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6 Hartland Asset Management Corporation

7 UNITED STATES BANKRUPTCY COURT
8 CENTRAL DISTRICT OF CALIFORNIA
9 SAN FERNANDO VALLEY DIVISION

10 In re

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

13 Debtor.

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

Chapter 11

CHARLESTOWN CAPITAL ADVISORS,
14 LLC'S AND HARTLAND ASSET
MANAGEMENT CORPORATION'S
15 OBJECTION TO DEBTORS' FIRST
16 AMENDED DISCLOSURE STATEMENT

Hearing

17 Date: March 19, 2010

18 Time: 9:30 a.m.

Place: Courtroom 301

21041 Burbank Blvd.

Woodland Hills, CA 91367

19 Charlestown Capital Advisors, LLC and Hartland Asset Management Corporation,
20 equityholders of Debtor Meruelo Maddux Properties, Inc., object to the Debtors' proposed "First
21 Amended Disclosure Statement" on the grounds that it does not contain "adequate information"
22 within the meaning of 11 U.S.C. Section 1125 because:

- 23 1. The proposed disclosure statement does not adequately identify the "Backstop Party"
24 for the "Additional Subscription Rights."
 - 25 2. The proposed disclosure statement does not explain how the "NE Interest" purchase
26 price was calculated and/or negotiated.
- 27
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1 3. The proposed disclosure statement does not adequately explain the implications of the
2 pro rata subscription right for minority shareholders.

3 The Debtors' First Amended Plan represents an improvement over its initial plan in that the
4 opportunity to contribute "new value" has been extended from management to all shareholders.
5 The improvement is extremely slight, however, because the pro rata structure of the subscription
6 right ensures that management will retain control over the company after emergence from
7 bankruptcy.

8 From a disclosure standpoint, a hypothetical reasonable investor cannot properly evaluate
9 the plan in general or the rights offering in particular because the disclosure statement does not
10 explain how the rights offering structure was developed, who the backstop party is, and how the
11 purchase price was determined. Without these relatively simple disclosures, a hypothetical investor
12 does not know whether the rights offering is the product of an appropriate marketing effort and an
13 arms-length negotiation or if it is simply a sweetheart deal "negotiated" by and among insiders for
14 their own benefit. In a case such as this, proper disclosure of the process will allow creditors to
15 evaluate the substance.

16 In addition to the serious lack of disclosure regarding the rights offering, several other
17 matters require additional disclosure:

18 1. The disclosure statement references an \$8.5 million payment to a senior member of
19 management, John Maddux, but does not disclose how the amount was calculated, what the purpose
20 of the payment is, and why he is not treated as a general unsecured creditor.

21 2. The plan projects future monthly cash expenses of \$620,800. This estimate is
22 substantially less than actual expenses for the last 10 months (approximately \$1.4 million per
23 month). The substantial reduction in expenses is not explained in the disclosure statement.

24 3. The disclosure statement does not explain what will happen if the plans for certain
25 debtors are approved but certain others are not.

26 This objection does not address other significant defects in the proposed disclosure
27 statement. By omitting other grounds for objection, Charlestown Capital Advisors, LLC and
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Hartland Asset Management Corporation do not intend to imply that the proposed disclosure statement is otherwise adequate. Moreover, Charlestown Capital Advisors, LLC and Hartland Asset Management Corporation reserve the right to object to plan confirmation at the appropriate time.

Dated: March 12, 2010

LESNICK PRINCE LLP

By: /s/ Christopher E. Prince
Christopher E. Prince
Attorneys for
Charlestown Capital Advisors, LLC

1	In re: MERUELO MADDUX PROPERTIES, INC.	CHAPTER 11
2	Debtor(s).	CASE NUMBER 1:09-bk-13356-KT

3 **NOTE:** When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I.
4 Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

5 **PROOF OF SERVICE OF DOCUMENT**

6 I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business
7 address is:

185 Pier Avenue, Suite 103, Santa Monica, CA 90405

8 The foregoing document described CHARLESTOWN CAPITAL ADVISORS, LLC'S AND
9 HARTLAND ASSET MANAGEMENT CORPORATION'S OBJECTION TO DEBTORS' FIRST
10 AMENDED DISCLOSURE STATEMENT will be served or was served **(a)** on the judge in chambers in
11 the form and manner required by LBR 5005-2(d); and **(b)** in the manner indicated below:

12 **I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")** – Pursuant to
13 controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by
14 the court via NEF and hyperlink to the document. On March 12, 2010, I checked the CM/ECF docket for this
15 bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic
16 Mail Notice List to receive NEF transmission at the email address(es) indicated below:

- 13 • Michael C Abel mca@dgdk.com
- 14 • John J Bingham jbingham@dgdk.com
- 15 • Peter Bonfante peterbonfante@bsalawfirm.com
- 16 • Julia W Brand jwb@dgdk.com
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- 18 • Martin J Brill mjb@lnbrb.com
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- 22 • Ronald R Cohn rcohn@horganrosen.com
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In re:	CHAPTER 11
MERUELO MADDUX PROPERTIES, INC. Debtor(s).	CASE NUMBER 1:09-bk-13356-KT

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In re: MERUELO MADDUX PROPERTIES, INC. Debtor(s).	CHAPTER 11 CASE NUMBER 1:09-bk-13356-KT
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- Jason L Weisberg jason@gdclawyers.com
- Jasmin Yang jyang@swlaw.com

II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL (indicate method for each person or entity served):
 On March 12, 2010, I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or 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.*

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

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

Honorable Kathleen Thompson
 United States Bankruptcy Court- Central
 District of California
 21041 Burbank Boulevard, Suite 305

Service information continued on attached page

III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on November 19, 2009 I served the following 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.*

Service information continued on attached page

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

March 12, 2010	Christopher E. Prince	/s/ Christopher E. Prince
Date	Type Name	Signature