



Loreto, BCS, February 20, 2009

Dear Homeowners,

Continuing with our efforts and commitment to maintain a more consistent line of communication, the purpose of this letter is to provide you with an update on the status of Loreto Bay.

A sound business requires good accounting practices that minimize paperwork, increase efficiency, and most importantly improve and maintain good reporting and timely communication processes. Most recently the Company's corporate accounting office has been operating from Loreto Bay; as a result, a subsequent decision to transfer the remaining centralized functions (i.e., Sales and Marketing, and Reservations) from Scottsdale to Loreto has been successfully implemented. As part of this process the Condominium Regimes' management, accounting, and records are being transitioned to and consolidated in Loreto.

Loreto Bay is also pleased to announce that Robert "Bob" Toubman will now serve on behalf of Loreto Condominium Services as the Administrator of the Master Condominium Regime and Sub-Regimes at Loreto Bay. Bob has been a long time member of the Loreto Bay team and is extremely knowledgeable about the company, its operating and reporting procedures, and more importantly, he understands Loreto Bay and its homeowners.

Thanks to your inquiries, a "Frequently Asked Questions" section has been posted on our website. Please visit www.loreto baynews.com to view it. We hope that this addition will further answer your concerns. This section will be updated over time. Also, for our Canadian homeowners, we would like for you to know that the technical issue with the toll-free number at our call center has been fixed. Please feel free to call us at 1-866-682-1856.

Regarding the status of the sale, we would like to inform you that we have received numerous visits to the project from interested buyers over the past weeks. Our local team has been extremely supportive of Cushman & Wakefield's efforts to successfully close on a sale. Additional details regarding the process have not yet been disclosed; however we will make sure to inform you of any relevant updates as they become available.

Sincerely,

Embree C. "Chuck" Bedsole

Interim President

Loreto Bay Company

