

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION
www.flsb.uscourts.gov

In re

Case No.: 10-31406-BKC-AJC

ARTECITY MANAGEMENT LLC *et al.*,¹

Chapter 11 Proceeding
Jointly Administered

Debtors.

**DISCLOSURE STATEMENT IN SUPPORT OF DEBTORS'
JOINT PLAN OF LIQUIDATION DATED OCTOBER 25, 2010**

Artecity Management LLC, Artecity Holding, Ltd., Artecity Governor LLC, Artecity Park LLC, Artecity Plaza LLC, Arterpark South Development LLC and Park Villas Development LLC (collectively, the "Debtors") hereby file their Disclosure Statement in support of the Debtors' Joint Plan of Liquidation Dated October 25, 2010.

Respectfully submitted,

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¹ The last four digits of the taxpayer identification numbers for each of the Debtors follow in parentheses: (i) Artecity Management LLC (2357); (ii) Artecity Holding LTD (9763); (iii) Artecity Governor L.L.C. (3220); (iv) Artecity Park LLC (6068); (v) Artecity Plaza LLC (3734); (vi) Arterpark South Development LLC (5232); and (vii) Park Villas Development LLC (5344).

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JOINT PLAN OF LIQUIDATION DATED OCTOBER 25, 2010**

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Exhibits to Disclosure Statement

Exhibit "1"	Debtors' Joint Plan of Liquidation Dated October 25, 2010
Exhibit "2"	Debtors' Projected Treatment of Claims under Plan
Exhibit "3"	Description of Retained Causes of Action
Exhibit "4"	CCV Secured Claim Valuation
Exhibit "5"	Gross Sellout of Units

SECTION I

INTRODUCTION AND SUMMARY

A. Overview of the Disclosure Statement

1. Introduction

The Debtors are proposing, and have filed, their Joint Plan of Liquidation Dated October 25, 2010 (the "Plan") with the United States Bankruptcy Court for the Southern District of Florida (the "Bankruptcy Court"). A copy of the Plan is annexed as **Exhibit "1"** to this Disclosure Statement. The Debtors hereby submit this Disclosure Statement in support of the Plan (the "Disclosure Statement") pursuant to section 1125 of the United States Bankruptcy Code (the "Bankruptcy Code") in connection with solicitation of acceptances of the Plan from holders of Claims against the Debtors.

2. Purpose of the Disclosure Statement

The Disclosure Statement describes:

- The Debtors and significant events during the Debtors' Chapter 11 Bankruptcy Cases;
- How the Plan proposes to treat Claims or Equity Interests of the type you hold (*i.e.*, what you will receive on your Claim or Equity Interest if the Plan is confirmed);
- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court will consider when deciding whether to confirm the Plan;
- Why the Debtors believe the Plan is feasible, and how the treatment of your Claim or Equity Interest under the Plan compares to what you would receive on your Claim or Equity Interest in liquidation; and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

The information contained in the Disclosure Statement is based upon certain of the Debtors' records, court papers filed in the Bankruptcy Court, and the Debtors' opinions and conclusions. The information has not been subject to a certified audit. The Debtors have made an effort to include complete and accurate information in this Disclosure Statement; however, the Debtors are unable to warrant or represent that this information is without any inaccuracy.

Capitalized terms used in this Disclosure Statement and not defined herein have the meanings assigned to them in the plan (*see* Plan, Article I, "Definitions"). A reference in this Disclosure Statement to an "Article" refers to an Article of the Plan.

B. Overview of the Plan

The Debtors propose to substantively consolidate the assets and liabilities of their Estates,

whereby the Debtors' assets shall be consolidated into a single estate and a Claim against any one of the Debtors shall be treated as a single Claim against the consolidated estate. The balance of the CCV DIP Loan will be paid on the Effective Date from Exit Loan proceeds and all rights granted to CCV under the CCV DIP Loan shall be assigned to the Exit Lenders as of the Effective Date.

In addition to paying the balance of the CCV DIP Loan, proceeds from the Exit Loan shall be used to pay Allowed Claims due on the Effective Date under the Plan. Other Allowed Claims and the Exit Loan shall be paid from proceeds from the sale of unsold condominium units. The Distributions of proceeds will be made quarterly beginning fifteen days after the first quarter after the Effective Date.

Following are the Claims classified in the Plan:

- Class 1: Allowed Priority Unsecured Deposit Claims
- Class 2: Secured Claim of Miami-Dade County for Ad Valorem Real Estate Taxes
- Class 3: Allowed Secured Claim of CCV
- Class 4A: Allowed Deficiency Claim of CCV
- Class 4B: Allowed Unsecured Mechanics' Lien Claims
- Class 4C: Allowed General Unsecured Claims
- Class 5: Equity Interests

Pursuant to the terms of the Plan: (i) unpaid Allowed Administrative Expense Claims and U.S. Trustee Fees will be paid in full on the Effective Date, which the Debtors estimate to be April 1, 2011; (ii) individual holders of Allowed Priority Unsecured Deposit Claims in Class 1 shall be paid the allowed amount of their priority Claims on the Effective Date; (iii) the Allowed Secured Claim of the Miami-Dade County Tax Collector in Class 2 will be paid from Sales Proceeds upon the earlier of the closing of the sales of condominium units or before two years after the delinquency date of ad valorem real estate taxes for unsold units; (iv) the Allowed CCV Secured Claim in Class 3 will be paid an amount equal to the CCV Secured Claim Payment beginning from the second tranche of the Initial Distribution, on or about July 15, 2011, and paid quarterly thereafter; and (v) the Allowed CCV Deficiency Claim, Allowed Unsecured Mechanics' Lien Claims, and Allowed General Unsecured Claims in Classes 4A-4C will be paid a quarterly *pro rata* Distribution equal to the amount of the Unsecured Claims Payment upon the earlier of full payment of the CCV Secured Claim or the Exit Loan. Holders of the CCV Deficiency Claim, Unsecured Mechanics' Lienor Claims and General Unsecured Claims will receive an estimated distribution of between 15% and 40% of their Allowed Claims, depending on numerous factors, including whether CCV elects to have its claim treated under section 1111(b) of the Bankruptcy Code and the amount and number of Allowed Claims filed by the Claims Bar Date, November 30, 2010. All Equity Interests in the Debtors will be cancelled and extinguished as of the Effective Date of the Plan.

The Reorganized Debtors will complete construction of the North and South Towers by February 13, 2011 and close on the sale of units in the Towers beginning on or before April 13, 2011. Construction of the Plaza and Villas buildings is expected to commence on or about May

1, 2011 and will be completed by October 1, 2011. The Debtors will close the sale of units in the Plaza and Villas buildings beginning on or about December 1, 2011. Attached as **Exhibit "5"** to this Disclosure Statement is the Debtors' Gross Sellout of Units, totaling \$56,728,372 before Distributions to Classes of Creditors.

For a more complete discussion of the Plan and the mechanics for Distributions thereunder, see Articles III and V of the Plan.

C. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Bankruptcy Court has not yet confirmed the Plan described in this Disclosure Statement. This section of the Disclosure Statement describes the procedures pursuant to which the Plan will or will not be confirmed.

1. Time and Place of the Hearings to Approve This Disclosure Statement and Confirm the Plan

The hearing at which the Court will determine whether to approve this Disclosure Statement (the "Disclosure Statement Hearing") will take place on _____, 20____, at ____:____ a.m./p.m. in Courtroom 1410 at the United States Bankruptcy Court, 51 S.W. 1st Avenue, Miami, Florida 33130. At the Disclosure Statement Hearing, in accordance with section 1125 of the Bankruptcy Code, the Bankruptcy Court will consider whether the Disclosure Statement contains "adequate information" of a kind and in sufficient detail to enable a hypothetical reasonable creditor typical of the Debtors' Creditors to make an informed judgment whether to accept or reject the Plan.

The hearing at which the Court will determine whether to confirm the Plan (the "Confirmation Hearing") will take place on _____, 20____, at ____:____ a.m./p.m. in Courtroom 1410 at the United States Bankruptcy Court, 51 S.W. 1st Avenue, Miami, Florida 33130.

2. Voting Instructions; Deadline For Voting to Accept or Reject the Plan

Holders of Class 1 Priority Unsecured Deposit Claims are not Impaired and, therefore, Class 1 is deemed to have accepted the Plan. Holders of Class 5 Equity Interests will not retain or receive any property under the Plan on account of such interests and, therefore, Class 5 is deemed to have rejected the Plan. The Debtors' will not solicit votes from holders of Class 1 Creditors or Class 5 Equity Interest holders.

If you are the holder of a Claim in Class 2, 3, 4A, 4B or 4C and are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. Please vote and return your Ballot(s) to United States Bankruptcy Court, Clerk of Court, 51 S.W. 1st Avenue, Room 1510, Miami, Florida 33130 by 4:30 p.m. (Eastern Standard Time) on or before _____, 20____. In voting for the Plan, please only use the Ballot sent to you with this Disclosure Statement. If you receive more than one Ballot, you should assume that each Ballot is for a separate Claim and you should complete and return each of the Ballots.

Your ballot must be received by the Bankruptcy Court by 4:30 p.m. on _____, 20____ or it will not be counted.

Any Claim to which an objection or request for estimation is pending or which is scheduled by the Debtors as contingent, unliquidated, or disputed is not entitled to vote unless the holder of such Claim has obtained an order of the Bankruptcy Court temporary allowing such Claim for the purpose of voting on the Plan.

If you are the holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot, or lost your Ballot, or if you have any questions about the Disclosure Statement, the Plan, or voting procedures, contact counsel for the Debtors by mail at Levine Kellogg Lehman Schneider & Grossman LLP, c/o Thomas Lehman, P.A., Miami Center – 34th Floor, 201 S. Biscayne Blvd., Miami, Florida 33131 or by phone at (305) 403-8788.

3. Deadline for Objecting to the Adequacy of the Disclosure Statement

Objections to this Disclosure Statement must be filed with the Court and served upon counsel for the Debtors, Levine Kellogg Lehman Schneider & Grossman LLP, c/o Thomas Lehman, P.A., Miami Center – 34th Floor, 201 S. Biscayne Blvd., Miami, Florida 33131, by _____, 20____.

4. Deadline for Objecting to Confirmation of the Plan

Objections to confirmation of the Plan must be filed with the Court and served upon counsel for the Debtors, Levine Kellogg Lehman Schneider & Grossman LLP, c/o Thomas Lehman, P.A., Miami Center – 34th Floor, 201 S. Biscayne Blvd., Miami, Florida 33131, by _____, 20____.

D. Disclaimer

The Court has not yet approved this Disclosure Statement as containing adequate information to enable the parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement will be considered the Disclosure Statement Hearing and consideration of confirmation of the Plan will be considered at the Confirmation Hearing. Objections to the adequacy of this Disclosure Statement must be filed on or before the date set forth in the Order accompanying this Disclosure Statement (the "Disclosure Statement Order").

SECTION II
HISTORICAL BACKGROUND; MANAGEMENT OF
THE DEBTORS; REASONS FOR FILING CHAPTER 11 CASES

A. History and Business of the Debtors

Artec City Management, LLC ("Management") manages the Debtors' operations and is the general partner of Artec City Holding, Ltd. ("Holding"). Holding owns 100% of the membership interests in Artec City Park LLC ("Park"), Artec City Plaza LLC ("Plaza"), Artec City Governor LLC ("Governor"), Artec Park South Development LLC ("Artec Park"), and Park Villas Development LLC ("Park Villas").

The Debtors are engaged in the development of a real estate condominium project in Miami Beach, Florida, known as Artec City (the "Artec City Project"), located at 2100 Park Avenue, Miami Beach, Florida, on 21st Street, east of Washington Avenue and on the west border of Collins Park. The Artec City Project includes 202 condominium units in five multi-level buildings, together with retail spaces, two pools, a fitness and spa facility, and a parking garage. The remaining sales Inventory consists of 159 residential units and two retail spaces. In accordance with the valuation attached to this Disclosure Statement as **Exhibit "4"** (the "CCV Secured Claim Valuation"), the Debtors believe the "As Is" market value of the Artec City Project as of the Effective Date to be \$39.4 million.

The five buildings comprising the Artec City Project are as follows:

1. Governor Building owned by Governor: Construction of this building is completed and a Certificate of Occupancy has been issued. Closings have occurred on 43 of the 61 condominium units and 18 units remain unsold. Of those 18 residential unsold units, approximately 14 units are currently rented. In addition, there is unsold retail space in the Governor Building.
2. South Tower owned by Artec Park: Construction of the South Tower was almost completed before the Petition Date. The Debtors will resume construction of the Artec City Project during the Bankruptcy Cases in two phases and construction of the South Tower is part of the first phase. The South Tower consists of 58 units and, upon obtaining a Certificate of Occupancy when construction is complete, the Debtors will begin to close the sale of these units.
3. North Tower owned by Park: Construction of the North Tower was almost completed before the Petition Date and is part of the first phase of construction resuming after the Petition Date. The North Tower consists of 55 units and, upon obtaining a Certificate of Occupancy when construction is complete, the Debtors will begin to close the sale of these units.
4. Park Villas Building owned by Park Villas: Construction of the Park Villas Building is part of the second phase of construction resuming after the Petition Date. The Park Villas Building consists of 18 units and, upon obtaining a Certificate of Occupancy when construction is complete, the Debtors will begin to close the sale of these units.

5. Plaza Building owned by Plaza: Construction of the Plaza Building is part of the second phase of construction resuming after the Petition Date. The Plaza Building consists of 10 units and, upon obtaining a Certificate of Occupancy when construction is complete, the Debtors will begin to close the sale of these units. In addition, there is unsold retail space in the Plaza Building.

B. Management/Employees and Insiders of the Debtors

1. Claudio Benedetti

Claudio Benedetti is the managing member of Management, which manages all of the Debtors. Except for the reimbursement of expenses incurred in the ordinary course of the Debtors' businesses, Mr. Benedetti's salary and benefits are not paid directly by the Debtors. All compensation to Mr. Benedetti is paid through Sunny Houses Cons, LC, who the Debtors hired and continue to employ as a consultant for construction management services.

Mr. Benedetti was born in Italy and has been in the real estate business since 1988. He has been involved in the South Florida real estate market since 1999. Prior projects Mr. Benedetti has been involved in as a manager or developer, include, among others: (a) the Milfred building, a 16-unit building on Pennsylvania Avenue in Miami Beach; (b) the Ambassador Condominium, a 22-unit building on Meridian Avenue in Miami Beach; (c) the Art Deco 612 and 622 buildings, a total of 22 units located on 15th Street in Miami Beach; (d) the Sunrise Court building, a 20-unit building on Lenox Avenue in Miami Beach; and (e) the Cosmopolitan building, a 12-unit building on 15th Street in Miami Beach.

2. Alessandro Ferretti

Alessandro Ferretti resigned as the co-managing member of Management effective April 2010. Except for reimbursement of expenses incurred in the ordinary course of the Debtors' business before April 2010, Mr. Ferretti's salary and benefits were not paid directly by the Debtors. All compensation to Mr. Ferretti through April 2010 was paid through The Property Network, Inc., who Holding hired for real estate consulting services. The Debtors currently employ Mr. Ferretti's company, European Advisors, Inc., for real estate consulting services.

Mr. Ferretti was born in Italy and earned a doctorate degree in civil engineering and architecture from the University of Bologna. He has been involved in the real estate business since the early 1980's and has been involved in the South Florida real estate market as a developer since the early 1990's. Mr. Ferretti's prior real estate developments include: (a) The Wave, a 66-room boutique hotel on Ocean Drive in Miami Beach; (b) the Ambassadors, 3 buildings with a total of 28 units on Michigan Avenue in Miami Beach; (c) the Atlantic Center, a 75,000 square-foot building in Miami Beach; and (d) the Traymore Hotel on Collins Avenue in Miami Beach.

3. Management, Employees and Insiders of the Debtors

During the two years prior to the Petition Date and during the Chapter 11 Cases, Management has managed the Debtors' operations and has been the general partner of Holding. Mr. Ferretti was one of two managing members of Management until he resigned from this position, effective April 2010. Mr. Benedetti was the other managing member of Management and has been the sole managing member since April 2010. Mr. Benedetti will continue to manage the Debtors, through Management, after the Effective Date of the Plan.

Before and since the Petition Date, only Park employed four employees and one independent contractor. There are no outstanding wages owed to Park's empl

Holding owns 100% of the membership interests in Park, Plaza, Governor, Arterpark and Park Villas.

The partners of Holding are as follows: (a) Acquire U.S.A., Inc. owns 11.76%; (b) Management owns 1%; (c) Claudio Benedetti owns 3.53%; (d) Gianni Monduzzi owns 8.24%; (e) Giorgio Bassi and Donatella Marzagalli own 8.82%; (e) Marooned, Inc. owns 23.53%; and (f) Museum Park, LLC owns 43.12%. Mr. Pierro Salussolia has an ownership interest in Museum Park, LLC and has been and is currently employed by the Debtors as a consultant to the Artacity Project.

The members of Management are as follows: (a) Acquire U.S.A., Inc. owns 11.88%; (b) Claudio Benedetti owns 3.57%; (c) Gianni Monduzzi owns 8.32%; (d) Giorgio Bassi and Donatella Marzagalli own 8.9%; (e) Marooned, Inc. owns 23.77%; and (f) Museum Park, LLC owns 43.55% of Management. Mr. Pierro Salussolia has an ownership interest in Museum Park, LLC and has been and is currently employed by the Debtors as a consultant to the Artacity Project.

C. Events Leading to Filing the Chapter 11 Cases

In September 2005, Holding closed a construction loan (the "Construction Loan") from Corus Bank, N.A. ("Corus") in the amount of approximately \$60 million. Park, Plaza, Governor, Arterpark and Park Villas guaranteed the Construction Loan. In September 2009, Corus was declared insolvent and its assets were seized by the Federal Deposit Insurance Commission ("FDIC"). Just before the FDIC takeover of Corus, the Debtors had submitted construction draw request 40 to Corus, which was never funded. After the FDIC takeover of Corus, the Debtors submitted construction draw requests 41-43, which were never funded by the FDIC or CCV, who the FDIC transferred the Construction Loan to in October 2009. Ultimately, holders of Equity Interests in the Debtors and third party lenders loaned in excess of \$2 million to the Debtors, which partially funded draw requests 40-43.

In October 2009, the FDIC transferred all of the Corus loans, totaling \$4.5 billion in face amount and \$2.772 billion in value, to CCV. The FDIC owns 60% of CCV and CCV Managing Member, LLC, an affiliate of Starwood Capital Group and others, purchased a 40% interest in CCV for \$554 million.

In March 2010, CCV commenced an action to foreclose its mortgages on the Artec City Project, *CCV v. Artec City Holdings, Ltd., et al.*, Case No. 10-14899-CA-08 (the “Foreclosure Case”), pending in the Eleventh Judicial Circuit in and for Miami-Dade County, Florida (the “Circuit Court”). During the Foreclosure Case, CCV paid for certain services (the “Protective Advances”), including power, water and security, to protect its collateral for the Construction Loan.

Sources of income from the Artec City Project during 2009 and 2010 were rental proceeds received by Governor (approximately \$15,000 per month since the fall season of 2009) and payments for various services to Governor from Artec City Governor Condominium Association, Inc. Governor’s 2009 gross income was \$94,013.24. Governor’s 2010 gross income through the Petition Date was \$115,645.

D. Significant Events During the Chapter 11 Bankruptcy Cases

1. The Single Asset Real Estate Motion

CCV filed a motion [D.E. 21] requesting the Court to determine that the Debtors are subject to provisions of the Bankruptcy Code governing Single Asset Real Estate debtors on July 30, 2010. Pursuant to section 362(d)(3) of the Bankruptcy Code, if a debtor’s property is deemed to be Single Asset Real Estate, relief from the automatic stay is available to a secured creditor unless, within ninety days after the date of the order for relief (in this case, the Petition Date), the debtor has filed a plan “with a reasonable possibility of being confirmed within a reasonable time” or has begun to make specified monthly payments to the secured creditor. 11 U.S.C. § 362(d)(3). By Order dated August 31, 2010 [D.E. 94], the Court determined that the Artec City Project qualifies as Single Asset Real Estate and the provisions of section 362(d)(3) apply to the Debtors’ Chapter 11 Cases.

2. Debtors’ Motion to Obtain Credit

On July 28, 2010, the Debtors filed a motion [D.E. 12] (the “Financing Motion”) requesting the Court to authorize the Debtors to obtain credit up to the amount of \$2.725 million from the Exit Lenders to finance the costs for completing construction of the Artec City Project. Pursuant to the Financing Motion, the Debtors requested the Court to grant the Exit Lenders a lien equal in priority to CCV’s lien securing the Construction Loan. The Debtors also reserved the right to request use of Cash Collateral at a later time.

CCV filed an objection to the Financing Motion [D.E. 56]. After the parties engaged in extensive discovery, a hearing was held on August 30, 2010. During a recess at the hearing, the Debtors obtained a commitment from CCV to loan the Debtors up to \$2.725 million (the “CCV DIP Loan”) to complete construction.

On September 10, 2010, after further negotiations between the parties, the Court entered its Order (I) Authorizing Debtors to Obtain Postpetition Secured Financing Pursuant to 11 U.S.C. §§ 105, 361, 362 and 364, and (II) Granting Adequate Protection to Prepetition Secured Lender Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364 [D.E. 110] (the “DIP Loan Order”). After the

Miami-Dade Tax Collector filed a limited objection [D.E. 112] to the DIP Loan Order, which was resolved by the parties, the Court entered its Amended Order (I) Authorizing Debtors to Obtain Postpetition Secured Financing Pursuant to 11 U.S.C. §§ 105, 361, 362 and 364, (II) Granting Adequate Protection to Prepetition Secured Lender Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364, and (III) Scheduling Final Hearing on October 7, 2010 [D.E. 122] (the "Amended DIP Loan Order"). Pursuant to the Amended DIP Loan Order: (a) the Miami-Dade Tax Collector's tax liens are senior to CCV's liens on the Artec City Project; (b) the DIP Loan Order is deemed effective as of September 15, 2010; and (c) the Court scheduled a final hearing on the DIP Loan Order. At the October 7, 2010 final hearing on the DIP Loan Order, the parties agreed to submit an order attaching additional agreements entered into by the parties concerning the CCV DIP Loan.

3. The CCV DIP Loan

Pursuant to the DIP Loan Order, Holding is authorized to: (a) obtain post-petition financing secured on a senior secured, priming basis from CCV, guaranteed by the other Debtors except for Management, up to the principal amount of \$2.725 million; and (b) to use the CCV DIP Loan proceeds consistent with the budget attached as Exhibit "A" to the DIP Loan Order (the "Budget"), subject to permitted variances with the Budget. Adequate protection accorded to CCV consists of payment of Sale Proceeds from the sale of unsold condominium units, other than in the Governor building, up to an amount equal to the value of \$223.26 per square foot of saleable square feet.

The CCV DIP Loan is to be funded in two tranches, consistent with the two phases of construction to complete the Artec City Project. The first tranche is to be funded by CCV up to \$2.725 million to complete construction of the North and South Towers and, upon repayment and the principal balance being less than \$500,000, the second tranche shall be funded in an amount up to \$2.5 million to complete construction of the Plaza and Villas buildings. Repayment deadlines and other required benchmarks are triggered from the date CCV funds the Debtors' first draw request under the initial tranche (the "Initial Funding Date"). The Debtors believe the Initial Funding Date is October 13, 2010, which CCV may or may not agree with. The principal balance under the CCV DIP Loan as of October 25, 2010 was \$540,173.55.

4. Removal of Pending State Court Cases

As of the Petition Date, certain Debtors were plaintiffs in two actions pending in the Circuit Court.

Circuit Court Case Number 08-17586 CA 31 involves claims by Park, Arterpark, Governor and Park Villas in excess of \$45 million against their former general contractor Soares da Costa CS, LLC and its parent company, Soares da Costa Constucao, SGPS, S.A. The Debtor plaintiffs sued the defendants for breach of construction contracts and guarantees. Soares da Costa CS, LLC has asserted counterclaims against the Debtor plaintiffs for damages and to foreclose construction liens. This case was removed by the Debtors to the Bankruptcy Court on September 14, 2010, commencing adversary proceeding number 10-03595-AJC. The defendants filed their Motion for Mandatory or Permissive Abstention or, In the Alternative, For Remand

[D.E. 7; Adv. Proc. No. 10-03595-AJC]. On October 25, 2010, the Bankruptcy Court entered its Order granting the defendants' request for mandatory abstention [D.E. 13; 10-03595-AJC].

Circuit Court Case Number 09-45832 CA 30 involves claims by Park, Arterpark and Park Villas against a former subcontractor, Silva Builders, Inc., to discharge construction liens. This case was removed by the Debtors to the Bankruptcy Court on August 26, 2010, commencing adversary proceeding number 10-03540-AJC, where it is still pending.

E. Projected Recovery of Avoidable Transfers

The Debtors have not yet completed their investigation with regard to pre-Petition Date transactions that may be avoidable as either preferences, fraudulent transfers, or other avoidable transfers. If you received a payment or other transfer within 90 days of the Petition Date, the Debtors may seek to avoid the transfer(s).

F. Claims Bar Date and Claims Objections

The Claims Bar Date is November 30, 2010.

Except to the extent that a Claim is already Allowed pursuant to a Final Order, the Debtors reserve the right to object to Claims. Therefore, even if your Claim is Allowed for voting purposes, you may not be entitled to a Distribution if an objection to your claim is later upheld. The procedures for resolving Disputed Claims are set forth in Article VI of the Plan.

G. Post-Petition Date Financial Conditions

The Debtors' most significant asset is the Artec City Project, which is encumbered by debt that exceeds the value of the Artec City Project. For information concerning the Debtors' Cash, the Debtors' monthly operating reports between July and September 2010 have been filed with the Court and are available upon request.

On the Petition Date the Debtors had not resumed construction of the Artec City Project and were relying on CCV to pay Protective Advances to continue services for power, water and security. Since receiving funding of the first draw under the CCV DIP Loan, the Debtors have begun to pay necessary costs to resume construction of the Artec City Project. The first phase of construction commenced in October 2010.

The Debtors and Reorganized Debtors will sell condominium units in accordance with the confidential minimum price list established under the terms of the CCV DIP Loan and agreed to by CCV. The price list includes sales prices for the sale of units in the North, South, Villas and Plaza buildings and the Debtors agree that any variance from sales prices therein shall be made only in accordance with the Orders governing the CCV DIP Loan [D.E. Nos. 110 and 122.]

The Reorganized Debtors will complete construction of the North and South Towers by February 13, 2011 and close on the sale of units in the Towers beginning on or before April 13, 2011. Construction of the Plaza and Villas buildings is expected to commence on or about May

1, 2011 and will be completed by October 1, 2011. The Debtors will close the sale of units in the Plaza and Villas buildings beginning on or about December 1, 2011. Please refer to the Debtors' schedule of projected payouts (the "Projected Treatment of Claims under Plan") attached to this Disclosure Statement as **Exhibit "2"** for more information concerning estimated closing dates for unsold Inventory.

Pursuant to Article X of the Plan, the Debtors propose to repay the balance of the CCV DIP Loan on the Effective Date from proceeds of a \$2.7 million Exit Loan from the Exit Lenders, who shall be assigned the Exit Loan Lien on the Effective Date. The Exit Loan will also be used to pay: (i) Priority Unsecured Deposit Claims; (ii) unpaid Professional Fee Claims and U.S. Trustee Fees due on the Effective Date of the Plan; and (iii) ordinary and necessary costs incurred in the ordinary course of the Reorganized Debtors' business, including expenses needed to complete construction of the Artcity Project.

The Debtors will continue to prosecute the Retained Causes of Action.

SECTION III **SUMMARY OF THE PLAN AND** **TREATMENT OF CLAIMS AND EQUITY INTERESTS**

A. Purpose of the Plan

As required by the Bankruptcy Code, the Plan places Claims and Equity Interests in various Classes and describes the treatment each Class will receive. The Plan also states whether each Class of Claims or Equity Interests is Impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Means of Implementing the Plan

The Debtors propose to substantively consolidate the assets and liabilities of their Estates, whereby the Debtors' assets shall be consolidated into a single estate and a Claim against any one of the Debtors shall be treated as a single Claim against the consolidated estate. The balance of the CCV DIP Loan will be paid on the Effective Date from Exit Loan proceeds and all rights granted to CCV under the CCV DIP Loan shall be assigned to the Exit Lenders as of the Effective Date.

In addition to paying the balance of the CCV DIP Loan, proceeds from the Exit Loan shall be used to pay Allowed Claims due on the Effective Date under the Plan. Other Allowed Claims and the Exit Loan shall be paid from proceeds from the sale of unsold condominium units.

Pursuant to the terms of the Plan: (i) unpaid Allowed Administrative Expense Claims and U.S. Trustee Fees will be paid in full on the Effective Date, which the Debtors estimate to be April 1, 2011; (ii) individual holders of Allowed Priority Unsecured Deposit Claims in Class 1 shall be paid the Allowed amount of their priority Claims on the Effective Date; (iii) the Allowed Secured Claim of the Miami-Dade County Tax Collector in Class 2 will be paid from Sales

Proceeds upon the earlier of the closing of the sales of condominium units or before two years after the delinquency date of ad valorem real estate taxes for unsold units; (iv) the Allowed CCV Secured Claim in Class 3 will be paid an amount equal to the CCV Secured Claim Payment beginning from the second tranche of the Initial Distribution, on or about July 15, 2011, and paid quarterly thereafter; and (v) the Allowed CCV Deficiency Claim, Allowed Unsecured Mechanics' Lien Claims, and Allowed General Unsecured Claims in Classes 4A-4C will be paid a quarterly *pro rata* Distribution equal to the amount of the Unsecured Claims Payment upon the earlier of full payment of the CCV Secured Claim or the Exit Loan. Holders of the CCV Deficiency Claim, Unsecured Mechanics' Lienor Claims and General Unsecured Claims will receive an estimated distribution of between 15% and 40% of their Allowed Claims. All Equity Interests in the Debtors will be cancelled and extinguished as of the Effective Date of the Plan.

C. Unclassified Claims

Certain types of Claims are automatically entitled to specific treatment under the Bankruptcy Code. They are not considered Impaired, and holders of such Claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Bankruptcy Code. As such, the Debtors have not placed the following Claims in any Class:

1. Administrative Expenses

Administrative Expenses are costs or expenses of administering the Debtors' Chapter 11 Cases which are allowed under section 507(a)(2) of the Bankruptcy Code. The Bankruptcy Code requires that all Administrative Expenses be paid on the Effective Date of the Plan, unless a particular Creditor agrees to a different treatment.

The following chart lists the Debtors' estimated Administrative Expenses, and their proposed treatment under the Plan:

Type	Estimated Amount Owed	Proposed Treatment
Professional Fees of Levine Kellogg Lehman Schneider & Grossman LLP – Attorneys for the Debtors	Unknown	Paid in full on the Effective Date.
Professional Fees of R2 Construction Group – Construction Advisor for the Debtors	Unknown	Paid in full on or before the Effective Date in accordance with the terms of the CCV DIP Loan.
Professional Fees of Blazejack and Company – Appraiser for the Debtors	Unknown	Paid in full on or before the Effective Date in accordance with the terms of the CCV DIP Loan.
Professional Fees of Sanson Kline Jacomino & Company – Accountants for the Debtors	Unknown	Paid in full on or before the Effective Date in accordance with the terms of the CCV DIP Loan.
Professional Fees of Majestic Properties – Real Estate Broker for the Debtors	Unknown	Paid in full on or before the Effective Date in accordance with the terms of the CCV DIP Loan.

Office of the U.S. Trustee Fees	Unknown	Paid in full on or before the Effective Date in accordance with the terms of the CCV DIP Loan.
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2. Priority Tax Claims

Priority Tax Claims are unsecured income, employment, and other taxes described by section 507(a)(8) of the Bankruptcy Code. Unless the holder of such a priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the Petition Date. The Debtors are not aware of any unpaid Priority Tax Claims.

D. Classes of Claims and Equity Interests

Following are the Classes set forth in the Plan and the proposed treatment they will receive under the Plan:

1. Class of Priority Unsecured Claims

Certain priority Claims that are referred to in sections 507(a)(1), (4), (5), (6), and (7) of the Bankruptcy Code are required to be placed in Classes. The Bankruptcy Code requires that each holder of such a Claim receive Cash on the Effective Date of the Plan equal to the Allowed Amount of such Claim.

a. Class 1 - Priority Unsecured Deposit Claims

Class 1 consists of claims arising from Preconstruction Agreements. Subject to the provisions of section 506(a)(7) of the Bankruptcy Code, the Debtors shall pay each individual holder of an Allowed Priority Unsecured Deposit Claim \$2,425 in full on the Effective Date of this Plan in Cash, or upon such other terms as may be agreed upon by the holder of the Priority Unsecured Deposit Claim and the Debtors. On the Effective Date, the First Disbursing Agent shall reserve sufficient Cash from proceeds of the Exit Loan to pay Allowed Priority Unsecured Deposit Claims.

2. Classes of Secured Claims

Allowed Secured Claims are Claims secured by property of the Debtors' Estates (or that are subject to setoff) to the extent allowed as Secured Claims under section 506 of the Bankruptcy Code. If the value of the collateral or setoffs securing a Creditor's Claim is less than the amount of the Creditor's Allowed Claim, the deficiency will be classified as an Unsecured Claim. Following is the Debtors' proposed treatment of Classes 2 and 3, which contain Secured Claims against the Debtors:

a. Class 2 - Secured Claim of Miami-Dade County Tax Collector For Ad Valorem Real Estate Taxes

Class 2 consists of claims by the Miami-Dade County Tax Collector for ad valorem real estate taxes due for unsold units. 2009 ad valorem taxes have been paid and the Debtors propose to pay taxes for the years 2010 and after through the Plan.

Ad valorem real estate taxes for unsold Inventory shall be paid from Sales Proceeds at the rate reflected on tax certificates upon the earlier of: (a) the closing of the sales of Inventory in the ordinary course; or (b) if any Inventory remains unsold, ad valorem real estate taxes shall be paid before the second anniversary of their delinquency date. Before January 1, 2013, the Disbursing Agent shall deduct from the Net Sales Proceeds and reserve the amount of unpaid 2010 real estate taxes for the Debtors' unsold Inventory and satisfy the 2010 real estate taxes no later than March 31, 2013.

b. Class 3 - Allowed CCV Secured Claim

CCV's Allowed Secured Claim is based on the security interest granted by the Debtors in connection with the Construction Loan.

The Debtors shall pay the value of the Artec City Project as of the Effective Date of this Plan, \$39.4 million, with interest at the prime rate of interest set forth in the *Wall Street Journal* (3.25% as of October 25, 2010). The CCV Secured Claim Payment shall be disbursed quarterly beginning under the second tranche of the Initial Distribution. CCV will retain its secured Claim in the Artec City Project.

At the closing of the sale of each unsold unit, on request of the Reorganized Debtors, the holder of the CCV Secured Claim shall timely execute and deliver a release of its lien on the unit to allow the Reorganized Debtors to close the sale of the unit and deliver marketable title to buyers.

In the event CCV elects to have its claim treated pursuant to section 1111(b) of the Bankruptcy Code, CCV shall have a single, secured Claim and forfeit its right to any deficiency claim against the Debtors. The Debtors will comply with payment requirements under the Bankruptcy Code if such election is made by CCV and amend the Plan accordingly. The Debtors believe CCV's single, secured to be \$49,210,478.13 if it should make the section 1111(b) election.

3. Classes of Unsecured Claims

General Unsecured Claims are not secured by property of the Estates and are not entitled to priority under section 507(a) of the Bankruptcy Code. The Debtors have separately classified the Unsecured Claims of CCV, Mechanics' Lienors, and General Unsecured Creditors because of the different circumstances of each class.

The CCV Deficiency Claim warrants a classification separate from General Unsecured

Claims because, unlike other General Unsecured Claims, the amount of the CCV Deficiency Claim has passively decreased while the amount of the CCV Secured Claim passively increased solely because of the completion of construction of the North and South Towers between the Petition Date and the Effective Date by the Debtors. Unsecured Mechanics' Lien Claims warrant a classification separate from General Unsecured Claims because: (a) unlike holders of other Unsecured Claims, holders of Mechanics' Lien Claims are essentially trade Creditors of the Debtors who have been left unpaid for pre-petition construction services and supplies. Despite being unpaid for pre-petition Claims, many Mechanics' Lien Claim holders have agreed to continue providing construction services and supplies post-petition to complete construction of the Artec City Project; and (b) notwithstanding their pre-petition attempts to secure their Claims against the Artec City Project, under the Plan, holders of Unsecured Mechanics' Lien Claims must deliver lien releases at the closing of the sale of each unsold unit.

Following is the Debtors' proposed treatment of Classes 4A-4C, which consist of nonpriority Unsecured Claims against the Debtors:

a. Class 4A - Allowed CCV Deficiency Claim

The CCV Deficiency Claim is equal to the amount of the Debtors' total pre-Petition Date indebtedness to CCV minus \$39.4 million.

The holder of the Allowed CCV Deficiency Claim shall receive *pro rata* Distributions from the Unsecured Claim Payment. For purposes of paying the Allowed CCV Deficiency Claim, this Claim will be treated as a General Unsecured Claim in Class 4C. After the CCV Secured Claim is paid in full, a *pro rata* quarterly Distribution shall be made to holders of the Allowed CCV Deficiency Claim, Allowed Mechanics' Lien Claims, and Allowed General Unsecured Claims until such time as the closings of the sales of the Inventory are completed.

b. Class 4B - Allowed Unsecured Mechanics' Lien Claims.

Pursuant to non-bankruptcy law, the CCV Secured Claim is superior to any Mechanics' Lien Claims because CCV is undersecured. Therefore the Mechanics' Lien Claims are wholly unsecured and the Confirmation Order shall provide that all such liens are null and void.

For purposes of paying these claims, Mechanics' Lien Claims will be treated as General Unsecured Claims in Class 4C. After the CCV Secured Claim is paid in full, a *pro rata* quarterly Distribution shall be made to holders of Allowed Mechanics' Lien Claims, the Allowed CCV Deficiency Claim and Allowed General Unsecured Claims in an amount equal to the Unsecured Claim Payment until such time as the closings of the sales of the Inventory are completed.

At the closing of the sale of each unsold unit, on request of the Reorganized Debtors, the holders of the Mechanics' Lien Claims shall timely execute and deliver a release of their liens on the unit to allow the Reorganized Debtors to close the sale of the unit and deliver marketable title to buyers.

c. Class 4C - Allowed General Unsecured Claims

Holders of Allowed General Unsecured Claims shall receive quarterly *pro rata* Distributions, along with holders of the Allowed CCV Deficiency Claim and Allowed Mechanics' Lien Claims, in an amount equal to the Unsecured Claim Payment until such time as the closings of the sale of the Inventory are completed.

4. Class of Equity Interests

Equity Interest holders are parties who hold an ownership interest in the Debtors. Following is the Debtors' proposed treatment of Equity Interests:

a. Class 5 – Equity Interests

All Equity Interests in the Debtors shall be cancelled and extinguished upon the Effective Date of the Plan.

E. Provisions Governing Distributions

1. Distributions to Holders of Allowed Claims

Except as otherwise provided in the Plan or ordered by the Bankruptcy Court, the Initial Distribution shall be disbursed in two tranches. The first tranche shall be on the Effective Date, which the Debtors estimate to be April 1, 2011. The second tranche of the Initial Distribution shall be 15 days after the first quarter after the Effective Date, which the Debtors estimate to be July 15, 2011, after the first sales of Inventory have closed. Thereafter, Distributions will be made on a quarterly basis in accordance with the provisions of the Plan. Claims that first become Allowed Claims after payment of the Initial Distribution shall receive Distributions as provided in Article VI of the Plan.

2. Disbursing Agents

All Distributions under the Plan shall be made either: (a) by the First Disbursing Agent, who shall (i) make disbursements on the Effective Date to pay the balance of the CCV DIP Loan, Priority Unsecured Deposit Claims, and due and owing Administrative Expenses Claims and U.S. Trustee Fees and (ii) make all other disbursements under the Initial Distribution 15 days after the first quarter after the Effective Date; or (b) by the Second Disbursing Agent for future Distributions of awards to Professionals pursuant to Order of the Bankruptcy Court, payments on Claims of Creditors in Classes 1-4C, and payments on the Exit Loan. The First and Second Disbursing Agents may not be removed or replaced except by Order of the Bankruptcy Court after notice and hearing.

3. Delivery of Distributions

Subject to Bankruptcy Rule 9010, all Distributions to holders of Allowed Claims shall be made at the address indicated on proofs of Claims filed with the Bankruptcy Court by such

holder or in the event a holder of an Allowed Claim did not file a proof of Claim at the address set forth on the Schedules, unless the Debtors were notified in writing of a change of address. In the event that a Distribution to a holder is returned as undeliverable, the First or Second Disbursing Agent, as the case may be, and/or the Reorganized Debtors shall use reasonable efforts to determine the current address of such holder, but no Distribution to such holder shall be made unless and until the First or Second Disbursing Agent and/or the Reorganized Debtors have determined the then current address of such holder, at which time such Distribution shall be made to such holder; provided that such Distributions shall be deemed unclaimed property at the expiration of six (6) months from the date of disbursement of the second tranche of the Initial Distribution or any Distribution Date thereafter. After such date, all unclaimed property or interest in property may be redistributed to other creditors or administrative claimants, and the Claim of any other holder to such property or interest in property shall be discharged and forever barred.

4. Manner of Payment Under the Plan

At the option of the First Disbursing Agent or Second Disbursing Agent any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements.

5. Setoffs

The Reorganized Debtors may, in their discretion, effect a setoff against any Claim and the Distributions to be made pursuant to the Plan in respect of such Claim with claims of any nature whatsoever that Reorganized Debtors may have against such Creditor; but neither the decision not to effect a setoff nor the allowance of any Claim shall constitute a waiver or release by the Reorganized Debtors of any claims against such Creditor.

6. Allocation of Plan Distribution Between Principal and Interest

To the extent any Allowed Claim entitled to a Distribution under the Plan is comprised of indebtedness and unpaid interest accruing since the Effective Date thereon, any Distribution with respect to such Allowed Claim shall, for federal and state income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to the accrued but unpaid interest.

F. Procedures for Resolving and Treating Disputed Claims

1. Objection Process/Deadline

Except as to applications for allowances of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code, the Reorganized Debtors shall have the sole right to make and file objections to Claims and Equity Interests subsequent to the Confirmation Date. The Reorganized Debtors shall have the sole authority to compromise, settle, or otherwise resolve or withdraw any objections, with approval of the Bankruptcy Court, which approval may be sought on negative notice pursuant to Local Rule 3007-1(C) and (D). Unless otherwise ordered by the Bankruptcy Court, the Reorganized Debtors shall file all objections to

Administrative Expense Claims that are the subject of proofs of Claim or requests for payment filed with the Bankruptcy Court (other than applications for allowances of compensation and reimbursement of Professional Fee Claims), Claims and Equity Interests and serve such objections upon the holder of the Administrative Expense Claim, Claim, or Equity Interest as to which the objection is made as soon as is practicable, but in no event later than (a) one hundred twenty (120) days after the later to occur of the Effective Date or the date on which a proof of Claim or request for payment is permitted to be filed with the Bankruptcy Court or (b) such later date as may be approved by the Bankruptcy Court.

2. No Distributions Pending Allowance

Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or Distribution provided hereunder shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim. For purposes of reserving distributions pending resolution of Disputed Claims, such Claims may be estimated upon motion and hearing. The Debtors will deposit amounts properly allocable on account of the Disputed Claim into the Disputed Claim Reserve until each Disputed Claim is either Allowed or an Order is entered disallowing the Claim.

3. Distributions After Allowance

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, a Distribution shall be made to the holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as practicable after the date that the Order of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Debtor shall provide to the holder of such Claim the Distribution to which such holder is entitled under the Plan.

4. Voting Rights of Holders of Disputed Claims

Pursuant to Bankruptcy Rule 3018(a), a Disputed Claim will not be counted for purposes of voting on the Plan to the extent it is disputed, unless an Order of the Bankruptcy Court is entered after notice and a hearing temporarily allowing the Disputed Claim for voting purposes under Bankruptcy Rule 3018(a). Such disallowance for voting purposes is without prejudice to the claimant's right to seek to have its Disputed Claim allowed for purposes of distribution under the Plan.

G. Retained Causes of Action

The Reorganized Debtors shall have the authority to prosecute, defend, compromise, settle, or otherwise deal with any Retained Causes of Action as representative(s) of the Estates. The Reorganized Debtors shall pay the fees and costs associated with litigating the Retained Causes of Action in the ordinary course of business. The Reorganized Debtors shall have the sole discretion to determine, in their business judgment, which Retained Causes of Action to pursue, which to settle, and the terms and conditions of those settlements. In addition to retained claims and actions described in Article VIII of the Plan, a list and description of the Retained Causes of Action is attached as **Exhibit "3"** to this Disclosure Statement. The Debtors reserve the right to supplement their list of Retained Causes of Action.

H. Retention of Jurisdiction After the Effective Date

Subject to the terms of the Confirmation Order, the Bankruptcy Court shall retain jurisdiction over all matters set forth in Article XIII of the Plan.

I. Cramdown Provisions

The Bankruptcy Code contains provisions for confirmation of a plan even if the plan is not accepted by all impaired classes, so long as one impaired class of claims has accepted it. The "cramdown" provisions of the Bankruptcy Code are set forth in section 1129(b) of the Bankruptcy Code.

A plan may be confirmed under the cramdown provisions if, in addition to satisfying the usual requirements of section 1129 of the Bankruptcy Code, it (i) "does not discriminate unfairly" and (ii) is "fair and equitable" with respect to each Class of Claims or Equity Interests that is impaired under, and has not accepted, the Plan. As used by the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have narrow and specific meanings unique to bankruptcy law.

In general, the cramdown standard requires that a dissenting class receive full compensation for its allowed claims before any junior class of claims receives any distribution.

In the event that any Classes are determined to have rejected the Plan in accordance with section 1126 of the Bankruptcy Code, the Debtors will utilize the provisions of section 1129(b) of the Bankruptcy Code to satisfy the requirements for confirmation of the Plan.

J. Conditions Precedent to Effective Date

The following are conditions precedent to the occurrence of the Effective Date, each of which must be satisfied:

1. The Confirmation Order shall have been entered by the Clerk of the Bankruptcy Court.
2. All authorizations, consents, and regulatory approvals required, if any, in connection with the consummation of the Plan shall have been obtained.
3. There shall be no stay of the Confirmation Order in effect.
4. All other actions, documents and agreements necessary to implement the Plan shall have been effected or executed.

K. Injunction In Favor of the Debtors

All Persons who have held, hold, or may hold Claims against the Debtors (including without limitation claims for indemnity and/or contribution) shall be permanently enjoined, on and after the Effective Date, subject to the occurrence of the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with

respect to any such Claim against the Debtors, (ii) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree or order against the Debtors on account of any such Claim, (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors or against the property or interests in property of the Debtors on account of any such Claim, and (iv) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from or against the Debtors or against the property or interests in property of or against the Debtors on account of any such Claim. The foregoing injunction will extend to successors of the Debtors and their properties and interests in property.

L. Professional Fees and Costs

Post-Confirmation Professionals will file with the Bankruptcy Court applications for compensation of fees and costs, on a quarterly basis. As set forth in Article XIII of the Plan, the Bankruptcy Court shall retain jurisdiction to consider and award fees and costs applied for by Professionals.

SECTION IV **VOTING ON AND CONFIRMATION OF THE PLAN**

In order to confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of determinations concerning the Plan. These include that (a) the Plan has classified Claims and Equity Interests in a permissible manner, (b) the Plan complies with the technical requirements of Chapter 11 of the Bankruptcy Code; (c) the Debtors have proposed the Plan in good faith; and (d) the Debtors' disclosures as required by Chapter 11 of the Bankruptcy Code have been adequate and include information concerning all payments made or promised by the Debtors in connection with the Plan. The Debtors believe that all of these conditions will have been met by the date set for the Confirmation Hearing.

The Bankruptcy Code also requires that the Plan be accepted by the requisite votes of Creditors (except to the extent that "cram-down" is available under Section 1129(b) of the Bankruptcy Code), that the Plan be feasible (that is, the confirmation of the Plan is not likely to be followed by the liquidation, or the need for further reorganization of the Debtors, and that the Plan is in the "best interests" of all Creditors and Equity Interest holders (that is, that Creditors and Equity Interest holders will receive at least as much under the Plan as they would receive in a liquidation under Chapter 7 of the Bankruptcy Code).

To confirm the Plan, the Bankruptcy Court must find that all of these conditions are met. Even if the Creditors accept the Plan by the requisite votes, the Bankruptcy Court must make independent findings respecting feasibility of the Plan and whether the Plan is in the best interests of Creditors. These statutory conditions to confirmation are discussed below.

A. Classification of Claims and Equity Interests

The Bankruptcy Code requires that a plan of reorganization place each Creditor's Claim and each Equity Interest in a class with other Claims and Equity Interests that are "substantially similar." For the rationale for the classification of Claims and Equity Interests used in the Plan, see Section III of this Disclosure Statement. The Debtors believe that the Plan meets the classification requirements of the Bankruptcy Code.

B. Voting**1. Impaired Classes and Equity Interests**

As a condition to confirmation, the Bankruptcy Code requires that at least one impaired class of Claims or Equity Interests accepts the Plan. A class is "impaired" if the legal, equitable or contractual rights attaching to the Claims or Equity Interests of that Class are modified, other than by curing defaults and reinstating the maturity dates thereof or by payment in full. The Bankruptcy Code defines acceptance of a plan by an impaired class of Claims as acceptance by holders of two-thirds in dollar amount and a majority in number of Claims of that class. For that purpose, the Bankruptcy Code counts only those who actually vote to accept or to reject the Plan. Holders of Claims who fail to vote are not counted as either accepting or rejecting the Plan.

Holders of Claims in Classes 2-4C are entitled to vote on the Plan. Holders of Class 5 Equity Interests will not retain or receive any property under the Plan on account of such interests and, therefore, Class 5 is deemed to have rejected the Plan. The Debtors' will not solicit votes from Class 5 Equity Interest holders.

2. Classes That Are Not Impaired

Classes of Claims that are not "impaired" under the Plan are deemed to have accepted the Plan. Class 1 Priority Unsecured Deposit Claims are not Impaired and, therefore, Class 1 is deemed to have accepted the Plan. The Debtors' will not solicit votes from holders of Class 1 Creditors.

C. Best Interests of Creditors

Notwithstanding acceptance of the Plan by the vote of Creditors, in order to confirm the Plan, the Bankruptcy Court must independently determine that the Plan is in the best interests of all Classes of Creditors and Equity Interest holders that are impaired under the Plan. The "best interests" test requires that the Bankruptcy Court find that the Plan provides each member of each impaired Class a recovery having a value at least equal to that which each Class member would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

To estimate what members of each impaired Class would receive under Chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the Debtors' assets if the Chapter 11 Case were converted to Chapter 7 and the assets were liquidated by a trustee in bankruptcy (the "Liquidation Value"). The Liquidation Value would consist of the net proceeds from the disposition of the Debtors' assets, plus Cash held by the Debtors. The Liquidation Value would be reduced by (a) the amount of Secured Claims; and (b) the costs and expenses of the liquidation, as well as Administrative Expense Claims of the Debtors' Estates.

Once the percentage recoveries in liquidation of Secured Claims, Priority Claims and Unsecured Claims are ascertained, the Distributions available out of the Liquidation Value are compared with the value of the property offered to each class of Claims and Equity Interests under the Plan. This enables the Bankruptcy Court to determine whether the Plan meets the best interests of each Creditor and Equity Interest holder.

The Claims Bar Date is approximately five weeks after the date of the filing of this Plan. As a result, the Debtors are not able to provide an informed valuation of Claims. Also, the Debtors are uncertain if CCV will elect to have its claim treated pursuant to section 1111(b) of the Bankruptcy Code. Consequently, at this time, the Debtors are unable to calculate an exact dividend to be received by holders of Allowed Unsecured Claims under the Plan. However, based on the Projected Treatment of Claims under Plan, attached to this Disclosure Statement as **Exhibit "2"**, and the CCV Secured Claim Valuation attached to this Disclosure Statement as **Exhibit "4"**, the Debtors estimate that holders of Unsecured Claims will be paid between a 15% and 40% dividend under the Plan, which they are confident is a greater return that would be received for Allowed Unsecured Claims under Chapter 7. If the Chapter 11 Cases were converted to Chapter 7 on the Effective Date, all of the Artec City Project would be transferred to CCV to satisfy the CCV Secured Claim, leaving no distribution to other Creditors.

The Debtors also believe that the administrative expenses will be less under the Plan than if a Chapter 7 trustee were responsible for liquidating the assets and making distributions to Creditors. Under the Plan, only the actual, reasonable and necessary expenses of liquidation will be a charge against the Estate Assets, while in a Chapter 7 liquidation both the Chapter 7 trustee's flat percentage fee plus the fees and expenses of the trustee's professionals would be chargeable against the Estate prior to making distributions to Creditors.

D. Feasibility of the Plan

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. The Debtors believe that all obligations described in the Plan will be timely performed. The Debtors are confident that the Artec City Project is a unique development in a desired area of Miami Beach, Florida and, notwithstanding the current South Florida real estate market in recent years, targeted purchasers will close the sales of unsold Inventory, allowing the Debtors to pay Creditors as provided in the Plan.

E. Alternatives to the Plan

The Debtors believe that the Plan provides Creditors with the greatest possible value that could be realized on their Claims. The primary alternatives to confirmation of the Plan are liquidation of the Debtors under chapter 7 of the Bankruptcy Code or dismissal of the Chapter 11 Cases. In a chapter 7 liquidation, the Debtors believe that Unsecured Creditors would receive nothing for their Claims after payment of Administrative Expenses and the CCV Secured Claim. Similarly, if the Chapter 11 Cases were dismissed, CCV could continue to prosecute the Foreclosure Case and, upon a foreclosure sale, CCV could credit bid the amount of its undersecured Claim, leaving nothing left for Unsecured Creditors.

F. Risks Associated With Plan Confirmation

The Debtors' Plan involves a degree of risk, and this Disclosure Statement and the Plan contain forward-looking statements that involve risks and uncertainty. The Reorganized Debtors' actual results could differ materially from those anticipated herein as a result of a variety of factors. Holders of Claims should consider the following, in addition to the other

information contained in this Disclosure Statement, before submitting a vote to accept or reject the Plan.

The assumptions relied upon in preparing the financial schedules attached to this Disclosure Statement as Exhibits "2" and "4" presume that the Debtors will complete construction of the Artecity Project and close the sale of Inventory by certain deadlines. In the event those deadlines are not met, the Distributions made to holders of Class 3, 4A, 4B and 4C could be significantly less than anticipated. *You should consult with your accountant or other financial advisor if you have any questions pertaining to the Debtors' projections.*

SECTION V EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Treatment

Except as otherwise provided in the Plan, in the Confirmation Order or in any contract, instrument, release, indenture, or other agreement, or document entered into in connection with this Plan, as of the Effective Date the Debtors shall be deemed to have rejected each pre-petition executory contract and unexpired lease to which it is a party, unless such contract or lease (a) was previously assumed or rejected by the Debtors, (b) previously expired or terminated pursuant to its own terms, (c) is the subject of a motion to assume filed on or before the Confirmation Date, or (d) is set forth in any Plan supplement, as an executory contract or unexpired lease to be assumed. The Confirmation Order shall constitute an Order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the contract and lease assumptions or rejections described above, as of the Effective Date.

Each executory contract and unexpired lease that is assumed and relates to the use, ability to acquire, or occupancy of real property shall include (a) all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affect such executory contract or unexpired lease and (b) all executory contracts or unexpired leases appurtenant to the premises, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements, vaults, and any other interests in real estate or rights *in rem* related to such premises, unless any of the foregoing agreements has been rejected pursuant to an Order of the Bankruptcy Court.

B. Preconstruction Agreements

Except and to the extent previously assumed pursuant to an Order of the Bankruptcy Court entered on or before the Confirmation Date, all Preconstruction Agreements deemed executory contracts assumable by the Debtors pursuant to section 365(a) of the Bankruptcy Code, shall be deemed assumed pursuant to the Confirmation Order.

C. Cure Payments

Any monetary amounts by which any executory contract or unexpired lease to be assumed hereunder is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy

Code, by the Debtors. If there is a dispute regarding (i) the nature or amount of any cure, (ii) the ability of the Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (iii) any other matter pertaining to assumption, cure shall occur following the entry of a Final Order resolving the dispute and approving the assumption or assumption and assignment, as the case may be.

D. Rejection Damages Claims

Proofs of all Claims arising out of the rejection of executory contracts and unexpired leases pursuant to the Plan shall be filed with the Bankruptcy Court, with proper supporting documentation detailing the calculation of such claim, and served upon the Debtors and their counsel not later than thirty (30) days after the earlier of (a) the Effective Date, or (b) the date of entry of an Order of the Bankruptcy Court approving such rejection. Any Claims not filed within such time shall be forever barred from assertion against the Debtors, their Estates, the Reorganized Debtors, and their respective properties and interests. Unless otherwise ordered by the Bankruptcy Court, all Allowed Claims arising from the rejection of executory contracts or unexpired leases shall be treated as Class 4C General Unsecured Claims.

SECTION VI DISCLAIMER REGARDING TAX CONSEQUENCES

The following discussion briefly summarizes some of the more significant federal income tax consequences of the Plan to the Debtors based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), the Treasury regulations promulgated thereunder, the judicial authorities and current administrative rulings. In addition, certain aspects of the following discussion are based on proposed Treasury regulations.

The tax consequences of certain aspects of the Plan are uncertain due to the lack of applicable legal authority and may be subject to administrative or judicial interpretations that differ from the discussion below. The Debtors have not requested a ruling from the Internal Revenue Service (the "IRS"), nor will any opinion of counsel be obtained by the Debtors with respect to the federal income tax consequences of the Plan. There can be no assurance that the IRS will not challenge any or all of the tax consequences of the Plan, or that if such challenge is asserted, would not be sustained. Further, the federal income tax consequences to the Debtors, the Creditors and the Interest holders may be affected by matters not discussed in the Plan and Disclosure Statement.

THE DEBTORS' MANAGEMENT AND THEIR RESPECTIVE COUNSEL AND FINANCIAL ADVISORS ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN WITH RESPECT TO THE DEBTORS, CREDITORS OR HOLDERS OF EQUITY INTERESTS, NOR ARE THEY RENDERING ANY FORM OF LEGAL OPINION OR TAX ADVICE ON SUCH TAX CONSEQUENCES. THE TAX LAWS APPLICABLE TO COMPANIES IN BANKRUPTCY ARE EXTREMELY COMPLEX. CREDITORS AND HOLDERS OF EQUITY INTERESTS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS REGARDING TAX

**CONSEQUENCES OF THE PLAN, INCLUDING FEDERAL, FOREIGN,
STATE AND LOCAL TAX CONSEQUENCES.**

**SECTION VII
RECOMMENDATION**

FOR ALL OF THE REASONS SET FORTH IN THIS DISCLOSURE STATEMENT,
THE DEBTORS BELIEVE THAT THE CONFIRMATION AND CONSUMMATION OF THE
PLAN ARE PREFERABLE TO ALL OTHER ALTERNATIVES.

**SECTION VIII
CONCLUSION**

THE DEBTORS URGES ALL CREDITORS TO ACCEPT THE PLAN AND TO
EVIDENCE SUCH ACCEPTANCE BY RETURNING THEIR BALLOTS SO AS TO BE
RECEIVED BY THE CLERK OF THE BANKRUPTCY COURT AT 51 S.W. FIRST
AVENUE, ROOM 1510, MIAMI, FL 33130 ON OR BEFORE _____, 20__ AT 4:30
P.M. (EASTERN STANDARD TIME).

Respectfully submitted,

Artecity Management LLC

By: /s/ Claudio Benedetti
Claudio Benedetti, as Managing Member

Artecity Holding Ltd.

By: Artecity Management LLC, its General Partner

By: /s/ Claudio Benedetti
Claudio Benedetti, as Managing Member

Artecity Plaza LLC

By: Artecity Management LLC, its Manager

By: /s/ Claudio Benedetti
Claudio Benedetti, as Managing Member

Artepark South Development LLC

By: Artecity Management LLC, its Manager

By: /s/ Claudio Benedetti
Claudio Benedetti, as Managing Member

Artecity Governor L.L.C.

By: Artecity Management LLC, its Manager

By: /s/ Claudio Benedetti
Claudio Benedetti, as Managing Member

Artecity Park LLC

By: Artecity Management LLC, its Manager

By: /s/ Claudio Benedetti
Claudio Benedetti, as Managing Member

Park Villas Development LLC

By: Artecity Management LLC, its Manager

By: /s/ Claudio Benedetti
Claudio Benedetti, as Managing Member