

May 16, 2011

RE: In re Barnes Bay Development, Ltd., et al. (the “Debtors”)

To All General Unsecured Creditors of the Debtors:

As counsel to the Official Committee of Unsecured Creditors (the “Committee”) in the above-referenced bankruptcy cases, I write to update you concerning three motions pending before the Bankruptcy Court supervising the Debtors’ bankruptcy cases:

1. The Committee’s Motion for the Appointment of a Chapter 11 Trustee (the “Trustee Motion”) filed April 13, 2011;
2. The Committee’s Motion to Reconsider the Court’s First Day Order permitting the Debtors to sell residences in the ordinary course (the “Reconsideration Motion”) filed April 20, 2011; and
3. The Committee’s Complaint for Declaratory and Injunctive Relief and related Motion for a Temporary Restraining Order and Preliminary Injunction enjoining Defendants from Closing on Sales of Units to Deposit Creditors and From Any Present or Future Improper Solicitation of Deposit Creditors (the “TRO Application”) both filed May 2, 2011.

The Trustee Motion. On May 6 and 13, 2011, the Bankruptcy Court conducted an evidentiary hearing on the Committee’s Trustee Motion. Following a morning of testimony, the Debtors, the Committee and Starwood, the Debtors’ pre-petition and post-petition lender, agreed to adjourn the hearing on the Trustee Motion to a hearing date to be determined.

The Reconsideration Motion. The Committee’s Reconsideration Motion will be heard by the Bankruptcy Court on a future date to be determined.

TRO Application. On May 3, 2011, the Bankruptcy Court conducted a hearing on the TRO Application, and ultimately denied the TRO Application on the grounds that the Debtors could solicit the deposit creditors to accept the terms offered in the Letters from Kevin Nystrom, the Debtors’ Chief Restructuring Officer, provided that the Debtors file motions pursuant to Bankruptcy Rule 9019 seeking court approval of any agreement entered into between the Debtors and a deposit creditor. On May 11, 2011, the Bankruptcy Court entered the order denying the TRO Application.

The Committee will host an open teleconference for general unsecured creditors of the Debtors to address questions at **2 p.m. (EDT) on Wednesday, May 18, 2011**. To the extent that you wish to participate and/or have questions or issues, please submit them in writing to Laura Weiss (lweiss@brownrudnick.com) by **5 pm (EDT) on Tuesday, May 17, 2011**. Ms. Weiss will acknowledge your inquiry and provide you with the dial-in details of the teleconference.

Very truly yours,

BROWN RUDNICK LLP



881620011051600000000001