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ARTECITY FILES CHAPTER 11 BANKRUPTCY

MIAMI (July 27, 2010) – Artecity, the partially completed, 202-unit condominium development in Miami Beach, today announced that on July 26th, 2010 it filed Chapter 11 bankruptcy to use \$2.7 million in construction financing to complete its 113-unit North and South Towers. Construction at the project halted last summer after Artecity's construction lender, Corus Bank, was taken over by the Federal Deposit Insurance Corp. Artecity's loan was included with the Corus Bank loans sold by the FDIC last year to an investor group headed by Starwood Capital Group. The investor group has sued to foreclose the project. The FDIC is providing the investor group with billions of dollars of financing on generous terms.

Prior to filing Chapter 11, Artecity sought approval from the FDIC financed investor group for Artecity's proposal to finance completion of the project with the \$2.7 million fund raised from Artecity's principals. "The investor group's response was not encouraging so Chapter 11 became the best way for Artecity to complete the project," said [Thomas Lehman](#) of [Levine Kellogg Lehman Schneider + Grossman LLP](#), attorney for Artecity. Lehman added, "When Congress decided to fund the bailout of the banking industry, I don't think that it intended for government financing to be used to block small developers like Artecity from risking its own money to restart a project stalled after a bank failure. Chapter 11 gives us the level playing field we need to complete Artecity's development."

Artecity's principals remain committed to completing the project and closing the 93 condominium units still under contract with purchasers and have raised more than \$2.7 million for debtor-in-possession construction financing from many of Artecity's original investors. "Artecity's North and South Towers are more than 95 percent complete. They will be finished in four months and closings will resume immediately after," said Claudio Benedetti, manager of the project.

Benedetti continued, "Artecity is committed to the successful conclusion of this project. The new construction loan together with completion of construction will achieve the best result for all creditors of Artecity, the current owners of completed units and those purchasers who are eager to close their contracts to buy a unit."

Artecity has requested the bankruptcy court to approve the new construction loan and expects a court hearing on its request in two weeks.

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