS, LP

EXHIBIT A

This page is part of your document - DO NOT DISCARD

05 2387919

RECORDED/FILED IN OFFICIAL RECORDS
RECORDER'S OFFICE
LOS ANGELES COUNTY
CALIFORNIA
10/04/05 AT 08:00am

TITLE(S) : DEED



FEE

FEE \$28 E

TRANSFER TAX
NOT A PUBLIC RECORD

D.T.T.

CODE
20

CODE
19

CODE
9

SURVEY, MONUMENT FEE \$10. CODE 9S

NOTIFICATION SENT \$4

Assessor's Identification Number (AIN)

To be completed by Examiner OR Title Company in black ink.

Number of AIN's Shown

5139 - 020 - 025

001

THIS FORM IS NOT TO BE DUPLICATED

10/4/05

2

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

05 2387918

c/o Meruelo Maddux Properties
761 Terminal Street
Building 1, 2nd Floor
Los Angeles, California 90021
Attention: Richard Meruelo

With a copy to.

FSPW Law, LLP
300 S Grand Avenue, 14th Floor
Los Angeles, California 90071
Attention Terrence R. Pace

MAIL TAX STATEMENTS TO

c/o Meruelo Maddux Properties
761 Terminal Street
Building 1, 2nd Floor
Los Angeles, California 90021
Attention: Richard Meruelo

(Above space for Recorder's use only)

GRANT DEED

TRANSFER TAX
NOT A PUBLIC RECORD

The undersigned grantor declares:

Documentary Transfer Tax not shown pursuant
to Section 11932 of the Revenue and
Taxation Code, as amended

City of Los Angeles, California

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, GRAND AVENUE LOFTS, LP, a California limited partnership ("Grantor"), hereby grants to MERUELO MADDUX - 336 W. 11TH STREET, LLC, a Delaware limited liability company ("Grantee"), that certain real property (the "Property") in the City of Los Angeles, County of Los Angeles, State of California, more particular described in Exhibit "1" attached hereto and incorporated herein by this reference, subject to all non-delinquent general and special real property taxes and assessments, all matters appearing of record in the office of the Recorder of said county, and the following:

1 The Property is conveyed subject to (i) that certain Agreement Regarding Construction of Parking Structure dated September 21, 2005 and recorded concurrently herewith (the "Construction Agreement"), between Grantee and Merco Group - Southpark, LLC, a California limited liability company ("Southpark"), and Merco Group - Little J, LLC, a California

Executed in Court for part of 5134-020-025

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limited liability company ("MM/Little J"), as "Developer," and Grand Avenue Lofts, LLC, a Delaware Limited Liability company ("Grand Avenue"), and (ii) that certain Parking License Agreement dated September 21, 2005 and recorded concurrently herewith, between Grantee, Southpark, Merco Group – 425 W. 11th Street, LLC, a California limited liability company, and MM/Little J, as "Licensor", and Grand Avenue, as "Licensee" (the "Parking License", and together with the Construction Agreement, collectively, the "Parking Agreements"), pursuant to which, among other things, Developer and Licensor have agreed to construct, deliver and license to Grand Avenue 132 parking spaces (the "Grand Lofts Parking Spaces") to be located in a parking structure (the "Parking Structure") to be constructed by Developer on property that may include the Property. Capitalized terms not otherwise defined in this Grant Deed shall have the meanings specified in the Parking Agreements

2 Grantor shall have the right, at its option, to reenter and take possession of all or any part of the Property, with all improvements thereon, and revert in Grantor the estate conveyed to Grantee in this Grant Deed, if after conveyance of title for the Property and prior to the expiration of this right of reentry as set forth below, Grantee or successor in interest shall, subject to Force Majeure Delays and Grand Avenue Delays, fail to Substantially Complete the Parking Structure and/or fail to deliver to Grand Avenue the Grand Lofts Parking Spaces in a condition meeting the Parking Requirements by October 1, 2008 (the "Outside Completion Date") Such right to reenter, repossess and revert provided in this Paragraph 2 shall expire upon delivery of the Grand Lofts Parking Spaces to Grand Avenue in a condition satisfying the Parking Space Requirements set forth in the Construction Agreement. Notwithstanding the foregoing, in the event that Developer is Ready to Commence Construction (as that term is defined in the Construction Agreement) of the Parking Structure by October 1, 2008, Grantor agrees not to exercise this right of reentry so long as Developer is diligently prosecuting construction of the Parking Structure

3 The right of Grantor to reenter and take possession of the Property shall not prohibit Grantee from entering into any mortgage, deed of trust or other security instrument ("Mortgage") encumbering the Property, given for value and permitted by the Parking Agreements, provided, however, that any successor of Grantee to the Property, whether such successor's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise, shall be bound by the covenants, conditions, restrictions, limitations and provisions of this Grant Deed, including without limitation, Grantor's right to reenter and take possession of the Property and all improvements thereon. Notwithstanding the foregoing, Grantor agrees that if Grantor takes title to the Property by exercise of its right of reentry, Grantor will take title subject to the lien or charge of any loan (a "Senior Loan") made by an institutional lender that is not affiliated with Grantee and is secured by a Mortgage made in good faith and for value and recorded prior to the date on which Grantor exercises its right of reentry, provided that:

(a) except for construction financing obtained to construct the Parking Structure and Developer's related project on the Property, the original principal balance of the Senior Loan shall not exceed (a) \$4,200,000, if the Senior Loan is secured by a lien solely on the Property, or (b) 50% of the total fair market value of all property securing such Senior Loan, if the Senior Loan is secured by liens on a portfolio of properties that includes the Property;

(b) except for construction financing obtained to construct the Parking Structure and Developer's related project on the Property, if the Senior Loan is secured by a portfolio of properties that includes the Property, the Senior Loan shall allow for the release of the Property from the lien of the Mortgage for a release price not exceeding \$4,200,000;

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(c) the Senior Loan shall not have an interest rate (including all fees, payments and participation payments) in excess of ten percent (10%) per annum;

(d) Grantor receives an agreement acceptable to Grantor in its sole discretion that includes, without limitation, provisions granting Grantor adequate notice and cure rights with respect to the Senior Loan, the right to purchase the Senior Loan, and the right to exercise its right of reentry without causing an acceleration of the Senior Loan, provided, however, the Senior Lender will only be required to preapprove Grantor, Grantor's affiliates, and Grantor's permitted assignees pursuant to Section 6 below, and no other owners in the event Grantor exercises its right of reentry granted hereunder. Grantor agrees to provide the Senior Lender with such financial and other information that may be reasonably requested in order for the Senior Lender to evaluate Grantor for preapproval; and

(e) If, prior to Grantor's exercise of its right of reentry, the holder of such Mortgage or its successor shall become the owner of the Property by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise, the holder of such Mortgage or its successor shall take title to the Property subject to Grantor's right of reentry

4. Upon Grantor's acquiring title to the Property by exercise of the right of reentry contained herein, Developer's obligation to complete the Parking Structure shall be deemed satisfied as to all properties that are subject to the Construction Agreement

5. The rights established by this Grant Deed are not intended to be a forfeiture. The rights established therein are to be interpreted in light of the fact that the purchase price being paid by Grantee for the Property was reduced in consideration of the agreement of Grantee to develop the Parking Structure, which Parking Structure is critical to the success of the Grand Lofts Project being constructed by Grand Avenue.

6. The terms of this Grant Deed shall be binding for the benefit of the Grantor and such terms shall run with the land without regard to whether Grantee is or remains an owner of the Property, provided, however, Grantor may assign its right of reentry to the homeowner's association (the "HOA") to be formed in connection with the sale of condominium units on the Grand Lofts Property

7. The right of Grantor to reenter and take possession of the Property shall be an encumbrance on the Property senior in all respects to the Parking Agreements, each of which shall be subordinate to the terms of this Grant Deed.

8. None of the terms, covenants, agreements or conditions heretofore agreed upon in writing between the parties to this Grant Deed with respect to obligations to be performed, kept or observed by Grantee or Grantor in respect to said Property shall be deemed to be merged with this Grant Deed.

--Signatures Next Page--

10/4/05

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DATED: September 28, 2005

"GRANTOR"

GRAND AVENUE LOFTS, LP,
a California limited partnership

By: CIM Urban RE Fund GP, LLC,
its General Partner

By: 
Avraham Shemesh, Treasurer

GRANTEE:

MERUELO MADDUX-336 W. 11TH STREET, LLC,
a Delaware limited liability company

By: _____
John Charles Maddux, President

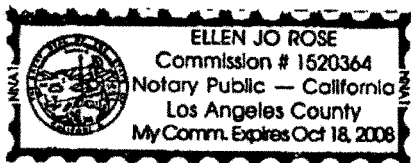
10/4/05

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STATE OF California)
) ss.
COUNTY OF Los Angeles)

On September 28, 2005, before me, Ellen Jo Rose, Notary Public,
(Print Name of Notary Public)
personally appeared Avraham Shemesh

- personally known to me
- or-
- proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal

[Handwritten Signature]

Signature of Notary
Ellen Jo Rose

10/4/05

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DATED: September 28, 2005

"GRANTOR"

GRAND AVENUE LOFTS, LP,
a California limited partnership

By: CIM Urban RE Fund GP, LLC,
its General Partner

By: _____
Avraham Shemesh, Treasurer

GRANTEE:

MERUELO MADDUX-336 W. 11TH STREET, LLC,
a Delaware limited liability company

By: 

John Charles Maddux, President

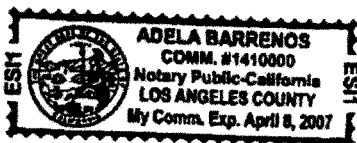
10/4/05

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STATE OF California)
COUNTY OF Los Angeles) ss.

On September 28, 2005 before me, Adela Barrenos, Notary Public,
(Print Name of Notary Public)
personally appeared John C. Maddux.

- personally known to me
- or- proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Adela Barrenos
Signature of Notary

10/4/05

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Exhibit 1

Legal Description

Parcel 1:

All of Lot 9, the Northeasterly 10 feet of Lot 8, in Block 78 of Ord's Survey, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 43 Page(s) 74 of Miscellaneous Records, in the Office of the County Recorder of said County.

Except therefrom said Lot 9, the Northeasterly 20 feet.

Also except therefrom that portion, if any, included within the lines of Tract No. 1304, as per map recorded in Book 18 Page 21 of maps, in the Office of the County Recorder of said County.

Also except therefrom that portion, if any, included within the lines of the Southwesterly 50 feet of Lot 8 in said Block 78

Parcel 2:

Lot "A" of Tract No. 1304, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 18 Page(s) 21 of Maps, in the Office of the County Recorder of said County.

Said Parcels 1 and 2 are more particularly described as a whole as follows.

Beginning at the most Northerly corner of said Lot 20, thence along Eleventh Street, South 52° 15' 24" East 325 33 feet to the most Easterly corner of said Lot "A"; thence along the Southeasterly line of said Lots "A", 9 and 8, South 37° 53' 20" West 130.13 feet to the Southeasterly prolongation of the line of the Northeast face of the Northeast wall of a one story brick building, the line of said Northeast face being accepted as the Northeast line of the Southwest 50 feet of said Lot 8; thence to and along the line of said Northeast face, its prolongation, North 52° 22' 29" West 167.80 feet to the Northwest line of said Lot 8; thence along said Northwest line 37° 57' 42" East 10.39 feet to the Southeasterly prolongation of the line of the Southwest face of the Southeast wall of a four story brick and concrete building, the line of said Southwest face being accepted as the Southwest line of said Lot 19; thence to and along the line of said Southwest face, and its prolongation North 52° 15' 49" West 167 84 feet to the most Westerly corner of said Lot 19; thence along the Northwest line of said Lots 19 and 20, North 38° 01' 54" East 120 09 feet to the point of beginning.

05 2387919

Exhibit I-I

In re MERUELO MADDUX PROPERTIES, INC., et al, Debtor-In-Possession	Case No. : 1:09-bk-13356-KT Chapter 11 (Jointly Administered)
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1 **NOTE:** When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I.
 2 Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

3 **PROOF OF SERVICE OF DOCUMENT**

4 I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
 2029 Century Park East, Suite 2400, Los Angeles, CA 90067

5 The foregoing document described **OBJECTION OF GRAND AVENUE LOFTS, LP TO DEBTORS’**
 6 **SECOND AMENDED JOINT DISCLOSURE STATEMENT DESCRIBING SECOND AMENDED**
 7 **JOINT PLAN OF REORGANIZATION MERUELO MADDUX PROPERTIES, INC., ET AL. (with**
 8 **Exhibit A)** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d);
 and (b) in the manner indicated below:

8 **I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (“NEF”)** – Pursuant to
 9 controlling General Order(s) and Local Bankruptcy Rule(s) (“LBR”), the foregoing document will be served by the court
 10 via NEF and hyperlink to the document. On **May 17, 2010** I checked the CM/ECF docket for this bankruptcy case or
 adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF
 transmission at the email address(es) indicated below:

11 Service information continued on attached page

12 **II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL(indicate method for each person or entity served):** On
 13 **May 17, 2010** I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or
 14 adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class,
 postage prepaid, and/or with an overnight mail service addressed as follows. *Listing the judge here constitutes a*
declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

15 Service information continued on attached page

16 **III. SERVED BY MESSENGER DELIVERY, FACSIMILE TRANSMISSION OR EMAIL (indicate method for**
 17 **each person or entity served):** Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **May 17, 2010** I served the following
 18 person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by
 facsimile transmission and/or email as follows. *Listing the judge here constitutes a declaration that personal delivery on*
the judge will be completed no later than 24 hours after the document is filed.

19 (Judge’s/Chamber Copy)
 20 Honorable Kathleen Thompson (Lax)
 United States Bankruptcy Court –
 Central District of California
 21 21041 Burbank Boulevard, Suite 305
 Woodland Hills, CA 91367

Service information continued on attached page

22 I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and
 23 correct.

24 May 17, 2010 SANDRA HOLSTEIN /s/ SANDRA HOLSTEIN
 Date Type Name Signature

In re MERUELO MADDUX PROPERTIES, INC., et al, Debtor-In-Possession	Case No. : 1:09-bk-13356-KT Chapter 11 (Jointly Administered)
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SERVICE LIST

A. Mailing Information for Case 1:09-bk-13356-KT

Electronic Mail Notice List

The following is the list of **parties** who are currently on the list to receive e-mail notices for this case.

- Michael C Abel mca@dgdk.com
- John J Bingham jbingham@dgdk.com
- Peter Bonfante peterbonfante@bsalawfirm.com
- Julia W Brand jwb@dgdk.com
- Jennifer L Braun jennifer.l.braun@usdoj.gov
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- Sara Chenetz chenetz@blankrome.com
- Ronald R Cohn rcohn@horganrosen.com
- Enid M Colson emc@dgdk.com, ecolson@dgdk.com
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- Brian L Davidoff bdavidoff@rutterhobbs.com,
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- Aaron De Leest aed@dgdk.com
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- Lewis R Landau lew@landaunet.com
- David E Leta dleta@swlaw.com, wsmart@swlaw.com

In re MERUELO MADDUX PROPERTIES, INC., et al, Debtor-In-Possession	Case No. : 1:09-bk-13356-KT Chapter 11 (Jointly Administered)
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- 1 • Katherine Lien katie.lien@sbcglobal.net, katielien@gmail.com
- 2 • Steven K Linkon slinkon@rcolegal.com
- 3 • Richard Malatt rmalatt@gmail.com
- 4 • Elmer D Martin elmermartin@msn.com
- 5 • Elissa Miller emiller@sulmeyerlaw.com
- 6 • Iain A W Nasatir inasatir@pszjlaw.com, jwashington@pszjlaw.com
- 7 • Jennifer L Nassiri jennifer.nassiri@dlapiper.com, bambi.clark@dlapiper.com
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- 24 • James Stang jstang@pszjlaw.com
- 25 • John N Tedford jtedford@dgdk.com
- 26 • James A Timko jtimko@allenmatkins.com
- 27 • Alan G Tippie atippie@sulmeyerlaw.com, jbartlett@sulmeyerlaw.com
- 28 • United States Trustee (SV) ustpregion16.wh.ecf@usdoj.gov
- Rouben Varozian rvarozian@bzlegal.com
- Jason L Weisberg jason@gdclawyers.com
- Jasmin Yang jyang@swlaw.com

17 **Manual Notice List**

18 The following is the list of **parties** who are **not** on the list to receive e-mail notices for this case (who
19 therefore require manual noticing). You may wish to use your mouse to select and copy this list into
your word processing program in order to create notices or labels for these recipients.

20 Janis G Abrams
21 The Gersh Law Firm Inc
15821 Ventura Blvd Ste 515
22 Encino, CA 91436

Arthur J Hazarabedian
California Eminent Domain Law Group
3429 Ocean View Blvd Ste L
Glendale, CA 91208

23 David P Beitchman
16130 Ventura Blvd Ste 570
24 Encino, CA 91436

SCS Flooring Systems
c/o Raymond Myer Esq
1220 1/2 State St
Santa Barbara, CA 93101