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

18 In re:  
19 MERUELO MADDUX PROPERTIES, INC.,  
20 et al.,  
21 Debtors.

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

Chapter 11 (Jointly Administered)

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

**OBJECTION OF SECURED CREDITOR  
LEGENDARY INVESTORS GROUP NO. 1,  
LLC TO DEBTORS' FIRST AMENDED  
DISCLOSURE STATEMENT;  
DECLARATION OF IAIN NASATIR IN  
SUPPORT THEREOF [DOCKET NO. 1134]**

Date of Hearing: March 19, 2010  
Time of Hearing: 9:30 a.m.  
Place of Hearing: 21410 Burbank Blvd.  
Courtroom 301  
Woodland Hills, CA

**Honorable Kathleen Thompson**

24 **TO THE HONORABLE KATHERINE THOMPSON, UNITED STATES**  
25 **BANKRUPTCY COURT JUDGE AND ALL CREDITORS AND INTERESTED PARTIES:**

26 *Legendary Investors Group No. 1, LLC ("Legendary") hereby files this Objection of Secured*  
27 *Creditor Legendary Investors Group No. 1, LLC to Debtors' First Amended Disclosure Statement*  
28 *(the "Objection") [DOCKET NO. 1134] filed on behalf of all the debtors in these jointly*

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1 administered cases (collectively, the “Debtors”). In support of the Objection, the Legendary  
2 respectfully submits as follows:

3 I.

4 **INTRODUCTION**

5 The Court rejected the Debtors’ first disclosure statement; the second one is no more  
6 satisfactory. The second disclosure statement, *inter alia*, contains facially incorrect information  
7 about the constituents in the classes of unsecured creditors and projections that are at odds with the  
8 Debtors’ stated business plan. The Debtors have jury-rigged a facially defective plan with a  
9 restricted rights offering while seeking further extensions of plan exclusivity. With these and the  
10 many other defects in both the plan and disclosure statement, the Debtors’ reorganization strategy is  
11 becoming more obvious with each iteration: file anything that will delay the day of reckoning, even  
12 if it is a step backwards in the reorganization process.

13 While Legendary and the Debtor have engaged in plan negotiations, agreement was  
14 impossible to reach. On July 27, 2009, Legendary testified of the Debtors’ boasts that it would  
15 confirm a plan that stretched secured lenders out for ten years at a 3% interest rate. See **Exhibit A** to  
16 the *Declaration of Iain A.W. Nasatir in Support of Objection Of Secured Creditor Legendary*  
17 *Investors Group No. 1, LLC To Debtors’ First Amended Disclosure Statement; Declaration Of Iain*  
18 *Nasatir In Support Thereof* [Docket No. 1134] (“Nasatir Decla.”). While the Debtor has retrenched  
19 a bit, it still offers a below market rate of only 4% for 7 years and seeks to confirm a punitive plan  
20 that improperly discriminates against lenders who vote against the plan and in favor of those who  
21 support it. So long as the Debtors are allowed to enjoy exclusivity, they will continue to file  
22 disclosure statements that fail to convey reasonably necessary information. With each amendment,  
23 the Debtors buy time in the desperate hope that the real estate market will rebound. The Court  
24 should call “game over” and deny approval of the amended disclosure statement and allow the  
25 creditors to propose their own reorganization plan.  
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**II.**

**ARGUMENT**

A disclosure statement is meant to serve as a single source of information from which an interested “investor” in the debtor’s future can reasonably discern how the debtor proposes to create that future and deal with the creditor’s interests, and the feasibility of that proposal. Not only does Debtors’ second attempt to provide a confirmable plan and a legally supportable disclosure statement suffer from the same infirmities this Court addressed specifically on January 20<sup>th</sup>, 2010, but these February 27<sup>th</sup>, 2010 filings contain two additional glaring flaws that on their own torpedo the Debtors. Legendary will address the new defects first, and then list the old problems that remain unsolved.

**A. Misstatement of Members of Unsecured Creditor Classes.**

The Debtors are misstating the membership in the classes of unsecured creditors and thereby misrepresenting to creditors the possibility that an at least one impaired class will vote for the plan.

In Exhibit H.5 to the First Amended Disclosure Statement (“FADS”), listing the unsecured creditors, each Debtor for which Legendary holds a secured claim, has listed unsecured creditors who were not in the schedules for that debtor and who did not file a proof of claim in that debtor’s case. In fact these purported unsecured creditors filed proofs of claim in only one particular debtor’s case; MMPI. Did the FADS disclose that? No. Did it indicate the basis for such “amending” of the schedules? No. Did it alert creditors that their voting might be affected by the amending of the schedules through an exhibit in the FADS? No. Did the FADS disclose that creditors should anticipate contesting the right of other creditors to vote? No. In effect, the Debtors are rescheduling their creditors. The Debtors should not be allowed to hide under their boilerplate “know-nothing” disclaimer in the disclosure statement to avoid the usual requirement of filing schedules under the penalty of perjury. Simply put, this new adverse development (if not attempted gerrymandering of votes) dooms this version of Debtors’ disclosure statement.

The Debtors fall to new lows regarding their provision of information about the unsecured creditors allowed to vote on each debtor. The only way to properly assess the analysis provided by

1 the Debtors to creditors is to review it on a debtor by debtor basis – precisely what the Court  
2 ordered.

3 **1. 420 Boyd**

4 Debtor 420 Boyd lists in Exhibit H.5, at p.149 (**Exhibit B** to Nasatir Decla.), five creditors  
5 who are unsecured. One of them, L.P. Carreras & Associates, is listed at \$652.00 as a scheduled  
6 claim, although it is not listed as a filed claim in that chart.

7 The truth is far more alarming. L.P. Carrearas & Associates (“L.P.”) filed no claim in the  
8 420 Boyd case. See Claims Register attached as **Exhibit C** to Nasatir Declaration. Nor were they  
9 scheduled in Schedule F or its amendment. See **Exhibit D** to Nasatir Decla. But L.P. did file a  
10 claim in the MMPI debtor case. And their proof of claim (attached as **Exhibit E** to Nasatir  
11 Declaration) clearly stated a claim against MMPI, billing them for \$19,000. In the proof of claim it  
12 set forth each Debtor’s costs attributed to filing tax returns, but nowhere is there any justification for  
13 why MMPI, in return for the more than healthy management fees it was charging, was not charged  
14 with the obligation to pay the cost of tax returns. Thus, the Debtors unilaterally and without any  
15 disclosure, amended their schedules to allocate a proof of claim to another debtor, all without filing  
16 amended schedules and/or filing under the penalty of perjury.

17 A similar story is true of another of 420 Boyd’s creditors. Complete Thermal Services, Inc.  
18 did file a proof of claim with that debtor and was scheduled. It is clear, however, from the proof of  
19 claim’s attached bill that the party held responsible for the work is MMPI, not 420 Boyd. At a  
20 minimum, the Debtors were obligated to highlight the obvious contested nature of this creditor’s  
21 right to vote. Further, while First Movement, listed on Exhibit H.5, was on 420 Boyd’s schedules,  
22 many other unsecureds were left off without any explanation. See **Exhibit F** to Nasatir Declaration.

23 The L.P. and First Movement obligations are those of MMPI and to the extent the charges are  
24 allocable to particular property debtors, that claim would be made by MMPI, an Insider not entitled  
25 to vote.

26 Since there are only two other unsecured creditors, Capmark who is apparently going to be  
27 objected to by the Debtor, and the DWP, the misinformation regarding the two purportedly  
28

1 unsecured creditors for voting purposes is highly suspect, certainly wrong and fatal to this attempt to  
2 approve a disclosure statement.<sup>1</sup>

3 **2. 3<sup>rd</sup> & Omar**

4 Just like 420 Boyd, Debtor 3<sup>rd</sup> & Omar suffers from the same bogus claim inserted by L.P. It  
5 is not on its claims register and (see **Exhibit G** to Nasatir Declaration). The debtor's schedule does  
6 not reflect any of the creditors listed on Exhibit H.5 (see **Exhibit F** to Nasatir Declaration), which  
7 only lists three, Capmark, L.P. and Mike Martinez. L.P. once again appears to have been an  
8 arbitrary insertion by the Debtors. Mike Martinez is allegedly a scheduled claim, but he is not. He  
9 filed a claim in the 760 S. Hill case. See **Exhibit H** to Nasatir Declaration. Simply put, the  
10 information in the FADS on this debtor is wrong and misleading, particularly as to two of the three  
11 creditors listed by the Debtors as unsecureds.

12 **3. 620 Gladys**

13 This debtor too has the L.P. problem. See **Exhibit F** to Nasatir Declaration. With only two  
14 other unsecured creditors, Capmark (who will be objected to by the debtors) and DWP, the nature  
15 and authenticity of the remaining creditor – L.P. – is critical to the voting on the plan proposed by  
16 this debtor, yet everything has been done to obfuscate the truth. L.P. is not on Schedule F but many  
17 unsecured creditors who are, do not appear on Exhibit H.5. Nor does it appear on the Claims  
18 Register. See **Exhibit I** to Nasatir Decla.

19 **4. Merco Group 4<sup>th</sup> St. Center**

20 This debtor only has three unsecured creditors according to Exhibit H.5 of the FADS  
21 (**Exhibit F** to Nasatir Decla."). One, Capmark, is going to be objected to. The other two, consist of  
22 L.P. again, and MV Public Transportation ("MV"). MV is on the claims register and Schedule F.  
23 LP is not on either, again tainting the disclosure statement and voting process. Moreover, MV's  
24 claim is for a tenant security deposit claim and should have included in Class C – General Unsecured

25  
26 <sup>1</sup> Debtors may attempt to justify this conduct under the stipulation entered into on September 24<sup>th</sup>, 2009, between the  
27 creditors committee and the debtors (Docket No. 679). See **Exhibit O** to Nasatir Decla. This stipulation simply says  
28 that if a proof of claim is timely filed against the wrong debtor, it will be consider filed timely against the right debtor.  
(See Paragraph 2: "[t]o the extent any party files a proof of claim in any of the Bankruptcy Cases and/or against any of  
the Debtors prior to or on the Bar Date, such proof of claim shall be deemed to have been timely filed in the proper  
Bankruptcy Case and against the proper Debtor..."). But it does not justify reallocating parts of a proof of claim over all  
the debtors. And, of course, even that response would not address the failure to disclose exactly what is going on.

1 Claims – Tenant security Deposit Claims – Exhibit H.3 which is an unimpaired class, not among  
2 impaired General Unsecured Claims .

3 **5. 425 W. 11<sup>th</sup> Street**

4 Like the others, this debtor has the ubiquitous L.P., as well as the DWP and Capmark  
5 (objectionable). Again, LP is not on Schedule F (but many other unsecured creditors are but not  
6 listed on Exhibit H.5). In addition, there is the Blake Sign Company, whose proof of claim attaches  
7 an invoice directed at MMPI. See **Exhibit J** to Nasatir Declaration.

8 **6. 336 W. 11<sup>th</sup> Street**

9 This debtor has a claim by DLA Piper DLA Piper is on Schedule F. But DLA Piper filed a  
10 claim in the MMPI case. See **Exhibit K** to Nasatir Declaration. It was for \$87,000. This claimant is  
11 a well-known law firm, maybe one of the largest in the world. It filed its claim against MMPI only,  
12 claiming it was the debtor who owed DLA Piper. Notwithstanding the law firm's clear belief their  
13 bill should be paid by MMPI, the Debtors reallocated the claim to this debtor, without any notice or  
14 warning, and on some pro rata basis (See Exhibit H.5 (“\$667.92”). Exhibit H.5 indicates five other  
15 unsecured claimants (including Capmark). Three appear to be related to Grand Lofts, asserting a  
16 claim against several debtors for issues regarding the parking structure. The remaining claim, The  
17 Surveillance Protection & Investigations Group Inc. (“S.P.”) had filed a proof of claim in the MMPI  
18 case for \$7,618.08. In this debtor, S.P. has a claim for \$21,096.40. See **Exhibit P** to Nasatir  
19 Declaration

20 **7. Little J's**

21 Little J is no different. Exhibit H.5 lists the Grand Loft claimants discussed above, Mike  
22 Martinez, Musica Latina and the ubiquitous L.P. Schedule F lists Grand Loft, MMPI and the SEC.  
23 The Claims Register lists all but L.P. See **Exhibit Q** to Nasatir Declaration

24 **8. 1500 Griffith**

25 Once again, there are only three unsecured creditors listed on H.5 for this debtor: Capmark  
26 (objection), Mario Saldizar and L.P. Thus, the same voting danger exists in this case. Mario  
27 Saldizar is not even on Schedule F. See **Exhibit R** to Nasatir Declaration  
28

1 **B. Misstatements of Revenues.**

2 **1. Historical Reports v. Projections.**

3 The FADS projection of revenue inexplicably is at odds with the Debtor's historical  
4 performance rendering the projections misleading. See Exhibit E. The feasibility analysis  
5 acknowledges that "Revenue from properties is derived directly from the Debtors' approved 2010  
6 operating budgets..." It continues: "The budgets are primarily based upon historically activity."  
7 See Exhibit E at 96. Expenses are also based upon the same thing. The "approved" 2010 budget is  
8 neither disclosed nor attached.<sup>2</sup>

9 "Corporate costs" (a new and undefined term with no explanation as which of the costs in the  
10 2009 budget or the Monthly Operating Reports are included) are based upon this "2010 budget".  
11 Nowhere is that phrase rationalized against the costs itemized in the 2009 Budget that was Exhibit 7  
12 to the Cash Collateral Motion's Declaration of Fred Suggs, nor against the month operating reports,  
13 nor against the cash flow reports the Debtors occasionally reference.

14 This failure to provide the basis for the critical feasibility analysis becomes all the more  
15 serious and important because an analysis of the most recent Monthly Operating Reports (for  
16 January 2010) indicates a wide disparity between the net revenue (revenue less expenses) reported  
17 there and numbers listed in the feasibility analysis. Notably, the Monthly Operating Reports provide  
18 a 20% higher expense number than these projections. Exhibit E at p.12 provides an expense figure  
19 (before taxes) of \$7.45 million a year. Averaged over the 12 months, that would be about \$621,000  
20 a month. But the January MOR provides a monthly historically expenses (before taxes) of \$867,000,  
21 if one excludes G & A, Direct Corporate, Stock Compensation and Depreciation<sup>3</sup>. No explanation  
22 for the variance is provided. See Exhibit T to Nasatir Declaration

23 This is not a confirmation issue about whether the plan is feasible; it is a disclosure issue.  
24 Creditors cannot analyze the feasibility representations because the disclosure statement does not  
25 contain any back-up. Likewise, creditors are not informed that the Debtors' actual operating

26 <sup>2</sup> The 2010 Budget (not "approved") was subsequently made an exhibit to the Cash Collateral Motion filed on Monday,  
27 March 8<sup>th</sup>, 2010. While it should have been attached to the FADS from a disclosure standpoint, it substantially varies  
28 from the January Monthly Operating Reports ("MOR"), as discussed *infra*. See Exhibit S to Nasatir Declaration

<sup>3</sup> In other words, expenses from the MOR include payroll, cleaning, General Building, insurance, repair and  
maintenance, security, utilities and property administration. Interestingly, annual compensation in the FADS reflects  
\$233,000 monthly, whereas the MOR reflects \$195,000. This results itself in a \$450,000 discrepancy over a year.

1 performance is at variance with the projections nor are they informed about why such a variance  
2 should be ignored.

3 **2. Projections That Do Not Track Lease Revenues.**

4 The projection for Alameda Produce Market appears to be an outright fabrication. The  
5 Debtor projects income of \$645,000 per month for five years. (Exhibit E at 89). That figure is a  
6 combination of Alameda Square and the Produce Market, as can be discerned from the January  
7 MOR, which provides revenue of Alameda Square of \$344,713. But current lease signed by their  
8 tenant indicates \$275,000 as the actual rental per month. See Exhibit L to Nasatir Declaration. This  
9 property alone will have an actual cash shortfall of \$4.5 million as against its five year projections.

10 Nothing is added by the 2010 Budget attached to the Cash Collateral Motion and referenced  
11 in Exhibit H.5. In fact, the Budget – which is a projection – contradicts the January MORs – which  
12 are supposed to be actual income received. For example, some of the unencumbered properties have  
13 projected income the MORs deny they are currently receiving.<sup>4</sup> The Budget is at such variance with  
14 the actual revenue and expenses, without any disclosure as to why, that the FADS projected  
15 feasibility study must be subject to further disclosure.

16 **3. Revenues From Sold Properties Continue to Be Collected After Sales  
17 Close.**

18 The feasibility analysis is fatally flawed because it projects income for properties the Debtors  
19 will have sold. First, the Debtors are projecting \$13,653,000 pre-confirmation for sales of real  
20 estate. On information and belief, that sum constitutes the net proceeds from the sale of the Sci-  
21 Arch properties. See Declaration of Iain A.W. Nasatir. But at p.25 of Exhibit E, the Merco Group,  
22 the owner of the Sci-Arc properties, projects to collect \$7,347,000 in rent over the next five years. It  
23 counts \$13 million in the sale of a property it assumes will generate \$7 million in rent for the next  
24 five years. If the Debtors are double counting, this misrepresentation is so egregious that the Court  
25 should deny them the right to file another disclosure statement.

26 \_\_\_\_\_  
27 <sup>4</sup> 1009 N. Citrus Ave. is projected at \$40 thousand a month, but it received nothing in January. Ceres St. projected  
28 \$2 thousand for January, received nothing. 12385 San Fernando Road projected \$40 thousand, received nothing. North  
Vignes projected \$7,200, received nothing. 1000 Cesar Chavez projected \$13,277, received \$4,800. 5707 S. Alameda  
projected \$9,500, received \$8,000. 305 N Avenue 21 projected \$7,900, received \$6,800. In all cases either nothing or  
less than the projections was received according to the MORs. Further disclosure on these inconsistencies is required.

1 The Debtors' refusal to identify the properties that it claims it will sell pre- and post-  
2 confirmation renders creditors unable to determine if this double-counting is pandemic. In years 2-5,  
3 the Debtors project sales of almost \$67 million but do not project any reduction in revenue. The  
4 Debtors have listed 420 Boyd and 3<sup>rd</sup> and Omar. Each has a revenue stream assumed by the  
5 projections to last for five years. See Exhibit E at 40, 41. These two properties ( Boyd & Omar) are  
6 actually being offered for sale by Debtors. How then can they expect to collect rental income from  
7 properties they no longer own? Unless every property sold is non-income producing, the Debtors  
8 projections are inaccurate, and many of the unencumbered properties (*see fn.4 supra*) are income  
9 producing.

10 **4. Debtors Fail to Correct Problems In the First Disclosure Statement.**

11 At the January 20, 2010 hearing, the Court identified at least five (5) inadequacies in the  
12 original disclosure statement. The Debtors did not address the problems; in some instances, they  
13 exacerbated them. Below Legendary lists the defects and its proposed cure in bold:<sup>5</sup>

- 14 • Incomplete liquidation analysis (Transcript at 81-82). Rather than provide a complete  
15 liquidation analysis, the Debtor completely omitted it. Legendary alerted the Debtors  
16 to this omission on an informal basis and has not received the courtesy of a reply.  
17 **Debtors must supply the liquidation analysis on a debtor by debtor basis and**  
18 **continue the disclosure statement hearing to a date that would be timely**  
19 **presuming the disclosure statement was filed at the time of the liquidation**  
20 **analysis is provided. This is important, not only for secured lenders, but for non**  
21 **consenting equity.**
- 22 • The LaSalle problem remains since old equity is the new value contributor as new  
23 equity (Transcript at 73). The Debtors' rights offering does not address the problem  
24 that equity holders are receiving rights on account of the old equity. The Debtors, on  
25 behalf of their owners, refuse to comply with the Supreme Court authority on new  
26 value auctions. **Debtors must make provision for a mechanism whereby anyone**  
27 **can purchase the new equity rights.**

28 <sup>5</sup> (the page citations are to the January 20th, 2010 transcript attached to the Nasatir Declaration)

- 1           • Projections do not match maturity extensions (Transcript at 13). The Debtors’  
2           projections do not match the proposed seven year stretch out of dissenting creditors.  
3           The Court appreciated the importance of these projections in light of the material  
4           balloon payments that come due in seven years. Debtors must pay over \$300 million  
5           in balloon payments, some at the 5<sup>th</sup> year and some at the 7<sup>th</sup> year under their  
6           proposed plan – where that money will come from is not shown. How can creditors  
7           evaluate whether to vote in favor of the plan without having some means of assessing  
8           whether Debtor can perform and fulfill it’s promises? **Debtors must provide**  
9           **projections for seven years.**
- 10          • No disclosure regarding treatment of secured creditor’s claim if it is bifurcated  
11          (Transcript at 145). The Disclosure Statement should inform secured creditors  
12          whether the Debtors intend to bifurcate secured claims into secured and unsecured  
13          claims under Bankruptcy Code §506. After the filing of the Disclosure Statement, the  
14          Debtors sent Legendary a letter inquiring about the amount of its claims. This  
15          correspondence, which was surprising given that Legendary has filed relief from stay  
16          motions with such information, has caused Legendary to wonder whether the Debtors  
17          intend to seek bifurcation. Legendary has since responded. *See* **Exhibit M** to Nasatir  
18          Declaration. Notwithstanding the information the Debtors claimed not to have, there  
19          is no further information provided about the nature of the treatment of Legendary’s  
20          claims. *See* **Exhibit N** to Nasatir Declaration, (“MR. NASATIR: ... I don’t know if  
21          they’re going to change that valuation. THE COURT: Correct. Well, I expect you’ll  
22          know when the disclosure statement comes out.” P. 145-46): If the Debtors do  
23          intend to bifurcate, Legendary has the option of making a Section 1111(b) election.  
24          Secured creditors should not be reduced to wondering about such a fundamental  
25          matter. Equally, there is no clear determination from anything in the FADS that any  
26          claim isn’t subject to an objection. Merely because some claims are designated in the  
27          FADS to be subject to objection does not remove the uncertainty with respect to other  
28          claims. This should be clarified. **Debtor must provide information such as**

1           **whether or not the secured claim will objected to or bifurcated into an secured**  
2           **and an unsecured portion.**

- 3           • No analysis of litigation (including preference claims) is provided (Transcript at 130,  
4           134). **Debtor must provide an indication of what litigation is anticipated and**  
5           **where the costs of litigation have been reserved.**

6   **C.   Inadequate Assessment of Existing Contingencies.**

7           The Debtors' Plan and FADS suffer from the same contingencies as their prior versions,  
8           namely the assumption that the Debtors will prevail on their disputes with (1) Canpartners with  
9           respect to 845 S. Flower (the feasibility analysis assumes more than \$24.6 million in sales from that  
10          project in the first year)<sup>6</sup> and (2) the Los Angeles County Tax Collector. The Debtors speculation  
11          that they will prevail is not a basis for creditors making an informed decision on the proposed plan.  
12          Without additional disclosures regarding the issues described above, the Amended Disclosure  
13          Statement does not satisfy section 1125 of the Bankruptcy Code, and therefore should not be  
14          approved.

15   **D.   OTHER OBSTACLES TO APPROVING THE FADS**

16          There are many other defects and obstacles to approving the FADS that will be more fully  
17          briefed by other secured lenders in which Legendary joins. These include: (1) the injunctions in the  
18          Plan violate the *American Hardwoods* precedent; (2) the unitary nature of the plan does not address  
19          the failure of every individual debtor to vote in favor of the plan; (3) a 4.0% interest rate over seven  
20          years violates Supreme Court authority and is not at a market rate; (4) penalizing creditors who vote  
21          against the plan by paying out over seven years is inequitable and unfair; (5) the Plan should not  
22          terminate the Debtors' non-monetary obligations to the secured lenders; (6) the injunction against  
23          enforcement of guarantees is illegal; (7) limiting new value investment to only the largest 200  
24          existing shareholders and prohibiting purchases to a minimum of \$50,000 also discriminates against  
25          existing shareholders for no justifiable reason; and (8) the Plan does not include provision in the cash

26  
27  
28          <sup>6</sup> Indeed, the FADS should include the entire disclosure statement of 845 S. Flower so that creditors can assess the risk  
associated with the contingency of the 845 S. Flower sale(s).

1 flows for payments required to non-consenting equity owners for the liquidation value of their  
2 interests.

3 III.

4 CONCLUSION

5 The pressures to bring these cases to conclusion cannot relieve Debtors of their obligations to  
6 make adequate and meaningful disclosure. *See, e.g., Flora Mir Candy Corp.*, 432 F.2d at 1063  
7 (“The nub of counsel’s argument was that only consideration will permit the quick consummation of  
8 an arrangement under Chapter XI. That may indeed be desirable but not at the cost of sacrificing the  
9 rights of Meadors’ debenture holders.”); *see also Protective Committee for Independent*  
10 *Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 443, 450 (1968). In *Protective*  
11 *Committee*, a case under the Bankruptcy Act of 1898, the District Court, highly concerned by the  
12 drawn out nature of the reorganization, confirmed a reorganization plan without considering all the  
13 facts necessary to make a fully informed decision. Finding that the mere desire to move the  
14 reorganization along did not justify the District Court’s elimination of relevant inquiry, the United  
15 States Supreme Court stated that: “One can easily sympathize with the desire of a court to terminate  
16 bankruptcy reorganization proceedings, for they are frequently protracted. The need for expedition,  
17 however, is not a justification for abandoning proper standards.” *Id.* at 450 (emphasis added).

18 The fact that the Debtors are running out of options is not a reason to approve a disclosure  
19 statement of an unconfirmable plan.

20 Legendary respectfully requests that approval of the Disclosure Statement be denied.

21 Dated: March 12, 2010

PACHULSKI STANG ZIEHL & JONES LLP

22  
23 By /s/ James I. Stang  
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28 No. 1, LLC

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

## PROOF OF SERVICE OF DOCUMENT

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

**PACHULSKI STANG ZIEHL & JONES LLP, 10100 Santa Monica Boulevard, Suite 1100, Los Angeles, CA 90067**

A true and correct copy of the foregoing document described as **OBJECTION OF SECURED CREDITOR LEGENDARY INVESTORS GROUP NO. 1, LLC TO DEBTORS' FIRST AMENDED DISCLOSURE STATEMENT; DECLARATION OF IAIN A.W. NASATIR IN SUPPORT THEREOF [DOCKET NO. 1134]** 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:

**I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")** – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On **March 12, 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:

Service information continued on attached page

**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.

**JUDGE'S COURTESY COPY SERVED VIA FEDERAL EXPRESS**

The Honorable Kathleen Thompson  
U.S. Bankruptcy Court  
21041 Burbank Boulevard – Courtroom 301  
Woodland Hills, CA 91367

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 \_\_\_\_\_, 2010 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  
Date

Janice G. Washington  
Type Name

/s/ Janice G. Washington  
Signature

In re: Meruelo Maddux Properties, Inc.,

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