

**OFFICIAL COMMITTEE OF EQUITY HOLDERS OF
MERUELO MADDUX PROPERTIES, INC.**

October 13, 2010

**TO: THE EQUITY HOLDERS OF
MERUELO MADDUX PROPERTIES, INC.**

The Equity Committee was appointed by the Office of the U.S. Trustee to, generally speaking, represent the common interests of the non-insider equity holders of Meruelo Maddux Properties, Inc. (“MMPI”). This letter sets forth the Equity Committee’s position regarding the slate of three competing plans of reorganization that have been proposed in these bankruptcy cases.

The proposed plans are (i) the plan of reorganization proposed by Charlestown Capital Advisors, LLC and Hartland Asset Management Corporation (as amended and modified from time to time, the “Charlestown Plan”); (ii) the plan of reorganization proposed by debtor Meruelo Maddux Properties, Inc. (as amended and modified from time to time, the “MMPI Plan”); and (iii) the plan of reorganization proposed by Legendary Investors Group No. 1 LLC and East West Bank (as amended and modified from time to time, the “Legendary Plan,” and together with the MMPI Plan and the Charlestown Plan, the “Plans”). Each of the Plans is enclosed with the Solicitation Package that this letter accompanies, as are disclosure statements that describe each of the Plans.

THE EQUITY COMMITTEE SUPPORTS THE CHARLESTOWN PLAN AND BELIEVES THAT THE CHARLESTOWN PLAN IS IN THE BEST INTERESTS OF THE NON-INSIDER EQUITY HOLDERS OF MMPI AS A WHOLE UNDER THE CIRCUMSTANCES OF THESE CASES, AS DESCRIBED IN GREATER DETAIL BELOW.

ACCORDINGLY, THE EQUITY COMMITTEE STRONGLY URGES THE NON-INSIDER EQUITY HOLDERS OF MMPI TO VOTE TO ACCEPT THE CHARLESTOWN PLAN, VOTE TO REJECT THE MMPI PLAN, VOTE TO REJECT THE LEGENDARY PLAN, AND INDICATE YOUR PREFERENCE FOR THE CHARLESTOWN PLAN.

The Charlestown Plan offers each shareholder of MMPI the option to: (i) retain its existing interest in MMPI, subject to immediate dilution as a result of the “Charlestown Investment Vehicle” (defined in the Charlestown Plan as “MMPI Acquisition”) acquiring 55% of the shares of Reorganized MMPI from existing holders for \$0.35 per share; or (ii) transfer its MMPI shares to the Charlestown Investment Vehicle in exchange for a cash payment of \$0.35 per share. In the event that the shares held by the MMPI shareholders who elect to receive cash do not equal 55% of all MMPI shares, then shareholders who did not make this election will be deemed to transfer a pro rata number of their shares to the Charlestown Investment Vehicle in exchange for \$0.35 per share in order for the Charlestown Investment Vehicle to reach that ownership percentage, and will receive a corresponding cash payment in respect of such shares. In the event that MMPI shareholders holding more than 55% of the shares of MMPI elect to

receive cash, then each such shareholder will be deemed to transfer a pro rata portion of its shares for \$0.35 per share in order for the Charlestown Investment Vehicle to reach the 55% ownership percentage, and such shareholders will retain the remainder of their shares. For those shareholders electing to receive cash, the Charlestown Plan provides the highest recovery of the three Plans. The Equity Committee takes no position as to whether a shareholder should elect to retain its shares or to receive cash in exchange for its shares.

The Charlestown Plan includes certain corporate governance provisions that are designed to better protect the interests of non-insider equity holders, including the structure of Reorganized MMPI's board of directors, which will consist of seven directors. The Equity Committee will have the right to appoint three of the directors (collectively, the "Equity Committee Directors"), one of which directors must be approved by the Charlestown Investment Vehicle. The terms of the initial directors will be staggered such that the Equity Committee Directors will not be up for re-election until at least three years after the Charlestown Plan's effective date. The Equity Committee Directors will have veto power over the selection of Reorganized MMPI's Chief Financial Officer and outside auditor, and must also approve (by majority vote) any proposed transactions with the Charlestown Investment Vehicle or its equity holders, and any potential sale of Reorganized MMPI.

The Charlestown Plan also includes provisions that are designed to maximize the liquidity of Reorganized MMPI shares. Reorganized MMPI will (i) remain a public company, (ii) take steps to regain reporting status with the Securities and Exchange Commission, and (iii) take commercially reasonable steps to list its shares on a public exchange and to remain publicly listed for at least four years. Please read the disclosure statement and solicitation letter accompanying the Charlestown Plan for a more complete description of the Charlestown Plan, including the corporate governance provisions and the range of outcomes regarding the dilution of MMPI shareholders who elect to retain their interests based on a variety of factors, including the number of shares that are redeemed for cash.

The MMPI Plan offers each shareholder of MMPI the option to: (i) retain its existing interest in MMPI; or (ii) redeem its MMPI shares for a cash payment of \$0.25 per share. In this manner, a shareholder may elect to retain its equity interest in MMPI without immediate dilution of such interest when MMPI emerges from chapter 11 protection. Such interest would be subject to dilution, beginning on the fourth anniversary of MMPI's emergence from chapter 11 protection, in the event that Watermarke Properties, Inc. elects to exercise its right to convert its \$15 million convertible secured loan into Reorganized MMPI shares at the conversion price of \$.50 per share. Please read the disclosure statement and solicitation letter accompanying the MMPI Plan for a more complete description of the MMPI Plan, including such loan and its conversion feature.

The Equity Committee recognizes that the MMPI Plan provides for less immediate dilution of equity holders' interests upon MMPI's emergence from bankruptcy protection. The Equity Committee, in the course of determining the plan of reorganization that would provide the highest likelihood for the value of Reorganized MMPI's shares to increase over time, has carefully considered, among other things, the ability of MMPI's senior management to maximize value for the benefit of the non-insider equity holders. For example, the MMPI Plan's corporate governance provisions are not as favorable to non-insider shareholders as those set forth in the Charlestown Plan. Furthermore, the Equity Committee notes that it has attempted to conduct

both formal and informal due diligence with respect to certain of the actions of MMPI's senior management. The Equity Committee determined that conducting such due diligence was necessary and appropriate in order to discharge its fiduciary duty to all non-insider equity holders of MMPI. Such due diligence included, but was not limited to, requesting copies of the minutes of the meeting of MMPI's board of directors and requesting a meeting with the MMPI directors who were not officers of MMPI (collectively, the "Non-Insider Directors"). The Equity Committee believes that MMPI has failed to promptly respond to the Equity Committee's requests for the minutes and other materials. The board minutes that MMPI eventually produced were replete with "blacked out" text (also called "redactions"), as to which text MMPI has claimed a privilege, such that it is difficult to determine how the board discharged its fiduciary duty to equity holders in the context of the plan development process. The Equity Committee intends to oppose MMPI's claim of privilege, believing that claim to be a continuation of MMPI's attempts to prevent the Equity Committee from obtaining information to which it is entitled. The Equity Committee is considering its remedies with respect to such redactions. The Non-Insider Directors declined to meet with the members of the Equity Committee. Please note that these are only two examples of MMPI's conduct in response to the Equity Committee's reasonable due diligence requests.

The Equity Committee has carefully reviewed the Charlestown Plan, has participated in the negotiation and documentation of those portions of the Charlestown Plan that relate to the treatment of non-insider equity holders, and has evaluated possible alternative outcomes for equity holders, including implementation of the MMPI Plan or the Legendary Plan, as well as a liquidation of the Debtors and their business and assets. The Equity Committee has concluded that, under the circumstances of these cases, the Charlestown Plan represents the most favorable treatment for non-insider equity holders as compared with likely ranges of treatments under those alternative outcomes.

The foregoing is not intended as a substitute for each plan and its respective disclosure statement. Non-insider equity holders should read each Plan and its disclosure statement in their entirety, and then make their own respective independent decision as to electing to receive cash or retain their equity interests, and in voting on each Plan.

In short, the Equity Committee supports approval of the Charlestown Plan and strongly recommends that you timely vote to accept the Charlestown Plan, reject the MMPI Plan, reject the Legendary Plan, and indicate your preference for the Charlestown Plan in accordance with the procedures that have been established by the Bankruptcy Court and contained in the Solicitation Package in which this letter is enclosed.

Very truly yours,

**OFFICIAL COMMITTEE OF EQUITY HOLDERS
OF MERUELO MADDUX PROPERTIES, INC.**

By: /s/ Stephen S. Taylor
Stephen S. Taylor
Chairman