

COMMONWEALTH OF KENTUCKY
GRAYSON CIRCUIT COURT
DIVISION II

FILED

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CIVIL ACTION NO. 11-CI-212

ELOIS DOWNS, CIRCUIT CLERK

BY A. Wilson D.C.
PLAINTIFF

COMMONWEALTH OF KENTUCKY, ex rel.
JACK CONWAY, ATTORNEY GENERAL

v.

COMPLAINT

3D RESORTS COMMUNITIES LLC

Serve: Ronald G. Newman, Jr., Registered Agent
18568 Forty Six Parkway
Suite 1001
Spring Branch, TX 78070

3D RESORTS-BLUEGRASS, LLC

Serve: Ronald G. Newman, Jr., Manager
18568 Forty Six Parkway
Suite 1001
Spring Branch, TX 78070

DOUBLE DIAMOND, INC.

Serve: R. Jeffrey Schmidt, Esq., Registered Agent
10100 N Central Expressway, Ste 600
Dallas, TX 75231

and

NATIONAL RESORT MARKETING CORP.

Serve: R. Jeffrey Schmidt, Esq., Registered Agent
10100 N Central Expressway, Ste 600
Dallas, TX 75231

DEFENDANTS

Comes the Commonwealth, by and through its Attorney General, Jack Conway, and for its Complaint hereby states as follows:

PARTIES and JURISDICTION

1. Jack Conway is the duly elected Attorney General of the Commonwealth of Kentucky and is responsible for the enforcement and administration of Kentucky law, including the Consumer Protection Act, KRS 367.110 *et seq.* He is authorized by KRS 367.190 to bring this action in the name of the Commonwealth of Kentucky, and has determined that it is in the public interest to do so.

2. KRS 367.190 provides that the Attorney General may seek an injunction and other relief, when he has reason to believe that a person is using, has used, or is about to use any unfair, false, misleading, or deceptive act or practice in the conduct of any trade or commerce.

3. In addition to KRS 367.190, KRS 367.484 authorizes the Attorney General to seek an injunction and other relief to prohibit the sale or offer when the Attorney General has reason to believe that any person is offering recreational and retirement use land for sale in violation of KRS 367.470 to 367.486 or any administrative regulations issued by the Attorney General pursuant to KRS 367.480, and that proceedings would be in the public interest.

4. Defendant 3D Resort Communities LLC is a limited liability company organized under the laws of Texas, pursuant to information filed with the Texas Secretary of State, who lists 3D Resort Communities LLC's principal place of business as 18568 Forty Six Parkway, Suite 1001, Spring Branch, TX 78070.

5. Defendant 3D Resorts-Bluegrass, LLC is a limited liability company organized under the laws of Kentucky, pursuant to information filed with the Kentucky Secretary of State, who lists 3D Resorts-Bluegrass LLC's principal place of business as 18568 Forty Six Parkway,

Suite 2002, Spring Branch, TX 78070. As of the date of this Complaint, this entity is listed as being in bad standing and pending dissolution by the Kentucky Secretary of State for its failure to replace its registered agent who resigned in February, 2011.

6. Defendant Double Diamond, Inc. is a corporation organized under the laws of Texas, pursuant to information filed with the Texas Secretary of State, who lists Double Diamond's principal place of business as 10100 N Central Expressway, Suite 600, Dallas, TX 75231.

7. Defendant National Resort Marketing Corp. is a corporation organized under the laws of Texas, pursuant to information filed with the Texas Secretary of State, who lists National Resort Marketing's principal place of business as 10100 N Central Expressway, Suite 600, Dallas, TX 75231.

8. Upon information and belief, Defendant Double Diamond, Inc. has, for all periods of time relevant to this Complaint, owned, controlled, managed, or jointly participated with Defendant National Resort Marketing Corp. to engage in illegal acts including acts which violate the Kentucky Recreation and Retirement Use Land Sales Act, KRS 367.470 through 367.486, and acts which are unfair, false, misleading, and/or deceptive in trade or commerce in willful violation of the Kentucky Consumer Protection Act, KRS 367.170.

9. All Defendants are "subdividers" as defined by KRS 367.472(5) and have and are offering land within the Commonwealth of Kentucky for disposition to consumers within and/or outside the Commonwealth, and have engaged in sufficient trade and commerce within the Commonwealth of Kentucky to make jurisdiction over these proceedings appropriate. Jurisdiction of this Court is invoked pursuant to the Kentucky Recreation and Retirement Use Land Sales Act, KRS 367.470 through 367.486.

10. Upon information and belief, Defendants have engaged and continue to engage in unfair, false, misleading or deceptive acts or practices in dealing with Kentucky consumers, or have acted in active concert with other Defendants who have, as more fully set forth herein, in violation of the Kentucky Consumer Protection Act, KRS 367.170.

11. Venue is proper in Grayson County, Kentucky pursuant to KRS 367.190(1) and KRS 367.484(1) because it is the situs of the alleged illegal acts.

FACTS

12. The Commonwealth hereby incorporates by reference the foregoing paragraphs.

13. The real property at issue in this matter was the subject of prior litigation instituted in this Court on February 25, 2005 by the Attorney General, styled *Commonwealth v. GF Resort LP, et al.*, Case No. 05-CI-00087. The property is known as "Green Farm Resort" although Defendants herein have recently undertaken steps to change the name of the development to "The Falls Resort." The prior litigation was dismissed in consideration for an Agreement reached between the Plaintiff and a new entity, 3D Resorts-Bluegrass LLC, which was acquiring the property for the purpose of continuing development and lot sales. This Agreement was attached as an Exhibit to the Order of Dismissal in that litigation, and is attached as **Exhibit A** hereto and incorporated herein by reference.

14. During the time Defendants 3D Resort Communities LLC and/or 3D Resorts-Bluegrass LLC were developing, marketing and offering lots for sale at Green Farm Resort, they were purporting to operate pursuant to the federal Interstate Land Sales Registration Program and Full Disclosure Act [hereinafter, "federal Program"], governed by the U.S. Department of Housing and Urban Development ("HUD"). The federal Program requires developers to file certain documents with HUD, including but not limited to "property reports." 3D Resorts had

filed such reports with HUD in the past. Under KRS 367.486, developers subject to and complying with the federal Program are exempt from the provisions of the Kentucky Recreation and Retirement Use Land Sales Act. However, the Defendants did not file duplicate copies of any of the registration statements filed with HUD, as required under KRS 367.486 in order to qualify for an exemption from the state law.

15. On or around October 29, 2010, Defendant 3D Resorts-Bluegrass LLC entered into a "Management Agreement" with Defendant National Resort Marketing Corp. for the stated purpose of "engaging [National Resort] for the purpose of managing the Operations" at the Property. "Operations" are identified in the Management Agreement to include "an 18-hole golf course, hospitality services, *single family lot sales, marketing, and mortgage servicing.*" (Emphasis added.) A copy of this Management Agreement is attached as **Exhibit B** hereto and incorporated herein by reference.

16. On or about March 29, 2011, Defendant 3D Resorts Bluegrass, acting through National Resort as its Agent, attempted to file an Amendment Application with HUD pursuant to the federal Program.

17. On or about April 19, 2011, HUD rejected 3D Resorts'/National Resort's Amendment Application in writing and issued a Suspension Notice under 15 U.S.C. § 1706(b) and 24 CFR 1710.45(a) of the federal Program to Double Diamond, National Resort and 3D Resorts. A copy of this Suspension Notice is attached hereto as **Exhibit C** and incorporated herein by reference.

18. On or about May 5, 2011, HUD directed a second letter to counsel for Double Diamond Companies, advising that the Suspension Notice was still in effect and advising that

this suspension would continue until the deficiencies were corrected. A copy of the May 5, 2011 letter from HUD is attached hereto as **Exhibit D** and incorporated herein by reference.

19. Despite this Suspension Notice, Defendants 3D Resorts, Double Diamond and/or National Resort, acting as Agent, have continued to promote, market and sell, or attempt to sell, real estate at the Property.

20. On information and belief, the Defendants assert that they are no longer subject to the federal Program because they are now only offering property for sale to Kentucky consumers under an "intrastate" exception in the federal Program. *See*, letter of June 9, 2011 from the Office of the Attorney General, attached hereto as **Exhibit E** and incorporated by reference herein.

21. Under KRS 367.470 et seq., unless exempted by the federal Program, prior to the sale of recreation and retirement property within the Commonwealth, a developer must, *inter alia*, register with the Office of Attorney General, post a performance bond for the full amount of the costs of all improvements, and provide certain information to buyers.

LAW

22. The Commonwealth hereby incorporates by reference the foregoing paragraphs.

23. KRS 367.470 et seq., governs the sale of recreation and retirement use land.

24. KRS 367.476 makes it unlawful for any person to offer for sale recreational or retirement use land in which all improvements have not been made unless all provisions of KRS 367.474 are met. KRS 367.486 exempts from these requirements subdividers who are complying with the federal Program but requires such subdividers to file "duplicate copies of all registration statements with the Attorney General."

25. KRS 367.474 provides:

Performance bond by subdivider -- Cash in lieu of bond.

(1) In the sale or offering for sale of any subdivision which is primarily directed toward recreational or retirement use, in the sale of which any improvements are advertised but not completed, or which are completed but for which supplies of labor and material have not been paid, the subdivider shall furnish a performance bond payable to the Attorney General in an amount equal to the costs of all the improvements, including, but not limited to, roads, lakes, golf courses, and stables which are advertised prior to the sale of the land or property. The bond shall remain in effect until the advertised improvements are made; and if they are not completed within a time deemed reasonable by the Attorney General, the bond shall, after a hearing, be forfeited to the Attorney General for the use and benefit of the purchasers of the property. Surety for the bond shall be by a company authorized to write surety bonds in this state. Upon completion of the promised improvements and production of releases by all creditors with a potential lien interest in the improvements and production of a verified statement to this effect, the subdivider may petition the Attorney General for release of the bond.

26. KRS 367.478 requires any person offering for sale recreational and retirement use land to register with the Attorney General, who determines whether the applicant is in compliance with the bonding provisions KRS 367.474 and, if so, issues a registration number which must appear in all advertising engaged by the registrant.

27. KRS 367.484 provides:

**Attorney General's ability to obtain restraining order --
Availability of remedies of Consumer Protection Act --
Authority to promulgate administrative regulations.**

(1) When the Attorney General has reason to believe that any person is offering recreational and retirement use land for sale in violation of KRS 367.470 to 367.486 or any administrative regulations issued by the Attorney General pursuant to KRS 367.480, and that proceedings would be in the public interest, he may move in the name of the Commonwealth in a Circuit Court for a restraining order or temporary or permanent injunction to prohibit the offer. The action may be brought in the Circuit Court

in the county in which the person resides or has his principal place of business or in the Circuit Court of the county in which the unlawful offer or sale has been or is about to be committed, or in the county in which the land is situated.

(2) A violation of KRS 367.472, 367.474, 367.477, 367.4774, 367.4776, and 367.4778 shall be deemed to be an unfair, false, misleading, or deceptive act or practice in the conduct of trade or commerce in violation of KRS 367.170.

(3) **All the remedies, powers, and duties** provided for the Attorney General by KRS 367.190 to 367.300 and 367.990, pertaining to acts declared unlawful by KRS 367.170, **shall apply with equal force and effect to acts declared unlawful by KRS 367.470 to 367.486.**

(4) Nothing in KRS 367.470 to 367.486 shall be construed to limit or restrict the exercise of powers or the performance of the duties of the Attorney General which he is authorized to exercise or perform under any other provision of law.

(5) The Attorney General shall have the authority to adopt other administrative regulations he deems necessary for the proper administration of this chapter.

28. KRS 367.170 provides:

Unlawful acts

(1) Unfair, false, misleading, or deceptive acts or practices in the conduct of any trade or commerce are hereby declared unlawful.

(2) For the purposes of this section, unfair shall be construed to mean unconscionable.

29. KRS 367.190 provides:

Injunction -- Hearing.

(1) Whenever the Attorney General has reason to believe that any person is using, has used, or is about to use any method, act or practice declared by KRS 367.170 to be unlawful, and that proceedings would be in the public interest, he may immediately move in the name of the Commonwealth in a Circuit Court for a restraining order or temporary or permanent injunction to prohibit the use of such method, act or practice. The action may be brought

in the Circuit Court of the county in which such person resides or has his principal place of business or in the Circuit Court of the county in which the method, act or practice declared by KRS 367.170 to be unlawful has been committed or is about to be committed; or with consent of the parties may be brought in the Franklin Circuit Court.

(2) Upon application of the Attorney General, a restraining order shall be granted whenever it reasonably appears that any person will suffer immediate harm, loss or injury from a method, act or practice prohibited by KRS 367.170. If the defendant moves for the dissolution of a restraining order issued under this section, the court shall hold a hearing within five (5) business days of the date of service of the defendant's motion to dissolve, unless a delay in hearing the cause is requested by, or otherwise caused by the defendant. If such a hearing is not held within five (5) business days, the restraining order will automatically be dissolved.

(3) In order to obtain a temporary or permanent injunction, it shall not be necessary to allege or prove that an adequate remedy at law does not exist. Further, it shall not be necessary to allege or prove that irreparable injury, loss or damage will result if the injunctive relief is denied.

COUNT I
VIOLATIONS OF THE KENTUCKY RECREATION
AND RETIREMENT USE LAND SALES ACT

30. The Commonwealth hereby incorporates by reference the foregoing paragraphs.

31. None of the Defendants are registered with the Office of the Attorney General as required with KRS 367.478. None of the Defendants have posted a performance bond with the Office of the Attorney General as required by KRS 367.474. *See, Affidavit of Kim Bellamy*, Registration Branch Manager in the Office of the Attorney General, attached hereto as **Exhibit F** and incorporated herein by reference.

32. The Defendants have marketed, sold or offered for sale and/or are actively marketing, selling or offering for sale "recreation and retirement use" land as that term is defined in KRS 367.472(1), located within the Commonwealth of Kentucky, without being properly

registered or bonded as required by Kentucky law. *See, Affidavit of Hazel Lowther*, attached hereto as **Exhibit G** and incorporated herein by reference; *Affidavit of Dr. Frank Calvano*, attached hereto as **Exhibit H** and incorporated herein by reference; *Affidavit of Sharon Coke*, attached hereto as **Exhibit I** and incorporated herein by reference. *See, Affidavit of Kim Bellamy, Exhibit F. See, also, Affidavit of David Patterson*, paragraph 7, attached hereto as **Exhibit J** and incorporated herein by reference. The Plaintiff reserves the right to supplement the record with original or additional Affidavits as they are obtained.

33. Moreover, the Defendants have failed to file duplicate copies of any registration statements filed with HUD, as required by KRS 367.486, and therefore have not established an exemption from Kentucky law. *See, Affidavit of Kim Bellamy, Exhibit F.*

34. The foregoing actions constitute a violation of Kentucky law.

COUNT II
VIOLATIONS OF THE
KENTUCKY CONSUMER PROTECTION ACT

35. The Commonwealth hereby incorporates by reference the foregoing paragraphs.

36. Beginning in 2009 and continuing to the present day, the Defendants have marketed, offered for sale or sold property at Green Farm Resort by making false or misleading statements to consumers in order to induce consumers to purchase an unimproved lot or lots within the development.

37. By way of example but not limitation, the Defendants affirmatively represented that an 80-acre manmade lake was being constructed on the property, and further represented that certain lots would become "lakefront" lots, lakeview lots, or within walking distance of the lake in order to induce a consumer to purchase a lot. *See Affidavit of Jonathan Burke*, attached hereto as **Exhibit K** and incorporated herein by reference; *Affidavit of John Farrell*, attached

hereto as **Exhibit L** and incorporated herein by reference; **Affidavit of James Isaacs**, attached hereto as **Exhibit M** and incorporated herein by reference; **Affidavit of Betty Nalley**, attached hereto as **Exhibit N** and incorporated herein by reference; and **Affidavit of Steven Wood**, attached hereto as **Exhibit O** and incorporated herein by reference. The Plaintiff reserves the right to supplement the record with original or additional Affidavits as they are obtained.

38. The foregoing representations included not only verbal communications during tours with potential purchasers, but also demonstrable evidence in the form of a full-color map of the property with the lake delineated in blue showing "lakefront" and surrounding lots. A representative copy of this full color map is attached as **Exhibit P** hereto and incorporated herein by reference.

39. Upon information and belief, J.R. Newman, as manager and representative of Defendant 3D Resorts-Bluegrass LLC, confirms this representation in an interview with the Grayson County News Gazette published on or about April 3, 2010, "Newman explained the current plan is to construct an 80-acre lake on the grounds. He also wants to seclude a piece of land for crop production." A copy of this article, entitled "New Christian camp soon to be underway" is attached as **Exhibit Q** hereto and incorporated herein by reference.

40. By way of example but not limitation, the Defendants affirmatively represented that a "lodge" featuring a restaurant and spa area was being built on the property in order to induce a consumer to purchase a lot. *See*, Map (**Exhibit P**); Affidavit of Jonathan Burke (**Exhibit K**); Affidavit of John Farrell (**Exhibit L**); **Affidavit of Eric Mink**, attached hereto as **Exhibit R** and incorporated herein by reference; Affidavit of Betty Nalley (**Exhibit N**); Affidavit of Steven Wood (**Exhibit O**). The Plaintiff reserves the right to supplement the record with original or additional Affidavits as they are obtained.

41. The foregoing representations included not only verbal communications during tours with potential purchasers, but also demonstrable evidence in the form of a full-color map of the property with the words "The Lodge" delineated near the center of the map (below the "Lafayette Golf Club"). A representative copy of this full color map is attached as **Exhibit P** hereto and represented herein by reference.

42. The foregoing representations were also made to consumers through the use by the Defendants of a large artist's rendering on the wall of the sales office of a two-story lodge. *See*, attached Affidavits. This artist's rendering also appeared on the property's website with the words, "Coming in October 2009" and later, "Coming Soon." This rendering was also included in at least two different color brochures (Summer 2009 and Fall 2009) provided to property owners and potential purchasers, with representations that the lodge would be completed in 2009 or 2010. *See*, Affidavit of David Patterson, **Exhibit J** and color attachments thereto.

43. By way of example but not limitation, the Defendants affirmatively represented that a Christian camp for children was being built on the property in order to induce a consumer to purchase a lot. Some consumers were told the camp would also use the "lake" for water activities. At least one consumer was told that the "governor" had already purchased a lakeview lot and had committed to funding the camp. *See*, Affidavits of Burke, Nalley, and Wood, **Exhibits K, N and O**, respectively.

44. The foregoing representations included not only verbal communications during tours with potential purchasers, but also demonstrable evidence in the form of a full-color map of the property with the words "Ella's Farm Christian Camp" delineated near the upper left portion of the property, between the river and lake. *See*, Map, **Exhibit P**.

45. Upon information and belief, J.R. Newman, as manager and representative of Defendant 3D Resorts-Bluegrass LLC, confirms the foregoing representation in an interview with the Grayson County News Gazette published on or about April 3, 2010. *See*, article entitled "New Christian camp soon to be underway", **Exhibit Q**.

46. By way of example but not limitation, the Defendants affirmatively represented that an RV park was being constructed on the property in order to induce a consumer to purchase a lot. Consumers were shown an area of the property where the RV park would be located and told that property owners would receive a free or discounted membership in a "Coast-to-Coast" travel club, with locations across the country. *See*, Affidavits of Burke, Farrell, Isaacs, Nalley and Wood, **Exhibits K, L, M, N and O**.

47. The foregoing representations included not only verbal communications during tours with potential purchasers, but also demonstrable evidence in the form of a full-color map of the property with the words "RV Sites and Cottages" delineated near the upper right portion of the property, with red ink, near the Rough River. *See*, Map, **Exhibit P**.

48. The Defendants have made false and misleading statements in the "Property Report" (prepared under the federal Program) furnished to consumers, either prior to or after a sales transaction. By way of example but not limitation, the Defendants represented in a Property Report dated February 26, 2009 that "sufficient funds" to assure completion of the electric service for Section 2 of the property were already escrowed in Leitchfield Deposit Bank when such was not the case. *See*, Affidavit of David Patterson, **Exhibit J**. In fact, no funds were or are currently escrowed for electric service in any further phase of the development (other than Phase I, which was completed prior to Defendants' acquisition of the property).

49. The Defendants have provided Property Reports to consumers which are materially different from the Property Report filed of record with the U.S. HUD pursuant to the federal Program. *See*, Affidavit of Betty Nalley, **Exhibit N**.

50. Upon information and belief, the Defendants in order to induce a consumer to purchase a lot at the property have engaged in a pattern or practice of statements and representations that are unfair, false, misleading or deceptive in violation of Kentucky law.

COUNT III
BREACH OF WRITTEN AGREEMENT
WITH THE OFFICE OF THE ATTORNEY GENERAL

51. The Commonwealth hereby incorporates by reference the foregoing paragraphs.

52. On or about December 22, 2008, Defendants 3D Resort Communities LLC and 3D Resorts-Bluegrass LLC executed an "Agreement" with the Commonwealth of Kentucky, Office of the Attorney General. (A copy of this Agreement is attached as **Exhibit A**.)

53. Under this Agreement, the 3D Resort Defendants "...and all agents, employees, representatives or independent contractors must fully and accurately disclose to prospective purchasers all material terms of sale, including but not limited to infrastructure development or other improvement projects, the timeframe for such, and the existence and location of escrowed funds, or absence thereof, to complete such infrastructure or improvement projects in future phases." Paragraph 9, page 9.

54. Under this Agreement, Kentucky law governs and the parties consent to the jurisdiction of the Grayson Circuit Court as to all matters relating to the Agreement. Paragraph 21, page 13.

55. Under this Agreement, in the event the Kentucky Attorney General is required to initiate legal action or incur any costs to compel 3D Resorts to abide by the terms of the Agreement, and a violation is proven, the Attorney General may recover any costs associated with proving the violation, including but not limited to a reasonable attorneys' fee. Paragraph 15, page 12.

56. As "managing agent" under a separate management agreement with the 3D Resort Defendants (*see* Exhibit B) Defendants Double Diamond and/or National Resort Marketing Corp. are obligated to comply with the Agreement with the Office of the Attorney General.

57. The 3D Resort Defendants are also liable for the actions of their agents with regard to the Agreement with the Office of the Attorney General.

58. The actions of the Defendants, in violation of, *inter alia*, the Kentucky Recreation and Retirement Use Land Sales Act and the Kentucky Consumer Protection Act, as set forth in Counts I and II above, constitute breaches of the Agreement.

WHEREFORE, the Plaintiff prays for relief as follows:

A. That Defendants, their officers, employees, agents, successors and assigns, be permanently enjoined and prohibited from offering or attempting to offer recreation and retirement use property in the Commonwealth of Kentucky without being first properly registered and bonded, and complying with all requirements of KRS 367.470 through 367.486;

B. For a Judgment against each Defendant finding they have willfully violated the Kentucky Recreation and Retirement Use Land Sales Act, KRS 367.472 through 367.486;

C. For a Judgment against each Defendant including all consumer relief available under the Recreation and Retirement Use Land Sales Act, including but not limited to allowing consumers to cancel or rescind any contract (a) entered into at any time the Defendants were not

registered and bonded with the Office of the Attorney General and were not exempted by KRS 367.486; or (b) obtained without complete and accurate disclosures to the consumer as required by Kentucky law;

D. For a Judgment against each Defendant finding they have willfully violated the Kentucky Consumer Protection Act, KRS 367.170;

E. For an award of Civil Penalties against each Defendant, jointly and severally, pursuant to KRS 367.990(2) in an amount to be determined with interest at the statutory rate for judgments, for violations of the foregoing statutes;

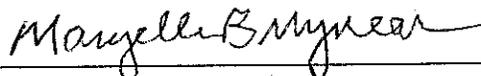
F. For a Judgment against each Defendant for breach of the December 22, 2008 Agreement;

G. For Plaintiff to be awarded its costs herein expended, including attorneys fees, as specifically provided in the Agreement between the parties; and

H. Any and all other relief to which Plaintiff may appear reasonably entitled.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL



MARYELLEN B. MYNEAR
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AGREEMENT

THIS AGREEMENT is entered into on the 22 day of December, 2008 by and between the **COMMONWEALTH OF KENTUCKY**, ex rel **JACK CONWAY, ATTORNEY GENERAL** [hereinafter, "Attorney General"], and **3D RESORT COMMUNITIES L.L.C.**, a limited liability company formed under the laws of the State of Texas [hereinafter, 3D Resort Communities] and **3D RESORTS-BLUEGRASS, L.L.C.**, a limited liability company formed under the laws of the Commonwealth of Kentucky [hereinafter, "3D Resorts-Bluegrass"].

WHEREAS, the Attorney General on February 25, 2005 filed a civil lawsuit in Grayson Circuit Court against GF Resort Limited Partnership, GF Resort GP, Inc., Kentucky Investors, L.P., Green Farm Property Owners Association, Lazarus Property Corporation, Thomas C. Hillsman, Samuel D. Ware, Patrick Ramsier, Charles Schram, and American Resort Corporation, Inc., [hereinafter, unless otherwise identified, collectively the "Defendants"], styled, Commonwealth of Kentucky v. GF Resort L.P. et al., Civil Action No. 05-CI-00087 [hereinafter, "Litigation"] alleging violations of the Kentucky Consumer Protection Act with regard to the Defendants' marketing and sale of recreational and retirement property in the "Green Farm Resort" surrounding the "Lafayette Golf Course" in Grayson and Breckenridge Counties, Kentucky [hereinafter, collectively, the "Property"];

WHEREAS, the Attorney General also filed a Notice of Lis Pendens with the Office of the Grayson County Clerk;

WHEREAS, 3D Resorts-Bluegrass desires to purchase the Property, and the owners of the Property desire to sell the Property and an Asset Purchase Agreement and amendments thereto has been negotiated between 3D Resort Communities, L.L.C. and G.F. Resort L.P.;

**Commonwealth's
EXHIBIT**

A

WHEREAS, 3D Resort Communities, L.L.C. has represented to the Attorney General that it is duly formed and organized under the laws of the State of Texas and has presented a Certificate of Filing from the Texas Secretary of State and certain other organizational documentation;

WHEREAS, 3D Resorts-Bluegrass has represented to the Attorney General that it is duly formed and organized under the laws of the Commonwealth of Kentucky and has presented Articles of Organization from the Kentucky Secretary of State and certain other organizational documentation;

WHEREAS, 3D Resort Communities L.L.C. has represented to the Attorney General that it is the sole Member of 3D Resorts-Bluegrass L.L.C. and has legal authority to and has in fact assigned the aforesaid Asset Purchase Agreement to 3D Resorts-Bluegrass;

WHEREAS, 3D Resorts-Bluegrass has obtained a financing commitment for this purchase from PlainsCapital Bank, a Texas state bank with principal offices at 2323 Victory Avenue, Dallas, Texas 75219;

WHEREAS, the Attorney General has been provided copies of the loan documentation for the above-referenced financing;

WHEREAS, defendants GF Resort Limited Partnership, GF Resort GP, Inc., Kentucky Investors, L.P., Green Farm Property Owners Association, Lazarus Property Corporation, Thomas C. Hillsman, and/or Samuel D. Ware have entered into various Agreed Orders pursuant to which certain infrastructure, such as roads, electric service and water lines in Phase I were required to be and have now been completed;

WHEREAS defendants GF Resort Limited Partnership, GF Resort GP, Inc., Kentucky Investors, L.P., Green Farm Property Owners Association, Lazarus Property Corporation,

Thomas C. Hillsman, and/or Samuel D. Ware also agreed as evidenced by Agreed Order entered in the Litigation on October 12, 2005 to raise certain Phase I lots above flood elevation level so as to make each identified lot suitable for construction of a residential nature but there remains a dispute as to whether this requirement has been adequately met as of the date of this Agreement;

WHEREAS, certain other obligations as evidenced in the Agreed Order entered in the Litigation on October 12, 2005, a copy of which is attached hereto and as set forth in greater detail below, remain to be fulfilled by the Defendants;

WHEREAS, 3D Resorts-Bluegrass is willing and able to assume liability for the completion of these outstanding obligations and desires to enter into this Agreement in order to complete its acquisition of the Property;

WHEREAS, 3D Resorts-Bluegrass and its lender, PlainsCapital Bank, are willing and stand ready to place into escrow funds sufficient for the completion of these outstanding obligations, which funds shall be subject to a separate Escrow Agreement;

WHEREAS, 3D Resorts-Bluegrass desires that the Notice of *Lis Pendens* be released and the Litigation resolved in order that its purchase of the Property may be completed;

WHEREAS, the Attorney General is willing to resolve the outstanding issues in the Litigation pursuant to this Agreement under the specific terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the fulfillment of the terms and conditions contained herein, and other good and valuable consideration whose sufficiency is acknowledged by the parties, **IT IS HEREBY AGREED AS FOLLOWS:**

1. All of the foregoing paragraphs constitute an integral part of this Agreement and are not mere recitals.

2. Reference herein to "Phase I" shall mean those portions of the Green Farm Resort development defined as Section I on the plat filed of record in the Grayson County Clerk's Office.

3. References herein to "Phase II" shall mean those portions of the Green Farm Resort development defined as Section II on the plat filed of record in the Grayson County Clerk's Office.

4. 3D Resorts-Bluegrass agrees to and shall complete the infrastructure in Phase II and other items, as set forth below. 3D Resorts-Bluegrass shall be responsible for and timely obtain any and all necessary permits or plans required for such work under local, state or federal law. 3D Resorts-Bluegrass shall submit to the Attorney General a copy of the Construction Schedule [to the extent it pertains to the Phase II infrastructure projects and amenities facility as set forth below] it provides to its lender, PlainsCapital Bank, and any amendments thereto, and shall comply with all timelines set forth therein. Notwithstanding any deadlines contained in the Construction Schedule or any amendment, all Phase II infrastructure and the amenities facility as set forth in subsections (a), (c) and (d) below (the "Required Phase II Work") shall be fully completed no later than December 31, 2009.

a. All roads shall be completed with a crushed rock base and sufficient asphalt topping in a workmanlike manner consistent with applicable county road construction standards and designed to withstand reasonable and anticipated usage in conformance with the plat filed of record. All road work shall comply with all applicable local, state and federal laws and regulations. All road work in Phase II shall be fully completed on or before December 31, 2009.

b. Electrical service lines shall be completed in a workmanlike manner consistent with applicable codes and standards so as to make electrical service connection available and practicable to any and all lots in Phase II; service lines to individual lots may be completed on an "as-needed" basis at the request of the lot owner when house construction is scheduled to begin. Electrical service lines shall be installed at 3D Resort-Bluegrass's expense to the front of a property owner's lot line in Phase II within forty-five (45) days of the date a property owner shall request such service, unless delayed by Acts of God or circumstances beyond the reasonable control of 3D Resorts-Bluegrass. This obligation of 3D Resorts-Bluegrass to provide electrical service lines shall continue until all lots in Phase II are improved and this obligation shall survive termination of this Agreement and/or the Escrow Agreement.

c. Water lines shall be constructed and completed in a workmanlike manner consistent with applicable codes and standards so as to make connection available and practicable to all lots in Phase II. Water service shall be available to individual lots beginning no later than December 31, 2009.

d. Recreational amenities shall be constructed on the Property by 3D Resorts-Bluegrass consisting, at a minimum, of an in-ground swimming pool, with appropriate and necessary support facilities including but not limited to showers, lockers, seating and waiting area. These recreational amenities shall conform, at a minimum, to the representations made to property owners and consistent with the plans and specifications as set forth as Exhibit A to the Agreed Order entered by the Grayson Circuit Court on October 12, 2005, a copy of which is attached hereto. 3D Resorts-Bluegrass has represented to the Attorney General its intent to construct a larger pool

and/or facility, or an indoor pool of the same or larger size with adequate facilities, than that set forth on Exhibit A of the Agreed Order and may do so at its sole option. The parties agree that a recreational facility which complies at a minimum with the specifications set forth on Exhibit A to the October 12, 2005 Agreed Order will be fully completed by 3DResorts-Bluegrass no later than December 31, 2009.

e. The parties acknowledge that a dispute exists as to the proper elevation levels for certain lots in Phase I, including the lots previously identified by the defendants as available for "trade" to Phase II lot owners under the Agreed Order plus the Phase I lots identified by lot number on Exhibit B to the Agreed Order. 3D Resorts-Bluegrass shall, at its expense, add such additional fill as shall be required to raise a lot to the 446 msl 100 year flood plain elevation when a lot owner in Phase I files a properly executed application to construct a residence in compliance with the recorded restrictive covenants affecting the Green Farm Subdivision. This obligation shall survive termination of this Agreement and/or the Escrow Agreement.

5. Immediately upon the closing of its loan with PlainsCapital Bank, 3D Resorts-Bluegrass shall escrow, in a segregated Escrow Account at Leitchfield Deposit Bank, the sums as set forth below, represented to the Attorney General by 3D Resorts-Bluegrass to be sufficient to fully complete all foregoing Phase II infrastructure and a recreational facility, as determined from written bids obtained by 3D Resorts-Bluegrass from a qualified contractor or other reputable source whom 3D Resorts-Bluegrass will utilize to complete each of these projects. A copy of each written bid has been provided to the Attorney General. No monies from the Escrow Account are to be utilized for any other purpose than Phase II infrastructure development of roads, electric, and water lines as provided above, and/or the recreational facilities. This Escrow

Account shall be subject to a separate Escrow Agreement between the Attorney General and Leitchfield Deposit Bank and shall be administered in accordance with said Escrow Agreement.

a. **Amounts placed in Escrow Account:**

Phase II preliminary road preparation Based on Dirt Works estimate (+5%)	\$ 104,130.00
Phase II grading, DGA and asphalt Based on Mago Constr. estimate (+5%)	\$ 728,269.00
Phase II water lines (including transmission line upgrade) Based on Grayson Water District estimate	\$ 250,000.00
Amenities Center Based on Bruce Lowry Constr. estimate	\$ 128,750.00
<hr/>	
TOTAL AMOUNT IN ESCROW:	\$1,211,149.00

b. Monies paid from the Escrow Account for each of these items (road preparation, road asphalt, electric, water, recreational facilities) shall not exceed the written bid submitted for that portion of the project.

c. Each draw on the Escrow Account shall require the approval of both 3D Resorts-Bluegrass and the Attorney General as more fully set forth in the Escrow Agreement. The Attorney General may rely upon Sherry Blanford or other duly-designated appointee of the Green Farm Property Owners Association ("POA"), acceptable to the Attorney General in its sole discretion, in determining whether disbursement is appropriate. The POA appointee shall have the authority to determine whether satisfactory progress has been made on the respective portion of the project prior to any disbursement and may reasonably decline to authorize payment. In the event there is a dispute regarding

authorization of payment, 3D Resorts-Bluegrass and the Attorney General shall select a mutually acceptable independent third party, possessing adequate construction experience, to render an opinion as to the appropriateness of the work.

6. For the duration of the Escrow Account, 3D Resorts-Bluegrass shall permit Sherry Blanford or other property owner current on all dues and assessments and acceptable to the Attorney General, in its sole discretion, to serve as the representative of the Green Farm Property Owners Association in reviewing requested disbursements from the Escrow Account. 3D Resorts-Bluegrass shall permit the Attorney General, any agent of the Attorney General and/or POA designee to enter upon the Property and to inspect any and all work or materials related to any projects required under this Agreement and shall cooperate and cause all contractors to cooperate with the Attorney General, any agent of the Attorney General, and/or POA designee; however, this provision shall not be construed to impose upon the Attorney General and/or POA designee any duty or obligation to perform such inspections, correct any deficiencies in the work or materials, or notify any person(s) with respect thereto. The Attorney General shall have no duty or authority to direct work on the Property and 3D Resorts-Bluegrass shall be responsible for ensuring that all such work is performed in a workmanlike manner consistent with applicable construction standards.

7. The Attorney General and the Commonwealth of Kentucky make no representations and assume no duties or obligations as to third parties concerning the quality of the construction of the improvements or the absence thereof of defects.

8. 3D Resort agrees to honor any requests of current Phase II property owners who, pursuant to the October 12, 2005 Agreed Order and proceedings thereon, timely responded to the court-ordered survey and have met the conditions for trade out to Phase I, and who still desire

to exchange their Phase II lot for a Phase I lot. Upon execution of this Agreement, the Attorney General shall within 30 days notify in writing the Phase II property owners who timely responded to the survey and have met the conditions for trade out to Phase I, inform these property owners of this Agreement and its terms and their option to complete this trade. The Attorney General shall include in this notice the requirement that any Phase II owner still desiring to trade his or her Phase II lot to so indicate, in writing, to the Attorney General within 15 days of the date of the mailing of the notice. The Attorney General shall then communicate the results of this notice to 3D Resorts-Bluegrass and 3D Resorts-Bluegrass shall take all steps reasonably necessary to effectuate each trade out, within 30 days from the communication from the Attorney General.

9. Any and all future marketing and/or sale of any lot in the Green Farm Resort to any consumer shall comply with the Kentucky Consumer Protection Act, federal Interstate Land Sales Full Disclosure Act and any other applicable local, state or federal law. 3D Resorts-Bluegrass and all agents, employees, representatives, or independent contractors shall fully and accurately disclose to prospective purchasers all material terms of sale, including but not limited to infrastructure development or other improvement projects, the timeframe for such, and the existence and location of escrowed funds, or absence thereof, to complete such infrastructure or improvement projects in future phases.

10. Events of Default. The occurrence of any of the following events shall constitute a default under this Agreement and shall, subject to PlainsCapital Bank's right to cure the default as set forth in the Escrow Agreement, entitle the Attorney General to collect any and all remaining monies in the Escrow Account as further provided in the Escrow Agreement, a copy

of which has been provided to 3D Resorts-Bluegrass prior to its execution of the instant Agreement:

- a. Failure to Complete Infrastructure and Amenities by Date Certain. All aspects of the Required Phase II Work must be completed on or before December 31, 2009, without exception. 3D Resorts-Bluegrass acknowledges that "*force majeure*", "Acts of God," and/or "substantial completion" with regard to any of the enumerated projects shall not be recognized to in any way bar recovery by the Attorney General of the escrowed funds, regardless of the reason for the delay.
- b. Default on Loan Obligations As Determined by Lender(s). The failure of 3D Resorts-Bluegrass to make timely payments when due and/or to perform, keep or observe any covenant, agreement, warranty or condition under its obligations to PlainsCapital Bank and/or Samuel D. Ware as mezzanine lender, as those obligations are more fully set forth in Article VII of the Loan Agreement dated December __, 2008 between PlainsCapital Bank and 3D Resorts-Bluegrass, if such failure results in a declaration by PlainsCapital Bank or Samuel D. Ware that the loan(s) is(are) in default.
- c. Failure to Make Sufficient Progress on Project Consistent with Timetable. 3D Resorts-Bluegrass must make sufficient progress, including commencement of each portion of Phase II infrastructure and amenities facility required herein and at a minimum as set forth on the Construction Schedule [as that Schedule pertains to Phase II infrastructure and amenities] furnished to PlainsCapital Bank so as to demonstrate substantial likelihood of completion by December 31, 2009.
- d. Sale or Transfer of Property, Other Than Individual Lot Sales Prior to Completion of the Required Phase II Work. 3D Resorts-Bluegrass may not, prior to completion of

the Required Phase II Work and without the prior written consent of the Attorney General, sell or otherwise transfer any interest in or to the Property, including unimproved land and the Lafayette Golf Course, other than the sale and conveyance of individual lots intended for residential construction in the ordinary course of business and liens granted by 3D Resorts-Bluegrass to PlainsCapital Bank and Samuel D. Ware pursuant to their respective loan documents. Notwithstanding the foregoing, in the event PlainsCapital Bank forecloses its lien on the Property or accepts a deed-in-lieu of foreclosure from 3D Resorts-Bluegrass, this subparagraph (d) shall be of no further force and effect.

11. This Agreement does not in any manner constitute a joint venture or co-venture between the parties, and creates no obligation on behalf of Attorney General to complete the infrastructure or facilities provided herein.

12. Nothing contained herein shall affect a private right of action, if any, possessed by any third party including consumers against the Defendants and/or 3D Resorts-Bluegrass.

13. Nothing contained herein shall create or impose any duty, obligation, liability or indebtedness upon the Attorney General or the Commonwealth to any third party.

14. 3D Resort Communities and 3D Resorts-Bluegrass hereby indemnify and hold harmless the Office of the Attorney General and the Commonwealth of Kentucky from and against any and all claims, demands, liabilities, losses, damages, judgments, causes of action, costs, expenses or penalties which may be asserted against the Office of the Attorney General and/or the Commonwealth of Kentucky by reason of, or on account of any act performed or omitted under this Agreement or on account of any transaction arising out of or connected in any way with this Agreement, including but not limited to any bodily injury, death or property

damage occurring in or upon the Property. **WITHOUT LIMITATION, IT IS THE INTENTION OF 3-D RESORTS-BLUEGRASS THAT THE FOREGOING INDEMNITIES APPLY TO EACH INDEMNIFIED PARTY WHICH IS IN WHOLE OR IN PART CAUSED BY OR ARISE FROM THE NEGLIGENCE [BUT NOT THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT] OF THE INDEMNIFIED PARTY AND 3D RESORTS-BLUEGRASS FURTHER INDEMNIFIES THE OFFICE OF THE ATTORNEY GENERAL AND/OR COMMONWEALTH OF KENTUCKY FOR, AND HOLDS THEM HARMLESS AGAINST, THE NEGLIGENT ACTS OR OMISSIONS OF 3D RESORTS-BLUEGRASS OR THE NEGLIGENT ACTS OR OMISSIONS OF ITS OFFICERS, DIRECTORS, MEMBERS, MANAGERS, EMPLOYEES OR AGENTS.** The foregoing indemnities shall not terminate upon release, foreclosure or other termination of this Agreement or the Escrow Agreement but shall survive any such termination.

15. In the event that the Kentucky Attorney General is required to initiate legal action or incur any costs to compel 3D Resorts-Bluegrass to abide by the terms of this Agreement, 3D Resorts-Bluegrass shall be liable, upon proof of the violation, to the Kentucky Attorney General for any costs associated with proving the violation, including but not limited to a reasonable attorneys' fee.

16. The parties agree that this Agreement shall be binding on and inure to the benefit of the legal representatives, successors and assigns of the parties.

17. Nothing in this Agreement shall preclude or in any way foreclose investigative action under any legal authority granted to the Kentucky Attorney General with respect to any transaction that is the subject of this Agreement if the terms of this Agreement are not fully complied with.

18. This Agreement sets forth the entire understanding between the parties, and there are no representations, agreements, arrangements, or understandings, oral or written, between the parties relating to the subject matter of this Agreement which are not fully expressed herein or attached hereto.

19. The parties represent and agree that they have been given an opportunity to consult with their attorneys; that they have carefully read and understand all the provisions of this Agreement; that they have taken as much time as they need for full consideration of them; and they have the capacity and are voluntarily entering into this Agreement.

20. Each signatory hereto represents that he or she has full authority to enter into this Agreement.

21. This Agreement is governed by the laws of the Commonwealth of Kentucky and the parties consent to the jurisdiction of the Grayson Circuit Court as to all matters relating to this Agreement.

22. Upon execution of this Agreement and adequate assurances by PlainsCapital Bank concerning the deposit of funds into the Escrow Account, the Office of the Attorney General shall file a release of the *lis pendens* and execute and tender an Agreed Order of Dismissal in the Litigation. This Agreement shall be made an Exhibit to the Agreed Order of Dismissal.

23. Should one or more provision of this Agreement be for any reason held invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein so as to give all remaining provisions full force and effect.

24. Time is of the essence of this Agreement.

25. The Attorney General at its option may choose to waive or not enforce a covenant or restriction in this Agreement; however, no such action or inaction shall in any way impair the rights of the Attorney General under this Agreement except and unless such waiver is specifically agreed to in writing by the Attorney General.

THEREFORE, in consideration of each and all of the terms and conditions as stated hereinabove, the parties execute this Agreement effective as of the date first written above.

JACK CONWAY
ATTORNEY GENERAL



TODD E. LEATHERMAN, Director
MARYELLEN B. MYNEAR
Litigation Branch Manager/Assistant
Attorney General
Office of the Kentucky Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601
(502) 696-5389
Fax: (502) 573-7151

3D RESORTS-BLUEGRASS L.L.C.



By: Ronald G. Newman, Jr., Member

3D Resort Communities, L.L.C.
Sole Member of 3D Resorts-Bluegrass LLC
18568 Forty Six Parkway, Suite 2002
San Antonio, TX 78260

COMMONWEALTH OF KENTUCKY
GRAYSON CIRCUIT COURT
DIVISION II
CIVIL ACTION NO. 05-CI-00087

COMMONWEALTH OF KENTUCKY, ex rel.
GREGORY D. STUMBO, ATTORNEY GENERAL

PLAINTIFF

v.

AGREED ORDER

GF RESORT, L.P., et al.

DEFENDANTS

* * * * *

Upon the Motion of the Plaintiff for appointment of a receiver, a hearing having been held by the Court and agreement having been reached during said hearing as confirmed by counsels' signatures below, and the Court being otherwise sufficiently advised;

IT IS HEREBY ORDERED THAT this action is **STAYED** as it relates to the Identified Defendants, as described below, as long as the Identified Defendants abide by all terms off this **ORDER**;

IT IS FURTHER ORDERED as follows:

1. The parties to this Agreed Order include the Commonwealth of Kentucky, ex rel. Gregory D. Stumbo, Attorney General ("Plaintiff"), and GF Resort Limited Partnership, GF Resort GP, Inc., Kentucky Investors, L.P., Green Farm Property Owners Association, Lazarus Property Corporation, Thomas C. Hillsman and Samuel D. Ware and their heirs, successors, and assigns (collectively, "Identified Defendants").

2. Reference herein to "Phase I" shall mean those portions of the Green Farm Resort development defined as Section I on the plat filed of record in the Grayson County Clerk's Office.

RAM

3. References herein to "Phase II" shall mean those portions of the Green Farm Resort development defined as Section II on the plat filed of record in the Grayson County Clerk's Office

4. The Phase I infrastructure work shall include roads, electricity, recreational amenities, and water as follows:

a. All roads shall be completed with a crushed rock base and sufficient asphalt topping in a workmanlike manner consistent with applicable road construction standards and designed to withstand reasonable and anticipated usage per the standards of Breckinridge or Grayson counties, where applicable. Existing roads in Phase I shall be fully and completely repaired to the foregoing standards at Identified Defendants' expense.

b. Underground electrical service lines shall be completed in a workmanlike manner consistent with applicable codes and standards so as to make electrical service connection available and practicable to all lots in Phase I; a site plat detailing electrical service lines for Phase I shall be provided to the Plaintiff for review and approval by Meade County RECC prior to the start of line installation per the standards of Breckinridge or Grayson counties, where applicable. An exception to the underground nature of the lines shall be made where Meade County RECC, in its judgment, deems overhead lines necessary in order to comply with FEMA regulations or due to other safety or environmental concerns.

c. Water lines shall be constructed and completed in a workmanlike manner consistent with applicable codes and standards so as to make connection available and

practicable to all lots in Phase I per the standards of Breckinridge or Grayson counties, where applicable.

d. Recreational amenities shall be constructed consisting of an in ground swimming pool, with appropriate and necessary support facilities including but not limited to showers, lockers, seating and waiting areas. These recreational amenities shall be consistent with the plans and specifications as set forth on Exhibit A hereto. These amenities shall be constructed when a sufficient number of homeowners reside in the development to warrant them; however, no later than such time as ninety percent (90%) of lots in Phase I have been sold, with at least fifty percent (50%) of such lots having residences for which Certificates of Occupancy have been issued.

5. The Lafayette Golf Course shall be maintained at a minimum in its current condition, and may be improved at Identified Defendants' costs and option. Identified Defendants agree to ensure that lifetime memberships in the Lafayette Golf Course owned as of the entry of this Order by Green Farm property owners will be preserved intact in any future transactions relating to the Lafayette Golf Course, with funding as set forth in Pages 21-23 of the Property Report.

6. Infrastructure work shall be completed on the following timetable for Phase I; however, if the construction is interrupted as a result of any governmental restriction or governmental delay beyond the control of the Identified Defendants, delays caused by fires, legal acts of public authority, war, inclement weather, acts of God or other similar causes beyond the control of the Identified Defendants, then the Identified Defendants shall be allowed a day-for-a-day extension caused by any such delay.

<u>Phase I</u>	<u>Start Date</u>	<u>End Date</u>
Raise lots above flood level	2/2006	12/31/2006
Electric (underground as allowed by topography and Meade County RECC)	8/2006	12/31/2006
Water	ongoing	12/31/2006
Roads	9/2005	12/31/2006

7. As for Phase II of the development, the owners of GF Resort will make available a lot of comparable worth and size in Phase I to any and all owners of lots in Phase II in exchange for the lot owned by that Phase II property owner. Identified Defendants will provide written notice of this offer, to include identification of the Phase I lot offered in trade, to each Phase II property owner, with a copy of each notice provided to Plaintiff. Said offer will remain open for sixty (60) days following the mailing of the notice and the notice shall so inform the property owner.

8. The Identified Defendants shall have no obligation to begin or complete infrastructure work for Phase II until additional lots are sold in Phase II provided that in marketing Phase II, the Identified Defendants shall fully comply with the Kentucky Consumer Protection Act.

9. The Identified Defendants shall increase the elevation of those lots identified in Exhibit B so as to make each lot suitable for construction of a residential structure.

10. If the infrastructure for Phase I is not begun or completed by the dates specified in Paragraph 6, subject to the delay provisions in Paragraph 6, the Parties will so notify the Court.

11. Identified Defendants shall deposit the sum of Four Hundred Thousand Dollars (\$400,000) into the escrow account described in this Agreed Order, payable by two installments

of Two Hundred Thousand Dollars (\$200,000) each, the first of which was deposited on or before September 15, 2005, and the second to be deposited on or before October 15, 2005.

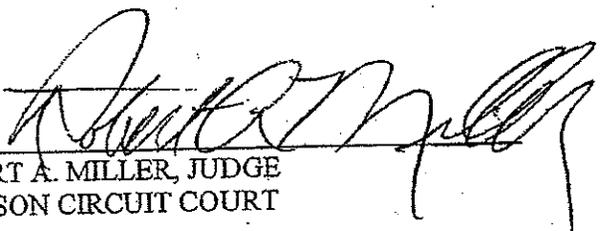
12. Property Owners Association dues presently owing as of July 2005 shall be paid into a separate escrow account described in this Agreed Order. Defendants shall timely undertake to provide all property owners with a current statement of dues owed. Notwithstanding the foregoing, any and all Property Owners Association dues previously waived by the Defendants, including the periods of January to June 2003, July to December 2003 and January to June 2005 are permanently waived and shall not be considered in calculating any property owner's current dues. Defendants shall apply any dues payments received for any of these waiver periods to reduce the outstanding dues balance for that property owner. Any property owner failing to remit properly-billed dues by October 15, 2005 shall have any and all privileges associated with being a property owner, including but not limited to golf privileges at the Lafayette Golf Course and Property Owners Association voting privileges, suspended until such dues are paid in full

13. The two (2) Escrow Accounts identified herein shall be set up at Leitchfield Deposit Bank. All money paid into either of these Escrow Accounts shall be disbursed for infrastructure work and projects as approved by a committee (hereinafter, "Committee") consisting of Defendant Samuel Ware and Sharon Blanford. The members of the Committee shall use their best efforts at reaching agreement as to disbursements, and shall be considered to be Officers of this Court for purposes of fund disbursement. In the event of deadlock or other irreconcilable differences on the Committee, the parties to this Agreed Order shall move the Court for an Order resolving the deadlock or difference. Once the money is fully disbursed from these two accounts, the Committee will be disbanded and the Committee will not have further

responsibilities or obligations regarding payments for infrastructure or maintenance for the development.

14. Once the Identified Defendants have complied with all terms of this Order, Plaintiff and the Identified Defendants will file an Agreed Order Dismissing Settled of all claims that have been made or could have been made by the Kentucky Attorney General under the powers reserved to him by KRS Chapter 367 as of that date of that Order.

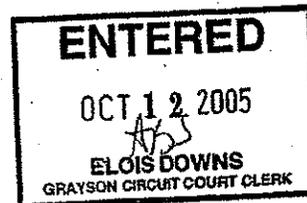
Entered this 10 ^{*October*} day of ~~September~~, 2005.


ROBERT A. MILLER, JUDGE
GRAYSON CIRCUIT COURT

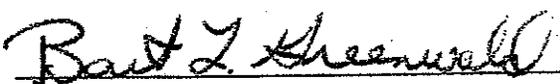
HAVE SEEN AND AGREED TO:

GREGORY D. STUMBO
ATTORNEY GENERAL


Maryellen B. Mynear, Litigation Manager
David Vandeventer, Assistant Attorney General
Office of Consumer Protection
1024 Capital Center Drive
Frankfort, KY 40601
(502) 696-5389

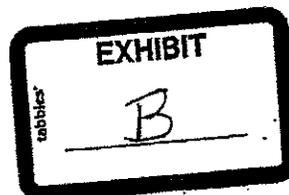


*M. Mynear
B. Greenwald*


Bart L. Greenwald, Esq.
Frost Brown Todd LLC
400 West Market Street, 32nd Floor
Louisville, KY 40202
(502) 568-0318
Counsel for Defendants GF Resort LP,
GF Resort GP, Inc., Kentucky investors LP,
Green Farm Property Owners Association,
Lazarus Property Corporation, Thomas Hillsman,
and Samuel D. Ware

Lots #

10	51	156	194
11	52	157	195
15	53	158	196
16	54	159	197
17	55	160	198
18	56	161	
19	57	162	
20	58	163	
21	83	164	
22	84	165	
23	85	166	
24	86	167	
25	91	168	
26	92	169	
27	93	170	
28	94	171	
29	99	172	
30	100	173	
31	107	174	
32	108	175	
33	118	176	
34	139	177	
35	140	178	
36	141	179	
37	142	180	
38	143	181	
39	144	182	
40	145	183	
41	146	184	
42	147	185	
43	148	186	
44	149	187	
45	150	188	
46	151	189	
47	152	190	
48	153	191	
49	154	192	
50	155	193	



GREEN FARM RESORT MANAGEMENT AGREEMENT

This Green Farm Resort Management Agreement (the "Agreement") is entered into by and between National Resort Marketing Corp., a Texas corporation, whose address is 10100 N. Central Expressway, Suite 600, Dallas, Texas, 75231, ("Agent") and 3D Resort-Bluegrass, L.L.C., a Kentucky limited liability company, whose address is 18568 Forty Six Parkway, Suite 2002, Spring Branch, Texas, 78070 ("Bluegrass").

WHEREAS, Bluegrass owns and operates the Green Farm Resort, located at 57 Jennie Green Road, Falls of Rough, Grayson County, Kentucky (the "Resort"), which operation includes, without limitation, an 18 hole golf course, hospitality services, single family lot sales, marketing, mortgage servicing (collectively the "Operations"); and

WHEREAS, Agent is in the business of owning, managing and operating resort community developments similar to the Resort; and

WHEREAS, Bluegrass has determined that it would be in its best interest to engage Agent for the purpose of managing the Operations and Agent has agreed to such engagement in accordance with and subject to the terms and provisions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Bluegrass and Agent agree as follows:

ARTICLE 1

ENGAGEMENT AND AUTHORITY OF AGENT

1.01. Appointment. Bluegrass hereby engages Agent to act as its sole and exclusive agent in connection with the Operations at the Resort. Agent, by its execution of this Agreement accepts the engagement and agrees to perform the services described herein in accordance with and subject to the terms and provisions of this Agreement.

1.02. Authority and Duties. The Agent shall have full and complete authority in connection with all Operations at the Resort. Any person dealing with Agent may rely absolutely upon the act, deed and/or signature of the officers of Agent as being the acts of Owner and binding solely upon Owner with respect to the services to be performed by Agent on behalf of Owner as described herein. No third party shall be obligated to inquire into or ascertain whether the acts of the officers of Agent for obligations incurred in the name of Owner pursuant to the provisions hereof have been duly authorized by Owner. Owner hereby irrevocably makes, constitutes and appoints Agent, through its officers, its true and lawful attorney in fact to execute and deliver such instruments, as are necessary to evidence or effect the consummation of the services described above.

It is the intent of the parties hereto that Agent have total control over all management, operation and sales functions at the Resort and that the involvement of Bluegrass shall be limited solely to an advisory role in connection with any such management, operation and sales functions. Agent shall provide reports to Bluegrass at least on a monthly basis regarding the Operations at the Resort, such reports to be in form and content as provided by Agent in the management of its other resort properties.

**Commonwealth's
EXHIBIT**

B

ARTICLE 2

SERVICES AND DUTIES

The Agent shall render services and perform duties as follows:

2.01. Operation and Management. Agent shall render services and perform the duties of managing and operating all Operations at the Resort. Such duties shall include, without limitation, budgeting, marketing, employment, collections, maintenance, customer service, land sales, contracting, funds disbursement, golf course management and operation, hospitality operations and services and mortgage servicing.

2.02. Books and Records. Agent shall maintain proper books and records regarding the Operations and appropriate financial accounts in accordance with good accounting procedures, including a detailed accounting of all receipts and expenditures affecting the Resort its operations and administration.

2.03. Debts of Bluegrass. In the performance of its duties hereunder, Agent shall at all times be acting solely as the agent of Bluegrass. All debts and liabilities of Bluegrass to third persons currently existing or incurred by Agent in the course of performing its duties hereunder shall be the debts and liabilities of Bluegrass only, and Agent shall not be liable for any such debts or liabilities.

2.04. Legal Proceedings. Agent shall, in the ordinary course of business of operating the Resort or carrying out its duties under this Agreement, institute, in its name or in the name of Bluegrass (but in any event at the expense of Bluegrass), any and all legal actions or proceedings to collect charges, assessments or other income from the Resort, including, without limitation, legal proceedings in connection with the servicing of the mortgage loans, or to cancel or terminate any contract or agreement for the breach thereof or default thereunder.

2.05. Bank Deposits. All monies received by Agent for or on behalf of Bluegrass shall be deposited by Agent in Agent's bank account and shall be disbursed by Agent solely in connection with the Operations of the Resort, including, without limitation, salaries and other compensation due and payable to the employees of Agent and/or Bluegrass, taxes, insurance premiums, and all sums otherwise due and payable by Bluegrass as operating expenses authorized to be incurred under the terms of this Agreement, including the Agent's fees as set forth in Article 3 hereof.

2.06. Sales Efforts. Agent agrees to utilize its best efforts to sell the lots within the Resort owned by Bluegrass.

ARTICLE 3

FEES

3.01. Fees. For and in consideration for the services to be provided by Agent hereunder, Bluegrass shall pay Agent the following fees:

(i) The sum of Twelve Thousand Five Hundred and No/100 Dollars (\$12,500.00) per month on the first day of each and every month during the term of this Agreement;

(ii) Six percent (6%) of the gross land sales at the Resort on a monthly basis, to be paid on or before the 15th of each month for gross sales from the preceding month; and

(iii) Nine and No/100 Dollars (\$9.00) per loan file per month for each and every loan serviced by Agent (or Agent's affiliated entity).

ARTICLE 4

TERM OF AGREEMENT

4.01. Term and Termination. This Agreement shall commence on the date hereof and shall terminate on November 1, 2011, unless sooner terminated by either party upon 30 days written notice.

4.02. Accounting on Termination. On termination, the contracting parties shall account to each other with respect to all matters outstanding as of the date of termination.

ARTICLE 5

EMPLOYEES

5.01. Employees. The Agent shall hire in the Agent's own name, all personnel necessary for the efficient discharge of the duties of the Agent under this Agreement. Compensation for the services of such employees shall be the responsibility of Bluegrass.

ARTICLE 6

INDEMNITY

6.01. Indemnity. Bluegrass will indemnify and hold harmless Agent (for purposes of this section, the term "Agent" shall include the directors, officers, partners, employees, agents and affiliates of Agent, and any persons or entities owned or controlled by, owning or controlling, or under common control or affiliated with Agent) from and against, and reimburse them for, all claims, demands, liabilities, losses, damages, causes of action, judgments, penalties, reasonable costs and reasonable expenses (including, without limitation, reasonable attorney's fees) which may be imposed upon, asserted against or incurred or paid by them by reason of, on account of or in connection with any bodily injury or death or property damage occurring in or upon or in the vicinity of the Green Farm Resort through any cause whatsoever or asserted against them on account of any act performed or omitted to be performed hereunder or on account of any transaction arising out of or in any way connected with the Green Farm Resort or with this Agreement. **WITHOUT LIMITATION, IT IS THE INTENTION OF BLUEGRASS AND BLUEGRASS AGREES THAT THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES, CAUSES OF ACTION, JUDGMENTS, PENALTIES, REASONABLE COSTS AND REASONABLE EXPENSES (INCLUDING WITHOUT LIMITATION, REASONABLE ATTORNEY'S FEES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY OR ANY STRICT LIABILITY. HOWEVER, SUCH INDEMNITIES SHALL NOT APPLY TO ANY INDEMNIFIED PARTY TO THE EXTENT THE SUBJECT OF THE INDEMNIFICATION IS CAUSED BY OR ARISES OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY.** The foregoing indemnities shall survive the termination of this Agreement.

ARTICLE 7

MISCELLANEOUS

7.01 Notices. All notices, demands, or notice requirements pursuant to this Agreement shall be deemed to have been properly given, whether actually received or not, when made in writing and deposited in the United States Postal Service, postpaid, registered or certified mail, or otherwise by facsimile transmission to the fax numbers identified below to receive such notice at the following address or at such other address as may hereafter be specified by written notice given as set forth herein:

If to Agent: National Resort Marketing Corp.
10100 N. Central Expressway, Suite 600
Dallas, Texas 75231
Attn: R. Jeffrey Schmidt, Esq.
Fax: (214) 706-7823

If to Bluegrass: 3D Resort-Bluegrass, L.L.C.
18568 Overlook Parkway, Suite 2002
Spring Branch, Texas 78070
Attn: William Palmer
Fax: (210) 679-4761

7.02 Governing Law. This Agreement shall at all times be governed by, interpreted and enforced under the laws of the State of Texas.

7.03 Headings. The headings to the paragraphs hereof have been inserted for convenience of reference only and shall in no way modify or restrict any provisions hereof or be used to construe any such provisions.

7.04 Waiver. Except by an express written instrument signed by the other party, no delay or omission by either party to exercise any remedy or right accruing on default shall impair any remedy or right under this Agreement. An express waiver by either party of any breach of any provision of this Agreement by the other party shall not be deemed to be a waiver of the breach of any other provision or of any subsequent breach of the waived provision.

7.05 Severability. In case any one or more provisions of this Agreement shall for any reason be held invalid, illegal, or otherwise unenforceable in any respect, the remaining provisions shall nevertheless be valid, binding and effective as if the invalid, illegal, or unenforceable provision had never been contained in this Agreement.

7.06 Entire Agreement. This Agreement contains the entire agreement between the parties hereto, and there are no other terms, conditions, promises, undertakings, statements or representations, express or implied, contemplated by this Agreement.

7.07 Modifications. The terms of this Agreement may not be amended, waived or terminated orally, but only by an instrument in writing signed by both parties hereto.

7.08 Counterparts. For the convenience of the parties, this Agreement has been executed in several counterparts. The counterparts are in all respects similar and each shall be deemed to be an original version of

the Agreement and complete in itself, so that any one may be introduced in evidence or used for any other purpose without the production of the other counterparts.

7.09 Successors and Assigns. Subject to the provisions of this Agreement, this Agreement will be binding upon and will inure to the benefit of Agent, Bluegrass and their respective successors and assigns.

7.10 Third Party Beneficiaries. Nothing contained herein, express or implied, is intended to confer upon any person or entity other than the parties hereto and their successors-in-interest any rights or remedies under or by reason of this Agreement, except that Plains Capital Bank shall be deemed to be a third party beneficiary hereof.

IN WITNESS WHEREOF, this Agreement is executed by National Resort Marketing Corp and 3D Resorts-Bluegrass, L.L.C. as of the 29th day of October, 2010.

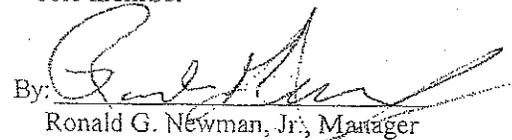
NATIONAL RESORT MARKETING CORP.

3D RESORTS-BLUEGRASS, L.L.C.

By: 3D Resort Communities, LLC,
sole member



R/ Mike Ward, President



By: Ronald G. Newman, Jr., Manager



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

OFFICE OF HOUSING

April 19, 2011

Michael R. Skahan, Esquire
Associate General Counsel
Double Diamond Companies
10100 North Central Expressway
Suite 600
Dallas, TX 75231

R. Mike Ward
President
National Resort Marketing Corp.
10100 North Central Expressway
Suite 600
Dallas, TX 75231

Ronald G. Newman, Jr.
3D Resorts
18568 Forty Six Parkway Suite 2002
Spring Branch, TX 78070

William Palmer, Esquire
Law Office of William Palmer
25675 Overlook Parkway #506
San Antonio, TX 78260

Subject: ILS Number- 32426; 3D Resort-Bluegrass, LLC purportedly through new agent National Resort Marketing Co

Dear Messrs. Skahan, Ward, Palmer, and Newman::

This letter is a **Suspension Notice under 15 U.S.C. §1706(b) of the Interstate Land Sales Full Disclosure Act and 24 CFR 1710.45(a) of the Act's implementing regulations.**

**Commonwealth's
EXHIBIT**

C

15 U.S.C. §1706(b) provides that if it appears to the Secretary that a *Statement of Record*, or any *Amendment* thereto, is on its face incomplete or inaccurate in any material respect, the Secretary shall so advise the developer within a reasonable time after the filing of the *Statement* or the *Amendment*, but prior to the date the *Statement* or *Amendment* would otherwise be effective. Such notification shall serve to suspend the effective date of the *Statement* or the *Amendment* until thirty days after the Developer files such additional information as the Secretary shall require. Any Developer, upon receipt of such notice, may request a hearing, and such hearing shall be held within twenty days of receipt of such request by the Secretary.

Be advised that HUD has conducted a cursory review of your *Consolidation* and *Amendment* to the currently filed *Statement of Record* for Green Farm Resort and found that it is deficient in certain material respects. The attached listing below describes these deficiencies and tells you what you need to do to correct them.

ANNUAL REPORT OF ACTIVITY

1. Pursuant to 24 CFR 1710.310, *Annual Reports of Activity* were due to be filed annually within 30 days of the anniversary date of the filing of the *Initial Registration*. The *Initial Registration* date was February 26, 2009. Pursuant to 24 CFR 1710.35, there would also be due filing fees in the amount of \$800. The *Annual Report of Activity* due within 30 days of February 26, 2010 together with \$800 filing fee as well as the *Annual Report of Activity* due within 30 days of February 26, 2011 together with its \$800 filing fee are due. In addition to being automatic deficiencies to be cured, these are also considered four separate and continuing violations of the Interstate Land Sales Full Disclosure Act, 15 U.S.C. § 1701 *et seq.*, (the "Act") and its implementing regulations. Submit the missing filings fees as soon as possible.

The Bank lockbox for collecting checks has been closed. Therefore, pursuant to 24 CFR 1710.35(a)(1)(ii), all fees must be paid through the following electronic process:

1. Go to www.pay.gov
2. Select Agency List
3. Select the letter H and then select Housing and Urban Development
4. Select Housing and Urban Development again
5. Scroll down and select Interstate Land Sales
6. Fill out the form and follow the instructions on the page
7. Provide a copy of the receipt with the filing.

Please note, in order to utilize the system, the bank account from which the fees are being debited must be set up to allow for ACH transfers. Please confirm with your bank before placing the www.pay.gov transaction.

ANNUAL FINANCIAL STATEMENTS

2. Pursuant to 24 CFR 1710.212(d), audited *Annual Financial Statements* were due to be filed yearly within 120 days of the end of the fiscal year. The audited *Annual Financial Statements* for fiscal year ending December 31, 2009 which were due on or before April 30, 2010 were not filed. In addition to being an automatic deficiency to be cured, this is also considered a separate and ongoing violation of the Act and its implementing regulations. Be advised, the audited *Annual Financial Statement* for fiscal year ending December 31, 2010 is due on or before April 30, 2011. If this is not received on time, then the failure to file on time will also become an additional deficiency and violation.

AMENDMENTS

3. *Amendments* are required pursuant to 15 U.S.C. §1706(c) and 24 CFR 1710.23 to be submitted promptly but no later than within 15 days of the occurrence of a material change. A material change as defined by 15 U.S.C. §1703(a)(1)(C) is a change in any item which is required to be disclosed, stated or submitted under 15 U.S.C. §1704 to §1707 and 24 CFR 1710.100 *et seq.* and 24 CFR 1710.200 *et seq.*

At least twice a year (at the filing of the *Annual Financial Statements* under 24 CFR 1710.212(d) and at the filing of the *Annual Report of Activity* under 24 CFR 1710.310), the Developer is given a chance to file an *Amendment* as to the "slight" changes to items found in the *Statement of Record*. These would include completion changes disclosed within the *Property Report* under §1710.110, §1710.111, and §1710.114. Also, the reference as to the financial statements available often mean a change and the disclosures and statements under §1710.112 of the *Property Report* and §1710.212(d) and (i) under the *AID*. Also, references as to disclosures within the *Property Report* §1710.110(b)(6) and §1710.115(i) as to any change in population or occupancy.

In addition to the above, the *Management Agreement* executed October 29, 2010 by and between 3D Resort-Bluegrass, LLC and National Resort Marketing Corp. is a document that would be considered as a material change and an *Amendment* should have been presented for review within 15 days of the occurrence of the execution of the document. The failure to have done so is considered a separate violation of the Act and its implementing regulations and was considered an ongoing violation until March 29, 2011.

CONSOLIDATION FILING UNDER REVIEW FORMAT

4. Pursuant to 24 CFR 1710.22(c)(2) and (3), the Developer is to supply a recapitulation or listing of each of the section headings, and subheadings if necessary, of the *Additional Information and Documentation* portion of the *Statement of Record*. Each item of the listing shall contain a statement as to whether or not any change is made in the section; whether any new or additional information is being submitted and, if documentation is incorporated by cross

reference, the previous submission in which that documentation may be found. New material is also to be submitted as Exhibits. A complete copy of the *AID* statements and new material was not supplied. Submit the missing material once filing is allowed.

5. Pursuant to 24 CFR 1710.22(c)(4), a complete *Developer Affirmation* in the form as outlined under §1710.219 was to be supplied. The material submitted was not in a format showing the proper naming and authority structure. The *Management Agreement* executed October 29, 2010 by and between 3D Resort-Bluegrass, LLC and National Resort Marketing Corp. does not give the proper authority for National Resort Marketing Corp to perform in regards to the Act and its implementing regulations. Therefore, the filing under review shall be considered as denied due to the faulty Developer execution of documents and the lack of authority for National Resort Marketing Corp. to act.

CONSOLIDATION FILING UNDER REVIEW **CONTENT**

6. Pursuant to 15 U.S.C. §1701(5), the land owner for all of the lots and common area within the subdivision that are being registered is to be identified as the Developer within the *Property Report* and in all documents required for filings. 3D Resort-Bluegrass, LLC in all contexts and not solely National Resort Marketing Corp. must be identified as the Developer.

7. Pursuant to 15 U.S.C. §1710.117(b), an original *Cost Sheet* must be signed by the actual Developer. If it is to be signed by an agent, it must be in the proper format and match the *Developer Affirmation* at §1710.219. See Deficiency 5 above as to authority.

8. Pursuant to 24 CFR 1710.109, certain disclosures are provided as to the method of sale. Upon review of the disclosures of this section, it has been deemed unacceptable and not within the public interest or for the protection of Purchasers/Consumers that a Deed of Trust or Mortgage is executed by the Purchaser/Consumer prior to the execution and acknowledgment of the Deed of Conveyance from the Developer to the Purchaser/Consumer. The process will have to be changed and proper disclosure of this new process must be given within the disclosure.

9. Pursuant to 24 CFR 1710.115(g)(2), the Developer is to disclose if the area is subject to natural hazards or has it been formally identified by any Federal, State or local agency as an area subject to the frequent occurrence of natural hazards (e.g., tornadoes, hurricanes, earthquakes, mudslides, forest fires, brush fires, avalanches, flash flooding, etc.)? If the jurisdiction in which the subdivision is located has a rating system for fire hazard, state the rating assigned to the land in the subdivision and explain its meaning. Upon review of the disclosure made, the Developer is to re-evaluate the disclosure which is given. Information provided in the disclosure appears to be contradictory to hazards that could be found on Federal Emergency Management Agency (FEMA) multihazard advisory maps and plans. For your evaluation, this information can be found at:

<http://www.fema.gov/plan/mitplanning/status.shtml>

<https://hazards.fema.gov/femaportal/wps/portal/mmvmviewer>

In addition, you should obtain the multi-hazard maps from your local regional FEMA Office and review them for a listing of multiple natural hazards located thereon.

As to the Kentucky Natural Hazard Mitigation Plan, contact

Leslie Mahoney
State Hazard Mitigation Officer
Kentucky Division of Emergency Management
100 Airport Rd.
3rd Floor
Frankfort, KY 40601
Office: 502-607-5768
Fax: 502-607-5740
E-Mail: Leslie.Mahoney@us.army.mil

Buddy Rogers
Public Information Officer
Kentucky Division of Emergency Management
100 Airport Rd.
3rd Floor
Frankfort, KY 40601
Office: 502-607-1611

Grayson County is located within the Lincoln Trail Area Development District and is incorporated with the Lincoln Trail Area Development District's Natural Hazard Mitigation Plan. To access the plan see:

<http://www.ltadd.org/hazardmitigation.shtml>

The County and the Area Development District contact information is

Larry Holeman
Emergency Management Director
Grayson County
Office of Emergency Management
125 East White Oak Street
Leitchfield, KY 42754
Phone: 270-259-0354
emgc@bgtelco.com

Lincoln Trail Area Development District
613 College Street Road
PO Box 604
Elizabethtown, KY 42702

Phone: 270-769-2393
FAX: 270-769-2993

Federal Emergency Management Agency (FEMA) and the Kentucky Division of Emergency Management and the Lincoln Trail Area Development District and Grayson County Office of Emergency Management are considered Federal, State and local agencies which have formally identified natural hazards for the area where the subdivision is located as to types of and frequency of occurrence of natural hazards.

The issue as to natural hazards is not really new and Mitigation Plans have been around for quite a long time so that localities could get federal disaster relief. Therefore, the Department believes that the Developer should have known about these matters and that an *Amendment* is in fact due as to this issue with a change to the *Property Report* needed.

Either in narrative form or in chart form, there is a listing in each Mitigation Plan of the frequency of those specific hazards identified which would give an indication of a moderate low or high incident as to those hazards. Therefore, in the public interest and for the protection of purchasers, provide disclosures as to the natural hazards affecting the area where the subdivision is located as listed in the above plans identified by hazard and the frequency of such occurrence (such as low, moderate or high as indicated in the Mitigation Plan). In addition to narrative form, for ease in response, the Developer could also include a chart.

Also, upon your review changes to statements provided in the Additional Information and Documentation (AID) portion of the Statement of Record may be required for §1710.215(d).

10. Pursuant to 24 CFR 1710.209(b) and (c), as part of the current submission, the Developer was to submit title evidence that specifically states the status of the legal and equitable title to the land comprising the lots covered by the *Statement of Record* and any common areas or facilities disclosed in the *Property Report*. Title evidence need not be submitted for those common areas and facilities which are not owned by the Developer. Acceptable title evidence shall be dated no earlier than 20 business days preceding the date of the filing of the *Statement of Record* with the Secretary. Previously issued title evidence may be updated to the date referred to in the preceding sentence by endorsements or attorneys' opinions of title. The Developer shall amend the title evidence to reflect the change in status of title of any previously registered, reacquired lots unless their status is at least as marketable as they were when first offered for sale by the Developer as registered lots. Forms of acceptable title evidence would include an (1) an original or a copy of a signed owner's or mortgagee's policy of title insurance, title commitment, certificate of title or similar instrument issued by a title company authorized by law to issue such instruments in the state in which the subdivision is located and (2) a legal opinion stating the condition of title, prepared and signed by an attorney at law experienced in the examination of titles and a member of the Bar in the state in which the property is located. The title opinion may be based on a Torrens land registration system certificate of title, or similar instrument, provided it meets all general title evidence requirements of §1710.209 and a copy of the registration certificate of title is submitted. Title evidence which limits insurance or negligence liability to amounts less than the market value of the subject land at the time of its acquisition by the subdivision owner is not acceptable.

11 Arising from the basic and fundamental issues as referenced in the deficiencies listed above, upon receipt of any *Pre-Amendment* responding to deficiencies to be filed by 3D Resort-Bluegrass, LLC, unless a determination is made to allow the acceptance of the filing of the *Consolidation/Amendment*, a complete and thorough review will be conducted. Therefore, the *Pre-Amendment* filing and will be subject to any additional deficiencies discovered in that review.

EXISTING STATEMENT OF RECORD

12. After receiving the instant filing, a quick review of Departmental Records and a quick review of the information about the subdivision on the internet was performed. In addition to the discovery of the failure by the Developer to file the aforementioned *Annual Reports of Activity* and the required audited *Annual Financial Statement*, the December 22, 2008 agreement between the previous Developer and 3D Resort-Bluegrass, LLC and the Office of the Attorney General for the Commonwealth of Kentucky as to the escrows for infrastructure was found. In addition, information was also found as to the dispute involving the Property Owners Association and the Developer and the filing of a letter from the Office of the Attorney General for the Commonwealth of Kentucky within that suit. This led the examiner to contact Office of the Attorney General for the Commonwealth of Kentucky for additional information from that office. Attached and made a part hereto is a Compact Disk containing a copy of a response letter dated April 18, 2011 which has been received from the Office of the Attorney General for the Commonwealth of Kentucky together with Exhibits. The letter finds many deficiencies had occurred in the factual disclosures of the approved *Property Report* as well as issues with the current sales practices of the Developer, 3D Resort-Bluegrass, LLC, as well as evidence of issuing non-approved *Property Reports* to consumers. After just a courtesy re-review of the existing *Statement of Record* pursuant to 58 Federal Register 5012, Tuesday, January 19, 1993, there does appear to be many inaccuracies and violations the Interstate Land Sales Full Disclosure Act, 15 U.S.C. § 1701 *et seq.*, (the "Act") and its implementing regulations under Part 1710 and Part 1715 as to items which are to be disclosed, stated and/or submitted within the *Statement of Record* as well as misleading sales practices.

Arising from the seriousness of the allegations and findings set forth in the April 18, 2011 letter from the Office of the Attorney General for the Commonwealth of Kentucky, within 15 days of the receipt of this *Deficiency Letter/Suspension Notice*, the Developer is to submit for review the following:

- I. A *Sales Report* listing all of the Lots sold between February 26, 2009 and April 18, 2011. The *Sales Report* should include the buyer's name, lot number, contract date, sales price, amount of deposit, information as to any seller take back financing and amounts owed and being collected, buyer's address, a contact phone number for the buyer, and the date on which settlement occurred. If settlement has not occurred please indicate the proposed date of closing. The *Sales Report* should be sorted by the subdivision Section Numbers and then the Date of Contract with the earliest signed contract being listed first.
- II. For every contract executed between February 26, 2009 and April 18, 2011, and pursuant to 24 CFR 1710.118(b), this is the demand for the Developer to submit a copy of the *Receipt, Agent Certification and Cancellation Page* required under to be kept and supplied to HUD pursuant to the regulations. 24 CFR 1710.118(b) provides that the Developer's copy of the *Receipt, Agent Certification and Cancellation Page* is to be kept by the Developer for a period of three years from

the date of execution or the term of the contract, whichever is the longer. Upon demand by the Secretary, the Developer shall, without delay, make the copies of these receipts and certifications available for inspection by the Secretary or the Developer shall forward to the Secretary any of the receipts and certifications, or copies thereof, as the Secretary may specify.

- III. It is deemed necessary in the public interest and for the protection of purchasers/consumers that for every contract executed between February 26, 2009 and April 18, 2011 and which has gone to settlement that the Developer submit a copy of the HUD-1 Settlement Statement executed by the Developer and the lot purchaser

Arising from the fact that the response material will be extensive, for ease in Developer's response and for the ability for the examiner to review and for other governmental reasons, including, but not limited to the methodology in 24 CFR 1710.102(g), pursuant to 24 CFR 1710.102 (j) and (k), the response material **MUST BE** submitted on a Compact Disk (CD). The documentation should be in searchable (OCR created) ".pdf" (Portable Document Format) files.

The folder structure of the CD is to be as follows:

- A Folder for the *Sales Report*
 - Pdf of the *Sales Report*

- A Folder for the *Receipt, Agent Certification and Cancellation Pages*
 - Sub-folder identified by Lot Number and Purchaser Last Name
 - Pdf of the *Receipt, Agent Certification and Cancellation Page*

- A Folder for the *HUD-1 Settlement Statement*
 - Sub-folder identified by Lot Number and Purchaser Last Name
 - Pdf of the *HUD-1 Settlement Statement*

As part of the written response, there should also be a written index of the path, folder and file names of where the documentation is submitted on the CD. In order to allow for permanent retention of the CD as an official record, the CD must be submitted in a hard protective case and not just a paper sleeve.

DENIAL OF CONSOLIDATION/AMENDMENT

Arising from the nature of the deficiencies as set forth herein as well as the allegations and findings set forth in the April 18, 2011 from the Office of the Attorney General for the Commonwealth of Kentucky, it is deemed that the *Consolidation/Amendment* submitted March 29, 2011 is denied. Therefore, **the Developer may not file** with HUD a *Pre-Amendment* to the *Consolidation/Amendment* to amended *Statement of Record* which corrects these deficiencies. The Developer may request a hearing before an Administrative Law Judge.

If you request a hearing, you must file your request with the Chief Docket Clerk, Office of Administrative Law Judges, 409 3rd Street SW, Suite 320, Washington, DC 20024. You must make a request for a hearing within 15 days after you receive this *Notice of Suspension*.

Because of the above referenced deficiencies and because of the denial of the *Consolidation/Amendment*, the registration is considered suspended until such time as HUD grants the Developer an effective date for the registration.

Pending a decision by the Administrative Law Judge on any hearing which the Developer requests or upon HUD's review of any new *Consolidation/Amendment* that may be filed, the sale or lease of lots in Green Farm Resort unless exempt, will violate 15 U.S.C. 1701 *et seq.* and the Developer and Developer's agents may be subject to civil or criminal liabilities, including civil money penalties.

In the event that Double Diamond Companies or its parent company, Double Diamond-Delaware Inc., upon approval from the Office of the Attorney General for the Commonwealth of Kentucky, desires to purchase the remaining unsold lots and the common area amenities from the current Developer, 3D Resort-Bluegrass, LLC, and upon negotiated review of the circumstances, leave to file a new *Initial Registration* could be granted by the Department.

Please call William J. Thomas on (202) 402-3006 if you have questions.

Sincerely,



Barton Shapiro
Director
Office of RESPA and
Interstate Land Sales



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

RESPONSE TO DEFICIENCY LETTER TRACKING TICKET

Amendment

Consolidation

(Please return this tracking ticket with your response to the Deficiency Letter.)

Ticket Number: SKRR-8FELGK
Subdivision Name: Green Farm Resort
Subdivision Number: 32426
Developer Name: 3D Resort-Bluegrass, LLC
Date Due: 05/04/2011
Examiner: William Thomas



COMMONWEALTH OF KENTUCKY
OFFICE OF THE ATTORNEY GENERAL

JACK CONWAY
ATTORNEY GENERAL

1024 CAPITAL CENTER DRIVE
SUITE 200
FRANKFORT, KENTUCKY 40601

April 18, 2011

VIA UPS-Overnight Delivery

Mr. William J. Thomas
Consumer Protection Compliance Specialist (ILS)
Office of RESPA/Interstate Land Sales
Department of Housing and Urban Development
Room 9154
451 7th Street SW
Washington DC 20410

Re: Green Farm Resort, Leitchfield, Grayson County, KY; OILSR No. 32426

Dear Mr. Thomas:

Thank you for your recent inquiry to the Office of the Attorney General. I understand that you have received a proposed Property Report for the above-referenced property. Pursuant to your request, I have set forth below a brief chronology of the Attorney General's involvement with Green Farm Resort [hereinafter, the "Property"], and a summary of the concerns of this Office related to Property Reports filed with your agency. I have attached relevant correspondence and other documents as noted herein.

2011 APR 19 11:19 AM
RESPA AND
INTERSTATE LAND SALES

CURRENT STATUS OF DEVELOPMENT:

Section 1 – 377 total lots; approximately 341 lots sold (majority by GF Resort LP) and 36 lots unsold; *roads, electric and water completed; pool and bathhouse completed*

Section 2 – 240 total lots; approximately 75 lots were sold under GF Resort LP (some of which were traded or deeded back to GF Resort); approximately 80 lots sold by 3D Resorts and 86 lots unsold; *roads and water completed; no electrical service*

Section 3 – [plat filed of record by 3D Resorts 1/16/09] 65 total lots; approximately 47 lots sold by 3D Resorts and 18 lots unsold; *water lines completed; roads graded but not completed; no electrical service*



Section 4 –[plat filed of record by 3D Resorts 12/18/09] 227 total lots; approximately 36 sold by 3D Resorts and 191 unsold; *roads graded but not completed; no electrical service; no water lines; no central sewage facility or other treatment plan*

BACKGROUND:

The Attorney General, Office of Consumer Protection, filed suit in 2005 in Grayson Circuit Court (Leitchfield, KY) against GF Resort L.P. (the “original developer” of Green Farm Resort), including its principals Samuel Ware, Charles F. Schram III, Patrick Ramsier, and Thomas C. Hillsman, alleging violations of the Kentucky Consumer Protection Act. The primary issues in that suit included the alleged misrepresentation of amenities and infrastructure matters, including the existence (or non-existence) of escrowed funds and the failure of the original developer to begin and/or complete infrastructure projects as represented to consumers. The Property Report related to that litigation was filed with HUD on or around June 27, 2002 and is believed to correspond to OILSR No. 30601.

As this litigation progressed, this Office entered into several Agreed Orders with the defendant developer, under which certain sums were escrowed in a local bank and certain deadlines were set for the start and completion of various phases of infrastructure. In total, approximately \$2.4 million was escrowed. Ultimately, roads, water and underground electrical service lines were completed in what is platted as “Section 1” of the Property (containing 377 lots; there remain approximately 36 unsold lots). No monies were escrowed, however, for “Section 2” infrastructure, where approximately 75 consumers had already purchased lots, and it was agreed that the original developer would offer a ‘trade-out’ to these consumers for a lot in Section 1, since there was no immediate plan to complete infrastructure in Section 2.¹ At the time, there remained approximately 165 unsold lots in Section 2.

Prior to these trade-outs being effectuated, my Office was contacted in fall 2008 by William Palmer on behalf of individuals seeking to purchase the Property from GF Resort LP. This new developer intended to sell additional lots in Section 2, and to plat and sell lots in further phases of the Property. Mr. Palmer inquired as to what conditions would be required for this Office to dismiss the Grayson Circuit Court litigation and release the *lis pendens* filed against the Property. The parties ultimately reached agreement on these terms as memorialized by a written agreement between the Office and a newly-formed entity, 3D Resorts-Bluegrass LLC [hereinafter, “3D”], and an Escrow Agreement between the Office, 3D and Leitchfield Deposit Bank (“LDB”). A copy of the Agreement between this Office and 3D is attached hereto as **Exhibit A**.

Pursuant to the agreements, approximately \$1.2 million was deposited at LDB to ensure completion of roads and water in Section 2 of the Property, plus the construction of certain

¹ Consumers also retained a private cause of action against the original developer for its representations, regardless of whether the consumer opted to trade his/her lot; however, all Section 2 owners were notified that there was no guarantee of infrastructure completion in Section 2 from that point forward.

amenities (pool and bathhouse) as was promised in the previous Agreed Order with GF Resort LP. Under this Agreement, 3D is also required to raise (with fill) certain lots that were located within a flood plain so as to render the lots buildable, and is also required to provide electrical service at the time a property owner initiates plans to construct a residence in Section 2; however, after negotiation an escrow provision was not required for this fill work or electrical service. A procedure was also developed to still allow Section 2 lot owners to trade to a Section 1 lot if they preferred. Approximately 10 of the 75 Section 2 owners traded for a Section 1 lot, with the rest opting to retain their Section 2 lot based on the escrow account. As noted above, no monies were escrowed for the fill work or electrical work in Section 2. The Agreement was entered in the Grayson Circuit Court action and the action was dismissed in late December, 2008.

It appears that 3D filed a new Property Report with HUD on or about February 26, 2009 (OILSR No. 32426; hereinafter "2/26/09 Report") although I did not receive and review this Report until February, 2010. The focus of this Office during that time was to ensure that the infrastructure and other items required under the Agreement progressed in a timely fashion and to approve payments from the escrow account for this work. The Section 2 roads, water lines and amenities, as required by the Agreement, are now substantially complete.²

After receiving a copy of the 2/26/09 Report, I wrote to Ronald G. Newman Jr. and William Palmer on March 3, 2010 setting out my concerns with certain representations made in that Report. A copy of my letter is attached hereto as **Exhibit B**.

On March 22, 2010, William Palmer responded, stating that the 2/26/09 Report had been "corrected" and attaching a revised Property Report dated January 13, 2010 which he represented was the Property Report "currently being distributed." A copy of his letter and revised Report are attached hereto as **Exhibit C**. **Please note, however, that the revised Report tendered to this Office is not the same version as the Report apparently filed with HUD, also dated January 13, 2010. Specifically, page 14 of the Report tendered to the Attorney General regarding electric service differs from page 14 of the HUD Report.** For ease of reference where necessary, these two reports will hereinafter be designated as 1/13/10 Report to **AG** and 1/13/10 Report to **HUD**. The differences between these two Reports, and the statements this Office contends are false and misleading, are set forth in greater detail below.

On April 8, 2010, I replied to Mr. Palmer's March 22nd letter, noting what this Office contended to be continuing inaccuracies in the 1/13/10 Report to AG. A copy of that correspondence is attached hereto as **Exhibit D**.

² The Grayson County Water District ("GCWD") has not accepted the Section 2 water lines but is working with the newest developer (Double Diamond) to address deficiencies. A copy of GCWD's September 14, 2010 letter is attached hereto as **Exhibit F**. In a telephone conversation on 4/13/11, Kevin Shaw, GCWD Manager, stated that there is a "substantial slide" in Section 2 potentially affecting the water lines, as well as a washed out or unstable area of roadway and that he has notified Double Diamond of this issue. Mr. Shaw also noted Double Diamond's willingness, to date, to address his concerns.

On June 11, 2010, after follow-up inquiries by me to both Mr. Palmer and to counsel for Plains Capital Bank, Mr. Palmer responded to my April 8th letter. A copy of that correspondence is attached hereto as **Exhibit E**.

In late summer of 2010, this Office was made aware of impending changes in the management of the Property and ultimately Double Diamond Companies entered into a management agreement with 3D, apparently at the behest of the lender, Plains Capital Bank. At an annual Property Owner Association ["POA"] meeting on October 17, 2010, there was discussion of this change and POA business was conducted, including the election of directors and officers. A dispute arose as to the conduct of the meeting and alleged noncompliance with POA bylaws in these elections, and the newly-constituted Board of Directors filed suit in Grayson Circuit Court in December 2010 against its former President, Sharon Blanford, Case No. 10-CI-00492. This Office is not involved in that litigation. A copy of this Office's letter to the court is attached as **Exhibit G**. As of the date of this letter, the court has not ruled on the matter.

OUTSTANDING ISSUES WITH PROPERTY REPORT(S):

Both the 2/26/09 Report and the 1/13/10 Report contain what this Office alleges to be false and misleading statements as set forth below. If 3D is now instead distributing the 1/13/10 **AG** Report to purchasers (as represented by Mr. Palmer in his March 22 letter), then 3D appears to be in violation of the Interstate Land Sales Full Disclosure Act [hereinafter, "ILSA"] as they are utilizing a report that is not approved by HUD. Moreover, the AG Report still contains statements this Office alleges to be false and misleading. The outstanding issues are:

ELECTRIC SERVICE

2/26/09 Report: At page 13, 3D stated, "We have escrowed sufficient funds with Leitchfield Deposit Bank in Leitchfield, Kentucky to assure completion of the electric lines in Sections 1 and 2 of the subdivision and have secured a loan from Plains Capital Bank to construct any required lines in section 3 of the subdivision." Contrary to this representation, there were/are no amounts escrowed under the Agreement with the Attorney General for electrical service in Section 2. See paragraph 4(b), page 5 of the 12/22/08 Agreement (lines are to be installed on an 'as-needed' basis to the front of the consumer's lot within 45 days of the consumer's request when house construction is scheduled to begin); see also paragraph 5(a), pages 6-7 (no amounts included for electrical service). There are currently little or no electrical transmission lines in Section 2; *however, it appears that as many as 80 Section 2 lots were sold while 3D was utilizing the 2/26/09 Report.* Correspondence from the Meade County Rural Electric (the utility responsible for placing these lines) estimated in early 2010 that Section 2 overhead lines would cost \$297,363.60 to complete. Demand was made in my April 8, 2010 letter that a sufficient amount be escrowed consistent with

this representation; this demand was rejected in Mr. Palmer's June 11, 2010 letter.

In addition, the 2/26/09 Report represents that 3D has "...secured a loan from Plains Capital Bank to construct any required lines in Section 3 of the subdivision" but no money is known to be escrowed for this construction. *It appears that as many as 45 Section 3 lots were sold while 3D was utilizing the 2/26/09 Report.*

1/13/10 Report to HUD: It does not appear that any of the misrepresentations set forth above were corrected in this Report. See page 14. It is also notable that no provision for electric service in Section 4 (or a disclaimer) is included in this Report, even though representations are made elsewhere with regard to Section 4.³

1/13/10 Report to AG:⁴ While the "corrected" Report tendered to the Attorney General deleted the references to an escrow account for Section 2 and a "loan" for Section 3 (page 14), it continues to represent the existence of an escrow account for *Section 1*, which is incorrect given the fact that this escrow amount was provided by GF Resort LP, not 3D, and the electrical lines were already in place upon 3D's acquisition of the Property. (I called this inaccuracy to Mr. Palmer's attention in my April 8 reply.) There is no discussion of electrical service for Section 4. If this Report is the one allegedly being distributed to potential purchasers, it is clearly erroneous, and also appears to violate ILSA because it is not the Report filed with HUD.

ROADS

1/13/10 Report to HUD: 3D amended the 2/26/09 Report to estimate that the Section 3 roads would be completed on or before December, 2010. (Page 10) As of the date of this letter, Section 3 roads are not complete as acknowledged by a recent letter sent to current property owners. [Attached hereto as **Exhibit I** and discussed in greater detail below.] This Report also estimates construction on Section 4 roads would be started by September 14, 2009 but such work was not undertaken by that date, nor had it commenced by 1/13/10, the date of the amendment. The Report notes that 3D has obtained a 'loan' from Plains Capital for Section 3 roads, but no money is believed to be escrowed for this infrastructure.

³ For example, the "Roads" section on page 10, "Water" section on page 12, and "Sewer" section on pages 13-14 all make representations as to Section 4.

⁴ Page 14 is the only page that differs between the version tendered to the AG and the version tendered to HUD.

CENTRAL SEWAGE FACILITY

2/26/09 Report: At page 13, 3D notes that a central sewage system is not available or proposed for the Property and that property owners will be responsible for obtaining a site analysis regarding the suitability for the installation of an individual septic system.

1/13/10 Report to HUD: At page 13, 3D adds information stating that all lots in Section 4 of the subdivision will be served by a central sewage system and estimates construction to begin on or about April 1, 2010 and be available for use by December 31, 2011. Section 4 contains lots consisting of approximately one-quarter acre each, and under local and state law a lot this small cannot utilize an individual septic system. While 3D does disclaim any financial arrangements for this facility and notes that no permits have been obtained, it is of concern to this Office that, as of 4/14/11 (one year after the estimated construction start date) there has not even been an *application* filed with the appropriate state officials for either a construction permit or a discharge permit, both of which are required. See, electronic mail from Jory Becker, Permits Manager for Kentucky Division of Water, attached hereto as **Exhibit H**. *It appears that as many as 36 lots have been sold in Section 4, and these property owners now own property upon which a residence cannot be built without some type of plan for sewage/wastewater disposal – which 3D has not yet determined is even feasible. It would appear this is a violation of §1715.20(i)(2) of 24 CFR Ch. X (“In selling...any lot in a subdivision it is an unlawful sales practice for any developer or agent, directly or indirectly, to: ... (i) represent a lot as a homesite or a building site unless: ... (2) the lot is suitable for a septic tank operation or there is reasonable assurance that the lot can be served by a central sewage system.”)(italics added). See also, **Exhibit I**, letter to current property owners stating that an engineering firm has been hired for Phase 4, but that plans have not been submitted to the state.*

GENERAL STORE

1/13/10 Report to HUD: The amended Report at page 17 represents that a “General store” is complete and available for use. This structure was destroyed by fire on or about February 6, 2010 and insurance coverage for this fire loss is the subject of a declaratory judgment action filed by Philadelphia Indemnity Insurance Company against 3D Resorts in U.S. District Court, Western District of Kentucky. A copy of the Complaint is attached hereto as **Exhibit J**. According to the Complaint, 3D made a demand upon the insurer for \$822,804.96. See paragraph 28, page 4.

CABINS

1/13/10 Report to HUD: The amended Report at page 17 represents that eight (8) rental cabins were "100% complete" and available for use at a discounted rate to members. The cabins were not completed at that time, and there are still not eight finished cabins on the Property capable of use. In a letter recently mailed to current property owners, 3D (or its managing agent) states: "Cabins #1-7 are 95% complete. We are in the process of installing satellite service in each cabin, completing the landscaping and then paving the driveway and parking spaces." See **Exhibit I**, attached hereto.

LIENS AND OTHER ENCUMBRANCES UPON PROPERTY

2/26/09 Report and 1/13/10 Report to HUD: At page 7, both Reports state that all lots are subject to a mortgage lien in favor of Plains Capital Bank, but that partial lien releases will be obtained in order to provide the purchaser with title free from this lien. Based upon research by a reliable source familiar with county land records and title search processes, a deed of conveyance is filed of record from GF Resort LP (original developer) to 3D Resorts (DB 388, Page 322), through which 3D acquired the Property for \$10.5 million, through the assumption by 3D of GF Resort's debt to Plains Capital Bank in the amount of \$8,480,729.34 and a \$1,000,000 note and mortgage by 3D to GF Resort. There is also a recorded mortgage on the Property in favor of Plains Capital Bank executed by 3D in the amount of \$7.5 million. According to research by this source, there have been approximately 239 deeds recorded by 3D for individual lot sales involving the Property since 3D's acquisition, yet only two partial releases could be located as having been filed of record with the Grayson County Clerk. No release filed of record by GF Resort LP could be located.

Based upon research by this same source, there exist at least two other liens or encumbrances against the Property, which serve to impede or prevent conveyance of clear title (both are statutory Mechanics and Materialsmen Liens): Robert Frakes d/b/a Signs, Signs, Signs, Book FF, Page 489; and Double D Utilities, Book GG, Page 274. No Releases were located for these liens.

OTHER AREAS OF CONCERN

This Office has been contacted at various times by consumers who allege that they were not provided a Property Report to review, in any meaningful manner, prior to purchase.⁵ These consumers consistently report that their sales agent quickly leafed through the Report, made general statements to the effect that "this section covers such-and-such" and then asked them to initial a form stating they received the Report. Other consumers state that the sales agent turned to the back page and asked them to initial the form, without reference to the Report itself. Only after purchase, when reviewing the Report (sometimes weeks later) did these consumers realize that many of the express verbal representations made to them regarding their individual lot, and/or the status of infrastructure, amenities and other features of the Property, were either contrary to the written Report, were not even mentioned in the Report, or were disclaimed in the Report. These practices appear to violate §1715.20(a) of 24 CFR Ch. X. These representations include:

Construction of a Lodge / Hotel: 3D routinely represented the imminent construction of a lodge, which at times was represented to include a restaurant. An artist's depiction of the front and rear of such a lodge was included on the Green Farm Resort website operated by 3D and included the words "Coming in October 2009" and, later, "Coming Soon." This representation is addressed in my March 3, 2010 letter to Mr. Palmer, attached as **Exhibit B**. A copy of the webpage as it appeared on 2/25/2010 is attached hereto as **Exhibit K**. Moreover, a property map utilized by 3D for lot sales to consumers, attached hereto as **Exhibit L** contains the words "The Lodge" near the golf course clubhouse.

Construction of a Lake with "lakefront" lots: For an extended period of time, 3D sales personnel represented that a lake was being constructed in Sections 2 and 3, and consumers could "trade up" to a lakefront lot. One consumer to whom I've recently spoken reports that she and her husband had already purchased a different Section 2 lot but were invited to 'trade up' to a lakefront lot. They were shown a map containing the location of the lake and surrounding lots, and selected 1 lot that was represented as soon to be 'lakefront.' They were not provided an opportunity to review the Property Report prior to purchase. Upon later reviewing the Report, they learned that not only was there no mention of a "lake" in the Report, but also that their new "lakefront" lot was in reality located in an existing flood plain. The original lot (traded in for the "lakefront" lot) was not located within a floodplain, according to the same Report. A copy of the map provided to some purchasers is attached as **Exhibit L**. A blue shaded area to the top left portion of the Property is clearly visible.

Sale of Lots within Flood Plain or Wetlands: It appears that 3D has continued to sell lots located within flood prone areas, flood plain, or wetlands. While these lots may be "disclaimed" at page 20 of the Report, consumers purchasing these lots have complained that there was no meaningful disclosure of this fact because they did not receive a Property Report prior to their purchase.

⁵ This Office can obtain affidavits from affected consumers, if desired.

Misrepresentations as to Sales Price of Surrounding Lots: On information and belief, 3D has utilized false "sales price" information in its marketing efforts to consumers, wherein potential purchasers are shown a document purporting to contain the sales prices of adjacent or nearby lots within a certain Section. Consumers reporting this tactic state they have later learned through land records that these sales prices were greatly exaggerated. These allegations are corroborated by price lists provided by William Palmer to then-association President, Sherry Blanford, prior to the Property Owner Association meeting in October 2009, in order to tabulate the number of votes entitled to be cast at the annual meeting for lots owned by 3D. Copies of these price lists for Sections 1, 2 and 3 are attached hereto as **Exhibit M**. These lists contain a column labeled "price" or "premium" with a dollar figure for each lot, including numerous sold lots. However, a comparison to actual county tax records demonstrates that the actual sales prices for sold lots are substantially less than the listed figures. The handwritten amounts under the heading "description" were provided by a reliable source familiar with county land records. Inducing consumers to purchase property by misrepresenting the value of surrounding lots is a materially unfair, false, misleading or deceptive practice and would thus appear to violate both state and federal law.

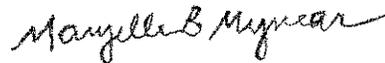
Apparent name change for Property. The latest correspondence from 3D or its agent [**Exhibit I**] reflects a name change to "The Falls Resort & Golf Club." This Office is concerned that a name change will make it difficult for consumers to perform any reasonable due diligence regarding the history of the Property, without any reference to "Green Farm Resort" or "Lafayette Golf Course."

SUMMARY

I have attempted to summarize above outstanding issues that directly relate to the information contained in the Property Report(s) and the manner in which these Reports appear to be presented to consumers. The foregoing is not intended to be an exhaustive discussion of all possible allegations or claims that the Office of the Attorney General, or individual property owners, may have against 3D Resort regarding Green Farm Resort. Please contact me if you have any questions or concerns.

Sincerely,

JACK CONWAY
ATTORNEY GENERAL



Maryellen B. Mynear
Litigation Manager/Assistant Attorney General
Direct Dial: (502) 696-5362



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

May 5, 2011

Michael R. Skahan
Associate General Counsel
Double Diamond Companies
10100 North Central Expressway
Suite 600
Dallas, TX 75231

ILS Number- 32426; 3D Resort-Bluegrass, LLC; Green Farm Resort; Amendment Received 3/29/2011; Suspension Notice 04/19/2011; and Pre-Amendment Received 05/20/2011

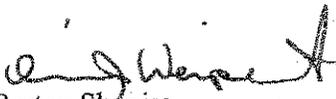
Dear Mr. Skahan:

The Suspension Notice issued April 19, 2011 is still in effect. As noted, in the *Suspension Notice* the Amendment filing was denied based upon the issues outlined in the April 18, 2010 letter from the Office of the Kentucky Attorney General, Office of Consumer Protection.

Until such time as it can be determined that (i) all of the deficiencies outlined in the April 19, 2011 Suspension Notice are corrected and (ii) a full cover to cover review of the subdivision filings is conducted and all filings will be rejected and denied.

Please call William J. Thomas on (202) 402-3006 if you have questions.

Sincerely,

for 
Barton Shapiro

Director
Office of RESPA and
Interstate Land Sales

Commonwealth's
EXHIBIT



COMMONWEALTH OF KENTUCKY
OFFICE OF THE ATTORNEY GENERAL

JACK CONWAY
ATTORNEY GENERAL

1024 CAPITAL CENTER DRIVE
SUITE 200
FRANKFORT, KENTUCKY 40601

June 8, 2011

VIA ELECTRONIC MAIL; Original to follow via U.S. Mail

R. Jeffrey Schmidt, Esq.
Sr. Vice President/General Counsel
Double Diamond Companies
10100 N. Central Expressway, Suite 600
Dallas, Texas 75231

Re: Green Farm Resort, Leitchfield, KY

Dear Mr. Schmidt:

During the telephone conference this morning between you, this office, and examiner William Thomas of U.S. Department of Housing and Urban Development ("HUD"), you stated that Double Diamond is continuing to market property at Green Farm Resort despite the Suspension Notice by HUD issued on or about April 19, 2011. I understood your position to be that Double Diamond is now exempt from the federal Interstate Land Sale Full Disclosure Act because it is marketing property "intrastate" only to Kentucky consumers.

Please be advised that any sale of recreational and retirement property in the Commonwealth of Kentucky is then governed by the Recreation and Retirement Use Land Sales Act, KRS 367.470 et seq. Under that Act, any person offering such property for sale must register with this Office, post a performance bond, and comply with other statutory and regulatory provisions including notice provisions to the buyer. This Office does not possess a registration, bond or any other documents pertaining to these sales. For your convenience, I am enclosing a copy of the Act. You will note under KRS 367.477(4) that any sales made without a proper Statement of Buyer's Rights may be canceled by the buyer upon notice to the seller in any manner.

Pursuant to KRS 367.484, you are hereby notified that you must cease and desist property sales until you are in compliance with Kentucky law. If you fail to comply, the Attorney General may seek a restraining order in Grayson Circuit Court. In addition, this Office reserves all other rights, claims, causes of action and relief available to it under the Kentucky Consumer Protection Act, KRS 367.110 et seq.

**Commonwealth's
EXHIBIT**

AN EQUAL OPPORTUNITY EMPLOYER M/F/D



E

R. Jeffrey Schmidt, Esq.
Double Diamond Companies
June 8, 2011
Page 2

In addition to the foregoing, please be advised that Double Diamond, acting as an agent or representative of 3D Resorts Bluegrass, is subject to the provisions of the Agreement between 3D and this Office dated December 22, 2008, most notably paragraph 9 on page 9:

Any and all future marketing and/or sale of any lot in the Green Farm Resort to any consumer shall comply with the Kentucky Consumer Protection Act, federal Interstate Land Sales Full Disclosure Act and any other applicable local, state or federal law. 3D Resorts-Bluegrass and all agents, employees, representatives, or independent contractors shall fully and accurately disclose to prospective purchasers all material terms of sale, including but not limited to infrastructure development or other improvement projects, the timeframe for such, and the existence and location of escrowed funds, or absence thereof, to complete such infrastructure or improvement projects in future phases.

Lastly, the undersigned has requested to be kept apprised of progress on the property, but has not received any information since your electronic mail of March 9, 2011. Please provide information as to the installation of any and all infrastructure at Green Farm; work on or completion of cabins and any other amenities; the application for central sewage or other treatment facility in Section 4 (as you mentioned on today's call); status of Philadelphia Indemnity's declaratory judgment action against 3D Resorts regarding the fire loss to the general store; and any other items you believe noteworthy.

Thank you for your attention to this matter.

Sincerely,

JACK CONWAY
ATTORNEY GENERAL



Maryellen B. Mynear
Litigation Manager/Assistant Attorney General

cc: Todd E. Leatherman, Executive Director, Consumer Protection

William J. Thomas (via electronic mail)
Department of Housing and Urban Development

AFFIDAVIT OF KIM BELLAMY

I, KIM BELLAMY, having first been duly cautioned, do hereby depose and state as follows:

1. I am a resident of Franklin County, Kentucky, am over the age of 18 and am competent to testify to the facts as stated herein.
2. I am employed as the Registration Branch Manager for the Office of the Attorney General, Consumer Protection. I have been employed by the Office of the Attorney General for approximately ten (10) years, and as Registration Branch Manager for approximately the last seven (7) years.
3. As part of my job duties, I review applications and other documents submitted to the office pursuant to the Kentucky Recreation and Retirement Use Land Sales Act, KRS 367.484. I also assist in maintaining a database and hard copy filing system regarding these documents, answer routine questions regarding the requirements, and make inquiries in situations where an entity appears to be in noncompliance with the Act.
4. I have reviewed the above-referenced database and this Office has not received any applications, registrations or other documents related to a project in Leitchfield, Grayson County, Kentucky referred to as "Green Farm Resort" or "The Falls Resort." Additionally, this Office has not received any documents filed by 3D Resorts-Bluegrass LLC or National Resort Marketing Corp.
5. This Office has received information from consumers that demonstrates or suggests that recreation and retirement property is being offered for sale at this location prior to any registration or performance bond in place as required under the above-referenced Act. On June 16, 2011, at approximately 12:20 p.m. ET, as part of my customary duties I placed a telephone call to (270) 879-3477, the phone number identified by consumers as the source of some calls.
6. The call was answered by a female identifying herself as "Leslie" (phonetic; spelling unknown) with "Falls Resort and Golf Sales." I inquired about whether I could drive down this weekend, for Father's Day, and view property and meet someone. Leslie stated that "tours" were given on Saturdays and Sundays from 9 a.m. to 4 p.m. and that a tour could be scheduled through the sales office. Leslie further stated that her sales manager would be available. I began to ask specific questions about the property for sale, i.e., lot sizes and prices, and Leslie stated I would need to speak with someone else and asked to put me on hold.
7. After a brief hold, another female answered and asked how she could help me. I asked for her name and she replied "Brittany." (phonetic; spelling unknown) I asked if she was the sales manager and she stated no, she was the office manager. I began asking specific questions about the property and whether I could view the property this weekend. She said yes, but that any "official" tour would have to be scheduled through their corporate office. She also stated that they have people "show up all the time" to drive around the property.

**Commonwealth's
EXHIBIT**

F

AFFIDAVIT OF FRANK CALVANO

Comes the Affiant, Frank Calvano, having first been duly sworn and cautioned and does hereby depose and state as follows:

1. I am an individual over the age of eighteen and am competent to testify to the facts recited herein. I reside in Elizabethtown, Kentucky and work at Fort Knox, Kentucky. I am employed by the U.S. Department of Defense Education Activity ("DODEA") as the Kentucky District Superintendent which encompasses the Ft. Knox and Ft. Campbell military installations.
2. At some point during my regular work day at Fort Knox, on June 8 or 9, 2011, my secretary received a call for me on her line (502-624-2345) and transferred the caller to me.
3. The caller identified herself to me as "Sherry" and stated she was calling to offer me an overnight stay at the Mansion or cabins at Green Farm in order to take a tour of Section 4 of the property. I told her I would think about it.
4. On June 13, 2011, I telephoned the number listed for the Double Diamond office in Texas at (214) 706-9800. I explained to the person answering the phone that someone named Sherry had called me about Phase 4 at Green Farm. The person at Double Diamond confirmed that lots in Phase 4 were being offered for sale and then stated I could reach Sherry at 270-879-3475.
5. I called 270-879-3475 and asked for Sherry. I was told she was in a meeting, and left my name and number. Some hours later, a woman called me back and identified herself as Sherry Taul.
6. Ms. Taul stated that she is the person that called me last week, she has an office at the golf pro shop and she is actively selling lots in Phase 4. She said the water lines are installed, but electric and paved roads will be in by August 2011. She said there is a central sewage system, not city sewers, and that each lot is approximately one fourth of an acre, with prices ranging

Commonwealth's
EXHIBIT

H

AFFIDAVIT OF DAVID PATTERSON

Comes the Affiant, David Patterson, having first been duly sworn and cautioned and does hereby depose and state as follows:

1. I am an individual over the age of eighteen and am competent to testify to the facts recited herein. I reside in New Albany, Indiana.
2. On or about June 20, 2009, my wife and I toured the development known as Green Farm Resort, in Leitchfield, Kentucky. I learned about this opportunity when my wife and I attended the Kentucky Derby Festival in Louisville and stopped by a booth promoting the property.
3. During the sales process, Ken Crocker was my sales representative. The following representations were made to me:
 - a. A lodge was being constructed near the golf clubhouse; I was shown a detailed drawing of this lodge and told that construction would begin the following year.
 - b. We were taken to an area where a model log cabin stood and others were in various stages of construction. We were told the remainder of the cabins would be ready that summer and that the rental rate was \$100 per night but they would be available for half price to property owners. Both the lodge and cabins were promoted as being as available and ideal for family reunions and other events.
 - c. An RV park was being installed that would include 15 free days for property owners, and my wife and I thought we could take advantage of this because we have family members who own RV's.
 - d. Crocker specifically stated that everything needed to build a home would be completed in Section 2, including roads, water and electric service, because money was already in escrow for these projects.
4. Based on our tour and the representations made, we purchased Lot 584 in Section 2. We made a \$2,740 down payment on a credit card and financed a \$23,310 balance through a mortgage note with 3D Resorts.
5. At closing, I remember reviewing a packet with red ink on the cover called a "property report." I also was given a copy to take with me. On page 13 of that document, under "Electricity" it is stated the developer has "escrowed sufficient funds with Leitchfield Deposit Bank in Leitchfield, Kentucky to assure completion of the electric lines in Sections 1 and 2 of the subdivision..." This representation was material to my decision to purchase a lot, because I had already noticed a \$1,500 water line fee and I was concerned about any additional costs related to the property. A true and accurate copy of page 13 of the Report provided to me is attached to this affidavit as Exhibit 1.

Commonwealth's
EXHIBIT

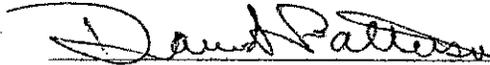
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6. In the summer of 2009 and again in fall of 2009, we received color brochures through the mail at our home promoting several improvements at Green Farm Resort. True and accurate copies of these brochures are attached to this affidavit as Exhibits 2 and 3. The Summer 2009 brochure (Exhibit 2) includes the artist's rendering of a "lodge" that we were shown during our tour, and states, "The Lodge at Lafayette to Open in 2009." The Fall 2009 brochure (Exhibit 3) contains the same artist's rendering and states that the lodge will open in 2010. These representations are consistent with the representations made during our sales tour.

7. Within the past thirty to sixty days, we received a flyer through the mail at our home promoting a "Property Owner and Referral Golf Tournament" inviting us to bring a "qualified guest that will tour the Falls the weekend of June 4, 2011." A true and accurate copy of this solicitation is attached to my affidavit as Exhibit 4.

BY MY SIGNATURE BELOW, I AFFIRM THAT THE FOREGOING RECITATIONS ARE MADE UNDER PENALTY OF PERJURY.

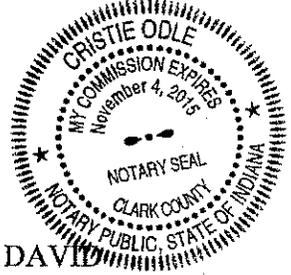
FURTHER, AFFIANT SAYETH NAUGHT.



DAVID PATTERSON

STATE OF INDIANA)

COUNTY OF Clark)



Subscribed, sworn to and acknowledged before me, a Notary Public, by DAVID PATTERSON on this 16 day of June, 2011.

My commission expires: November 4, 2015



NOTARY PUBLIC, State at Large

SEWER

Individual Systems

A central sewage system for the subdivision is neither available nor proposed by us at this time. You will be required to install an individual septic system when you build a house on your lot. The approximate cost to you for an individual septic system is approximately \$3,000.00, though unusual rock or soil conditions may result in higher costs. A site analysis of your lot is required before your septic system may be installed. The cost of this analysis is approximately \$115.00. You will also need to submit an application and a site plan of the septic system with the Grayson County Environmental Office at 124 E. White Oak, Leitchfield, Kentucky, phone number (270) 259-8046. The septic system will then be inspected by a waste water inspector with the County Department of Health. Upon approval, you will be required to pay the County a fee of approximately \$145.00 to receive a license to operate your septic system.

The Grayson County Health Department has given general approval to the use of individual septic systems in the subdivision and soil analysis in the subdivision have indicated that the soil conditions are adaptable and proper for the use of septic tanks. Soil analysis, however, have not been conducted on each and every lot in the subdivision, thus, there is no assurance that your lot is suitable for septic tank use.

THERE IS NO ASSURANCE A WASTE WATER PERMIT CAN
BE OBTAINED FOR THE INSTALLATION AND USE OF
INDIVIDUAL ON-SITE SYSTEMS ON YOUR SPECIFIC LOT.

In the event a lot does not properly percolate, you may install alternate disposal systems, such as surface irrigation systems, grey-water systems, composting toilets, sewage recycling systems or holding tanks. These systems must be designed by a registered professional sanitarian or engineer and submitted to the Grayson County Environment Office for approval. Costs for an alternate system may vary and would depend on the type most suited to each lot, though they should be approximately the same as for a standard septic system.

ELECTRICITY

Electrical service to all lots in the subdivision will be provided by the Meade County RECC, a publicly-regulated utility located at 1351 Hwy 79, Brandenburg, Kentucky 40108, phone number (270) 756-5172. Primary electric service lines have not been extended to every lot in the subdivision; however, the utility company is responsible for extending such lines to your lot within 30 days of your request for service. Since we are not responsible for the installation of these service lines, we can give no assurance that electrical service will be available to your lot within the above-stated time frame. We are responsible for payment of the costs of extending overhead service lines from the nearest existing electric lines to your lot. We have escrowed sufficient funds with Leitchfield Deposit Bank in Leitchfield, Kentucky to assure completion of the electric lines in Sections 1 and 2 of the subdivision and have secured a loan from Plains Capital Bank to construct any required lines in section 3 of the subdivision. You will be responsible for any costs of extending secondary lines from your lot line to your house.

Wiring within your house must conform to the requirements of the National Electric Safety Code, the National Electric Code and other local construction standards. Kentucky law requires that a Certificate of Inspection be issued before permanent service can be connected. You will be required to pay Meade County RECC a \$25.00 non-refundable service charge and a deposit of \$150.00 to obtain electric service to your lot. The amount of the deposit will vary depending on an applicant's account history and may be waived if you have a favorable utility history with another electric company.



Green Farm LIVING

Green Mansion Bed & Breakfast
Completes Major Renovation

Green Farm Cabins Begin

Lafayette Golf Club Receives 4 Stars

EXHIBIT
PATTERSON
2

THE LODGE AT LAFAYETTE

3D Resort Communities

Based out of Spring Branch, Texas, 3D Resort Communities, the owner of Green Farm Resort, was established in 2007 for the purposes of acquiring, marketing and developing resort communities, both domestically and internationally. The timing of the company's launch was designed to capitalize on market conditions in both the financial and real estate sectors while pursuing a time proven business model that has proven successful throughout differing economic cycles.

The management and ownership of the 3D Team consists of several veteran with senior level experience in real estate development that have both worked together and maintained contact with each other throughout the past fifteen years. The members of 3D's senior level management team have all enjoyed successful careers in the specialized niche market of resort/second home golf community development. With the acquisition of Green Farm in 2008, the future looks bright for everyone involved with Green Farm!



18568 Forty Six Parkway
Suite 1001
Spring Branch, TX 78070
Phone: (210) 679-4720
Fax: (210) 679-4760

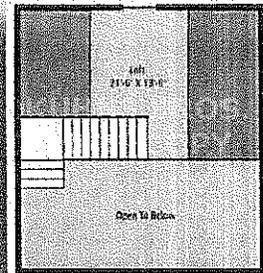
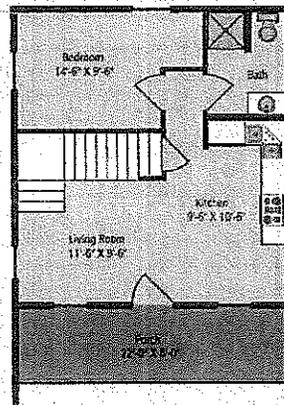
General Store will be Special for All Ages

Imagine a Saturday morning in the 1800's . . . the local gathering place was undoubtedly the old general store in Falls of Rough. Farmers exchanging stories about experiences of the previous week, families and children stopping in for a visit to the soda fountain, mothers coming in to buy groceries. Green Farm Resort is planning to once again make the historical memories come to life with the reopening of The Old General Store in the summer of 2009. The store will include an old soda fountain, candies, novelties, gifts, souvenirs and antiques from the peak of the Green Farm era.



Construction Begins on Cabins at Green Farm

On your next visit to Green Farm, be sure and check out the construction which has started on the cabins by the river. Plans currently call for 20 cabins to be built at the resort. Each cabin consists of approximately 850 sq. ft. and will include a living room, kitchen, bathroom, bedroom, a second level loft and a front porch to enjoy the sunsets on the river. Upon completion, cabins will be available for rent to members and their guests.



The "Lodge at Lafayette" to Open in 2009 . . .

Green Farm Resort is excited to announce the plans to open The Lodge at Lafayette in 2009. This expansive lodge, located at the end of the parking lot, will play host to many possibilities for members and their guests. These include: a relaxing reception area, 12 rental villas overlooking the golf course, a swimming pool, a fitness center, a spa, a restaurant/grill, game room, business center and much more!



Front View of The Lodge at Lafayette



Rear View of The Lodge at Lafayette



Lafayette Golf Club

Lafayette Golf Club prepared for a successful year in 2009

As the current golf season progresses, Lafayette Golf Club is looking better than ever in 2009! On your next visit to Lafayette, be sure and notice the hard work being put forth towards the condition of the course as well as ensuring the highest level of customer service is experienced by all members and guests. "It is our goal to provide each customer with a memorable experience," says Head Golf Professional Chris Brown. "The course is looking incredible and I'm sure our customers will see a dramatic improvement on their next visit."



Improvements at a Glance

- Reconstructing each bunker on the golf course
- Walk mowing the greens once again
- Construction of landscape beds around the golf course (which include rock walls)
- Focus geared toward the aesthetics of the golf course
- Renovation of the golf shop
- Addition of The Green Farm Grill on the back deck (offering hamburgers, grilled chicken, BBQ, hot dogs, polish sausage and much more!
- Additional 15 golf carts purchased
- Outside service attendants unloading golf bags on the weekend

Lafayette Golf Club Awarded 4 Stars in Golf Digest Ranking

Lafayette Golf Club at Green Farm Resort was awarded "four stars" by an exclusive Golf Digest reader poll. The course was recognized as one of Kentucky's premier Places to Play. "It's a tremendous achievement for our facility," says Head Golf Professional Chris Brown. "Very few golf courses earn a four star ranking and it especially says a lot due to the ranking is given by the readers of Golf Digest."

Upcoming Dates to Remember

- August 16 – Does & Bucks Couples Tournament
- September 5 – 1st Annual Lafayette Green Labor Day Festival
- September 26 – United Way Charity Tournament



Memberships & Lots Now Available at Green Farm

Green Farm Resort is excited to offer lifetime memberships! This will allow you and your immediate family the opportunity to experience all the resort has to offer as well as future amenities at Green Farm!

For those interested in owning your own piece of Green Farm Resort, lots are now available in Phase 2 and Phase 3. To schedule a tour of our resort or for more information, please call (270) 879-3475.



Development



INTERESTED IN SCHEDULING A TOUR OF GREEN FARM RESORT . . .

CALL (270) 879-3475 TO SPEAK WITH A REPRESENTATIVE

Green Mansion Bed & Breakfast

Green Mansion Bed & Breakfast Completes Major Renovation . . .

Built in the early 1800's, the Green Mansion was the center piece of the Green Farm at Falls of Rough during the community's era of grandeur in the 1800's and early 1900's. Today, the mansion has undergone one gigantic makeover thanks to 3D Resort Communities commitment to celebrate the history of this wonderful resort community.

Come and escape to this tranquil historic setting surrounded by a 4 star golf course, acres of picturesque views with fabulous fire side patio dining and lounging. Lavished with original handcrafted woodwork, an eye catching mix of antiques with luxurious rugs and paintings.

You will experience extravagant and uniquely designed bedrooms inspired by the original owners of the Farm, which feature designer bedding and claw feet tubs.

Awaken to the smell of freshly brewed Starbucks coffee and the sweet aroma of a homemade gourmet breakfast which will be served in the dining room of this exquisite 10,000 sq ft mansion. Enjoy a breath taking sunset walk along the Rough River located throughout the property. You will be swept away by this incredible experience at Green Farm Resort.



Green Farm Resort
Falls of Rough, KY

57 Jennie Green Road
Falls of Rough, KY 40119
800-504-0906
270-879-3462
www.greenfarmresort.com



David Patterson
102 Miede Drive
New Albany, IN 47150
United States of America

LIVING

Fall 2009

EXHIBIT
tabbies PATTERSON
3

The Cottages at Green Farm Resort

The Lodge at Lafayette

Recap of the 1st Annual Labor Day Festival

Upcoming Projects at Green Farm Resort

The Lodge at Lafayette

Green Farm Resort is excited to announce the plans to open The Lodge at Lafayette in 2010. This expansive lodge, located at the end of the parking lot, will play host to many possibilities for members and their guests. These include: a relaxing reception area, 12 rental villas overlooking the golf course, a swimming pool, a fitness center, a spa, a restaurant/grill, game room, business center and much more!



Front View of The Lodge at Lafayette



Rear View of The Lodge at Lafayette

General Store Opens

As part of the Labor Day Festival at Green Farm Resort, the General Store re-opened unveiling just a glimpse of what is in store for the historical building. The Old General Store will include an old soda fountain, candies, novelties, gifts, souvenirs and antiques from the peak of the Green Farm era.



The Cabins at Green Farm Resort



****Available to Coast Deluxe Members Only****

For those who enjoy modern conveniences infused with rustic charm, Green Farm Resort offers The Cabins at Green Farm. Sitting on the banks of Rough River, The cabins allow our guests to experience the serene beauty of the surrounding landscape. Each cabin will include:

- Living Room with Sofa
- Master Bedroom with Queen Bed
- Upstairs Loft sleeps an additional 4 people
- 1 Full Bathroom
- Fully Equipped Kitchen & Dining Area
- Satellite TV
- Access to Fitness Center (to be in The Lodge at Lafayette in 2010)
- Digital Alarm Clock
- Temperature Control
- Ironing Board & Iron
- Front Porch overlooking Rough River



Weddings at Green Farm Resort



Wed amid Kentucky's most pristine natural setting, and make your special day one of magnificent memories. Green Farm Resort's gracious facilities and inspiring views will lend an unmistakable tone of elegance and splendor to your wedding celebration.

And Green Farm Resort is a complete wedding destination. Home to championship golf, unparalleled history and breathtaking views, it's the perfect place to host your entire wedding weekend here.

Let us help you say, Will you marry me? in the most romantic way possible! Please contact our staff at 800-504-0906 with any questions you may have.

For a Wedding as Unique as Your Love . . .



Lafayette Golf Club Getting a Facelift in 2009 . . .

If you haven't made a visit to Lafayette Golf Club in a while, you may be surprised on your return to the course. The maintenance staff has been hard at work completing one project after another. A large percentage of the bunkers have been reconstructed and the remaining bunkers will be complete in the next couple of months. The course has also been receiving additional chemical applications and will continue until the playing conditions reach our desired level. One major project is the addition of 2 bunkers, rock walls and landscape beds to Hole #8. Once this is complete, Lafayette Golf Club will surely have a new signature hole!



1st Annual Labor Day Festival a Success

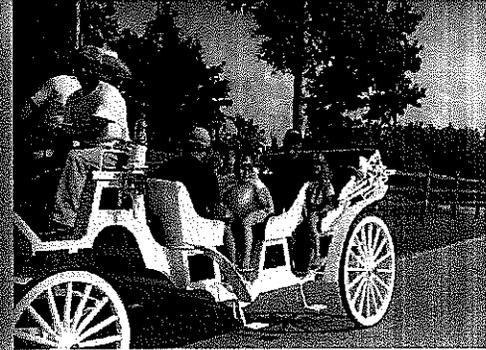
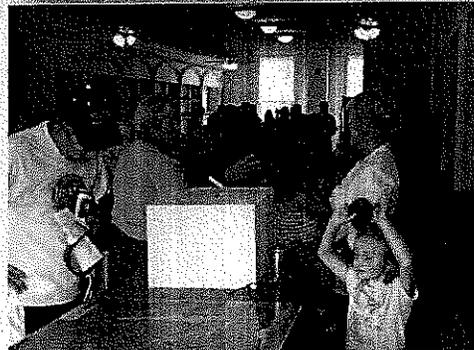
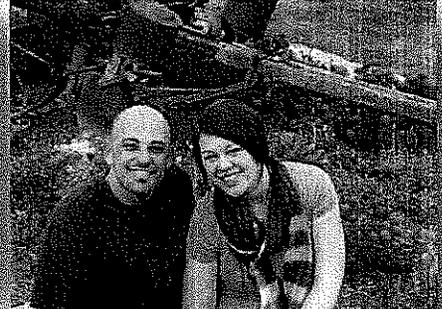
On September 5, Green Farm Resort was transformed into a thriving street festival for over 2,000 members and guests. The resort served as host to vendors from surrounding counties, a kid's activity center, a karaoke showcase for local talent, a concert venue and much more. The main goal of the event was to invite locals out to the property to see renovations made, and also to support the construction of the new camp.

American Idol semi-finalist, Phil Stacey, performed on the grounds of the Green Mansion Bed & Breakfast. Stacey said he was glad to show his support for the resort and plans to make many more visits in the future.

Green Farm Resort Owner JR Newman said he has already begun plans for next years festival and wants to make the festivities an annual event!



1st Annual Labor Day Festival



Green Farm Resort to Introduce Property in Phase 4

J. R. Newman, CEO of Green Farm Resort states "The opening of Phase 4 is one of the truest expressions of the beauty and majesty of this development. Breathtaking views overlooking the entire resort await you!"

To schedule a tour of our resort, please give us a call at (270) 879-3475. Green Farm Resort gives you the opportunity to escape city traffic and concentrate your efforts to your next drive down the middle of one of our lush fairways. Enjoy a day of leisure on our 2,500 acre residential community located in historic Falls of Rough, Kentucky.



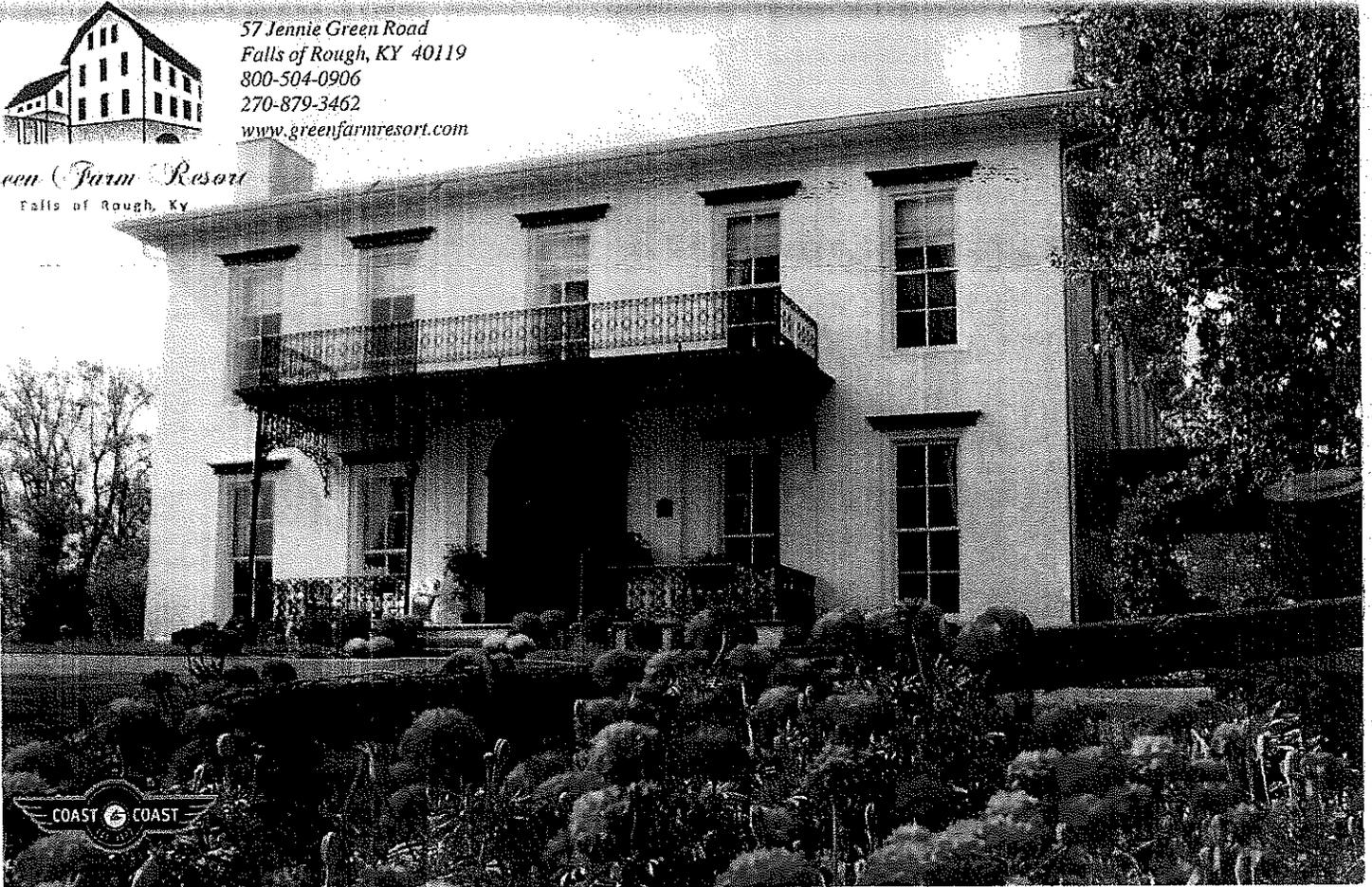
Real Estate

*Green Farm Resort...
A Place for the Entire Family!*



57 Jennie Green Road
Falls of Rough, KY 40119
800-504-0906
270-879-3462
www.greenfarmresort.com

Green Farm Resort
Falls of Rough, Ky





CORDIALLY INVITES YOU AND YOUR GUESTS TO

The Falls Property Owner and Referral Golf Tournament

Includes complimentary overnight accommodations at
The Mansion or Log Cabins on June 4, 2011

Shotgun Golf Tournament on Saturday, June 4th
Complimentary dinner and drinks will follow

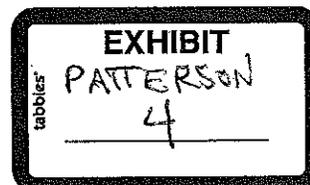
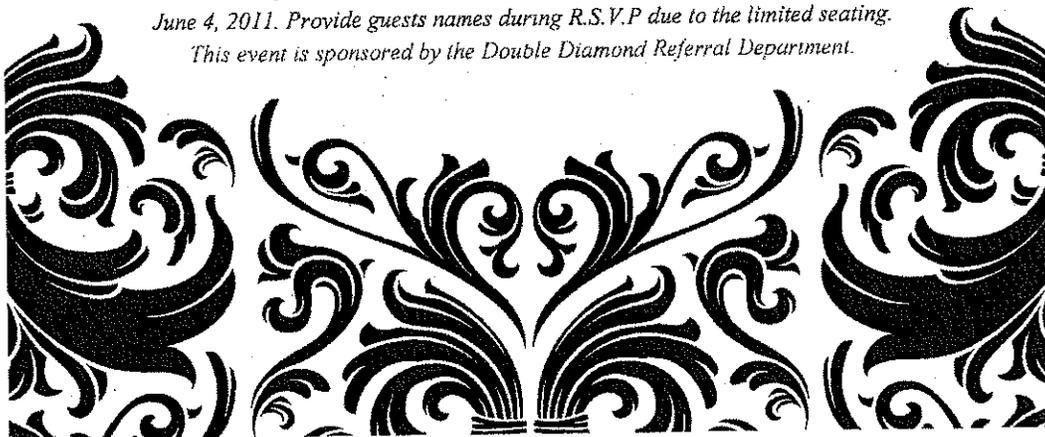
The Falls Resort
57 Jennie Green Road
Falls of Rough, KY 40119

R.S.V.P. by June 1, 2011
1-888-701-5777 or referral@ddresorts.com

June 4, 2011 Itinerary

2:00 p.m. – Shotgun Golf Tournament
7:00 p.m. – Dinner and drinks will be served at The Mansion Pavilion
8:00 p.m. – Raffle prizes / Tournament awards

*In order to attend, you must have a qualified guest that will tour The Falls the weekend of
June 4, 2011. Provide guests names during R.S.V.P due to the limited seating.
This event is sponsored by the Double Diamond Referral Department.*



AFFIDAVIT OF JONATHAN BURKE

Comes the Affiant, Jonathan Burke, having first been duly sworn and cautioned and does hereby depose and state as follows:

1. I am an individual over the age of eighteen and am competent to testify to the facts recited herein. I reside in Breckinridge County, Kentucky.
2. On or about August 23, 2009, my wife and I toured the development known as Green Farm Resort, in Leitchfield, Kentucky. I learned about the property when I viewed an ad on the internet, advertising free rounds of golf in exchange for taking a tour, and since we live nearby and have a daughter who enjoys golfing, we decided to take the tour.
3. During the sales process, Rob Belfield was our sales representative. The following representations were made:
 - a. We were shown a detailed map of the resort with building plans. The map showed a clubhouse, lodge with restaurant and spa, swimming pool, two golf courses, cabins, an RV park, a Christian camp for kids and a 100-acre lake with a limited number of surrounding lots. A very large version of this map was hanging on the wall in the sales office of the golf clubhouse. We expressed interest in viewing lakefront lots.
 - b. Belfield took us to an area where the lake was to be and stated that the Corps of Engineers had already granted the necessary permit for construction of the lake, and that the lake had to be built in order to supply dirt necessary to build up other lots high enough to be approved for building sites.
 - c. Belfield showed us what he represented to be lakefront lots, in particular Lot 738. He stated that the lots had become available that day and would be gone in no time. He pointed out a lakefront lot at the end of the road before ours that he purportedly owned, and stated that the governor had recently purchased a lake view lot on a hill in Section 4 and that the governor had committed to funding the Christian camp for children ("Miss Ella's Camp").
 - d. Belfield showed us a general store and it was represented as a historical landmark with a few items for sale and a large deck for entertainment and other events. Belfield stated that 3D Resort was in a partnership with a historical society to restore the old mill, and that there was already an agreement in place with the Corps of Engineers to offer canoe rides from the tail waters of Rough River to an exit point at the mill.
4. Based on the tour and the foregoing representations, particularly with regard to the lakefront location of Lot 738, on August 23, 2009, we purchased Lot 738 in Section 3 of the Property for \$25,900, which included a lifetime membership to the golf resort. I made a \$13,100.00 down payment by check and financed the balance through a mortgage note with 3D Resorts. I would

Commonwealth's
EXHIBIT

K

not have purchased this lot but for the express representations that it was to be a lakefront location.

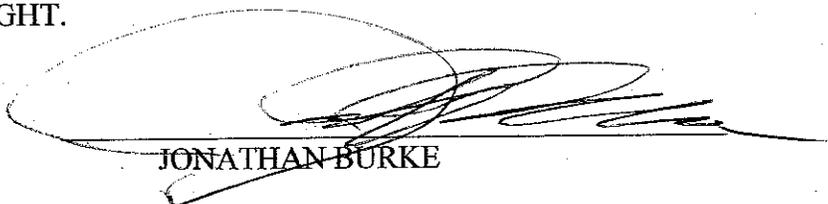
5. On that same date, I was asked to sign many documents that were represented to be routine, and any fine print was hurried through. I own a 292-acre farm and specifically questioned that the lot was located in a low-lying area. Rob Belfield and/or Clint McKinney responded that some of the lots were within a 100-year flood plain, but that this was not a concern because when the lake was built the excavated dirt would be used to build up all the surrounding lots. It was stated that 3D Resorts could not sell the land unless it was going to be built up. I do not recall being shown a property report prior to purchase, although I did receive a copy of the report to take with me.

6. We returned to the property on August 28, 2009 to seek assurances that the lake would be built. Belfield and/or McKinney, and I believe J.R. Newman, all stated that the lake would be built within twelve months because construction would start the following spring (2010).

7. I was informed during this visit that only one other lakefront lot was still available, and it was Lot 737 (next to Lot 738) which also included a lifetime membership to the golf resort. Belfield stated that once the lake was built, I could easily resell either lot for double its price. Based on the foregoing assurances and representations, I purchased Lot 737 for \$23,900. I made a \$12,100.00 down payment by check and financed the balance through a mortgage note with 3D Resorts. I would not have purchased this lot but for the express representations that the lake would be built and the lot would be a lakefront location, along with Lot 738.

BY MY SIGNATURE BELOW, I AFFIRM THAT THE FOREGOING RECITATIONS ARE MADE UNDER PENALTY OF PERJURY.

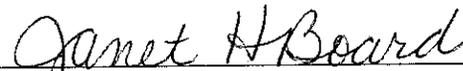
FURTHER, AFFIANT SAYETH NAUGHT.


JONATHAN BURKE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF Breckinridge)

Subscribed, sworn to and acknowledged before me, a Notary Public, by Jonathan Burke, on this 8th day of June, 2011.

My commission expires: 8-18-13


NOTARY PUBLIC, State at Large

AFFIDAVIT OF JOHN FARRELL

Comes the Affiant, John Farrell, having first been duly sworn and cautioned and does hereby depose and state as follows:

1. I am an individual over the age of eighteen and am competent to testify to the facts recited herein. I reside in Frankfort, Indiana.
2. On or about May 22, 2009, my wife and I toured the development known as Green Farm Resort, in Leitchfield, Kentucky. I learned about this opportunity at a home show in Indianapolis in spring 2009, offering a free night at the state park in exchange for taking a tour.
3. During the sales process, Brent Smith gave us a tour of the property and Rob Belfield met with us in the sales office following the tour. The following representations were made:
 - a. I was shown an architect's rendering of a "lodge" being built near the existing golf clubhouse with two levels of rooms. The lodge would include a restaurant and spa to have a "resort" feel, and would be completed within a year because they were breaking ground later that fall. I was assured that millions of dollars had been obtained and "set aside" for all the improvements.
 - b. I was shown an area where cabins were to be completed, and was told all cabins would be completed by summer 2010.
 - c. In the sales office, I was shown a large map with several features on it, including a lake that was to be built. I was also told that an RV park was under construction and that property owners would receive a membership in Coast to Coast travel club. These features particularly appealed to me because I am not a golfer, but I enjoy outdoor activities such as camping, fishing and hunting.
 - d. I was shown Lot 486 and told that it was a "repo" lot and that it was a great deal. The location of this lot was represented to be across the street from the lakefront lots. I asked how much a "normal" lot would sell for, and I was told that I could save \$8,000. I asked to buy a lot, without a golf course membership, since I do not play golf but was told I could not buy a lot without a membership.
 - e. I was told that an Olympic-size swimming pool was being constructed near the golf clubhouse and close to the lodge.
4. Based on the tour and the foregoing representations, on or about May 22, 2009, I signed a Sales Contract to purchase Lot 486 in Section 2 for- \$23,900. I paid \$2,390 via credit card as down payment and financed the remainder through a mortgage note with 3D Resorts.

**Commonwealth's
EXHIBIT**

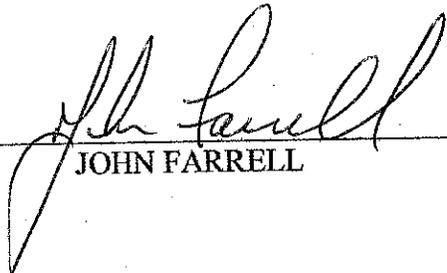
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5. I do not recall seeing a property report with red ink prior to purchasing the lot and believe I would have noticed the red ink had it been shown to me. I specifically do not recall being shown a "cost sheet" contained within that report. Within six months of closing, I was billed and had to also pay a \$1,500 water connection fee. Had I seen the cost sheet, I would not have purchased the property because I would not have agreed to pay, for example, an additional \$1,500 within six months after closing, because I was already required to pay the \$2,390 down payment as well as mortgage payments.

6. I have received at least one electronic mail and at least one mailing inviting me to a golf scramble with free overnight accommodations if I brought a "qualified" guest to take a tour of the property. I did not retain any of these communications.

BY MY SIGNATURE BELOW, I AFFIRM THAT THE FOREGOING RECITATIONS ARE MADE UNDER PENALTY OF PERJURY.

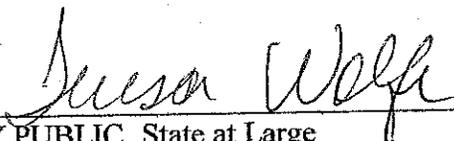
FURTHER, AFFIANT SAYETH NAUGHT.



JOHN FARRELL

STATE OF INDIANA)
)
COUNTY OF CLINTON)

Subscribed, sworn to and acknowledged before me, a Notary Public, by John Farrell, on this 10th day of June, 2011.

My commission expires: March 14, 2012 

NOTARY PUBLIC, State at Large

AFFIDAVIT OF JAMES ISAACS

Comes the Affiant, JAMES ISAACS, having first been duly sworn and cautioned and does hereby depose and state as follows:

1. I am an individual over the age of eighteen and am competent to testify to the facts recited herein. I reside in Oakland City, Indiana.
2. On or about November 28, 2009, I toured the development known as Green Farm Resort, in Leitchfield, Kentucky. I learned about this opportunity at a booth at the Indiana State Fair, where I was offered a free vacation for taking the tour.
3. During the sales process, Jerry Engert was my sales representative and he made the following representations to me:
 - a. I was shown property in Section 2, and specifically Lot 427. I was told this lot was "just back in the inventory" and was a great deal because a manmade lake was being built and that this lot would be lakefront. The lake was to be completed within two years and this fact significantly influenced my decision to purchase this "lakefront" lot.
 - b. I was shown a "model" cabin with other nearby cabins under construction, and was told that the cabins would be available for a reduced rate or free to property owners within the following year.
 - c. I was also told that a lot purchase included a membership in "Coast to Coast" travel club with an RV campground to be built on the property. This membership would also cover the use of Coast to Coast facilities at other locations across the country at a special rate.
 - d. I recall being informed that an "executive course" or additional holes were being added to the existing golf course.
4. On or about November 28, 2009, I signed a Sales Contract to purchase Lot 427 in Section 2 of the Property for \$27,900. I put 10% down on a credit card and financed the balance through a mortgage note with 3D Resorts.
5. I did not receive or review any document with red ink on the cover prior to my purchase. I was asked to sign various and multiple documents, but I have reviewed all documents provided to me by 3D Resorts, and do not have in my possession any "property report" or document containing red ink on a cover page.
6. I did not learn, until speaking with a representative of the Kentucky Attorney General's Office on June 3, 2011, that Lot 427 is represented in the property report as being located within a wetlands and/or a flood prone area. I would not have purchased this property had I been so informed prior to my purchase.

**Commonwealth's
EXHIBIT**

M

7. A significant and material factor in my decision to purchase this particular lot was the representation that Lot 427 would be located on a manmade lake to be constructed within a reasonable time frame. I would not have purchased the property but for this representation.

BY MY SIGNATURE BELOW, I AFFIRM THAT THE FOREGOING RECITATIONS ARE MADE UNDER PENALTY OF PERJURY.

FURTHER, AFFIANT SAYETH NAUGHT.


JAMES ISAACS

STATE OF INDIANA)
)
COUNTY OF Gibson)

Subscribed, sworn to and acknowledged before me, a Notary Public, by James Isaacs on this 15th day of June, 2011.

My commission expires: 1-11-12


NOTARY PUBLIC, State at Large

AFFIDAVIT OF BETTY NALLEY

Comes the Affiant, BETTY NALLEY, having first been duly sworn and cautioned and does hereby depose and state as follows:

1. I am an individual over the age of eighteen and am competent to testify to the facts recited herein. I reside in Salem, Indiana.
2. On or about August 22, 2009, my husband and I toured the development known as Green Farm Resort, in Leitchfield, Kentucky. I learned about this opportunity while attending a Louisville Bats baseball game when I visited a display table offering a tour and a free vacation. We signed up, paid \$25 and made an appointment to take the tour, at which time we would receive our \$25 back.
3. During the sales process, Brent Smith was my sales representative. The following representations were made to us:
 - a. A lodge was being built within the following year; Smith pointed out an area near the golf clubhouse and also showed me the lodge's location on a map and a large sketch of the lodge in the sales office. The lodge was designed like a huge log cabin-style building to match the style of the existing clubhouse. The lodge would contain rooms and dining facilities which property owners could use.
 - b. I was shown a model cabin and observed others under construction; these cabins would be completely finished and ready in the late fall of 2009, and property owners could stay in these cabins for a discounted \$48 per night.
 - c. Smith stated that a lake was going to be built the following summer (2010) and showed us Lot 717 as being within a short walking distance of the lake. Smith also showed us a color map with the lake and the lots. We informed Smith that neither I nor my husband golf, but we enjoy water activities and liked the idea of being near water.
 - d. An executive (9-hole) golf course was being added to the front side of the property. Smith pointed out the area for this course as we toured the property.
 - e. A Christian camp – referred to as “Miss Ellie’s” camp for children – was going to be built near Lot 717. The camp would include a horse farm where horses could be boarded. The reason I recall this fact is because I told my boss when I returned to work that horses could be boarded there, because she owns horses. Smith also said that the roads in Section 3 would be paved by the end of 2009, particularly the road leading to Lot 717 because it was the same road leading to this camp.

**Commonwealth's
EXHIBIT**

N

- f. An RV camp was being constructed and property owners would receive a "Coast to Coast" travel club membership free for one year.
 - g. We were given a tour of a "General Store" which had some merchandise in it as well as maps of the property containing the stated improvements. Smith stated that they also planned to restore the old grist mill near the general store. We talked about a restored grist mill at Spring Mill State Park in Indiana and the fact that it would be a good tourist attraction.
4. Based on this tour and the foregoing representations, we purchased Lot 717 in Section 3 of the property from 3D Resorts-Bluegrass LLC. The purchase price was \$19,710. During the transaction, we were asked to initial and/or sign multiple documents. I recall seeing a packet with red ink on the cover, which Smith flipped through and said, "initial here" or "sign there." We were given less than 5 minutes to look through all paperwork.
5. On or around March 27, 2010, we took our own mower down to mow Lot 717, but lot markers were not visible and we could not determine the borders of our property. I noted that the roads in Section 3 were still not paved at this time, and no work had been done on the lake. My husband Joe went to the golf clubhouse to ask someone to show us the precise location of our lot. Our previous salesman, Brent Smith, was no longer there. Tony Maganzini came to the lot. We asked Maganzini about when lake would be started, and Maganzini stated that the lake would be started soon and completed by that summer (2010). He also said they had one "lakefront" lot available and offered to show it to us. We informed Maganzini that neither I nor my husband golf, but we enjoy water activities and liked the idea of being near water.
6. Tony Maganzini showed us Lot 419 in Section 2 and represented this lot to be a "lakefront" property. He also showed us a map with a lake which showed lot 419 bordering the lake. Maganzini made no mention that Lot 419 was in reality already in a flood zone area.
7. Based on the representations as to the construction of the lake and the lakefront nature of Lot 419, we decided to trade our current lot, Lot 717 in Section 3, for this "lakefront" lot, Lot 419 in Section 2. The purchase price was \$23,900. We signed new documents to accomplish this trade. After completing the paperwork, we were given a "new" property report dated January 13, 2010. Attached to this Affidavit is a true and accurate copy of the cover page of this document and page 14 of this document, which I still have in my possession.
8. During the property owners' association annual meeting in October 2010, I learned that Lot 419 was located in a flood plain or flood-prone area and that other people had also purchased what was represented to be "lakefront" property in this same area.
9. We would not have purchased either lot but for the representations above, particularly the construction of the lake and the proximity of either lot to the lake. We would not have traded

READ THIS PROPERTY REPORT BEFORE SIGNING ANYTHING

This Report is prepared and issued by the developer of this subdivision. It is NOT prepared or issued by the Federal Government.

Federal law requires that you receive this Report prior to your signing a contract or agreement to buy or lease a lot in this subdivision. However, NO FEDERAL AGENCY HAS JUDGED THE MERITS OR VALUE, IF ANY, OF THIS PROPERTY.

If you received this Report prior to signing a contract or agreement, you may cancel your contract or agreement by giving notice to the seller any time before midnight of the seventh day following the signing of the contract or agreement.

If you did not receive this Report before you signed a contract or agreement, you may cancel the contract or agreement any time within two years from the date of signing.

NAME OF SUBDIVISION

GREEN FARM RESORT

NAME OF DEVELOPER

3D Resorts-Bluegrass, L.L.C.

DATE OF THIS REPORT

January 13, 2010

will be charged a usage fee of approximately \$19.00 per month. The usage fees are subject to change in the future. You will also be required to pay the Utility Company a one-time sewage tap fee of \$3,500.00, due and payable when you request sewage collection treatment, once the central sewage system is completed.

THE NECESSARY PERMITS, APPROVALS OR LICENSES HAVE NOT BEEN OBTAINED FOR THE CENTRAL SEWAGE SYSTEM FOR SECTION 4 OF THE SUBDIVISION; THEREFORE THERE IS NO ASSURANCE THAT THE SYSTEM CAN BE COMPLETED, OPERATED OR USED AT THIS TIME.

The rates which the Utility Company may charge users of the central sewage system are regulated by the Kentucky Public Services Commission, while the operation, water quality and service capacity of the water system is regulated by the U.S. Environmental Protection Agency and the Kentucky Department of Environmental Protection.

ELECTRICITY

Electrical service to all lots in the subdivision will be provided by the Meade County RECC, a publicly-regulated utility located at 1351 Hwy 79, Brandenburg, Kentucky 40108, phone number (270) 756-5172. Primary electric service lines have not been extended to every lot in the subdivision; however, the utility company is responsible for extending such lines to your lot within 30 days of your request for service. Since we are not responsible for the installation of these service lines, we can give no assurance that electrical service will be available to your lot within the above-stated time frame. We are responsible for payment of the costs of extending overhead service lines from the nearest existing electric lines to your lot. We have escrowed sufficient funds with Leitchfield Deposit Bank in Leitchfield, Kentucky to assure completion of the electric lines in Section 1 of the subdivision but not the other sections. You will be responsible for any costs of extending secondary lines from your lot line to your house.

Wiring within your house must conform to the requirements of the National Electric Safety Code, the National Electric Code and other local construction standards. Kentucky law requires that a Certificate of Inspection be issued before permanent service can be connected. You will be required to pay Meade County RECC a \$25.00 non-refundable service charge and a deposit of \$150.00 to obtain electric service to your lot. The amount of the deposit will vary depending on an applicant's account history and may be waived if you have a favorable utility history with another electric company.

TELEPHONE

Telephone service to all lots in the subdivision will be provided by Alltel, a publicly-regulated utility with offices at Windstream, P.O. Box 9001908, Louisville, KY 40290-1908, phone number (800) 347-1991. Telephone lines have not been extended to every lot in the subdivision; however, Windstream is responsible for extending overhead lines to your lot at no cost to you or us within 30 days of your request for service. Since we are not responsible for the installation of these lines, we can give no assurances that telephone service will be available to your lot within the above stated time frame. You will be required to pay Windstream a connection fee of approximately \$40.00 to obtain telephone service to your house. You may also be required to make a refundable deposit of approximately \$75.00. The deposit may be waived by Windstream if you have a favorable credit history.

FUEL OR OTHER ENERGY SOURCE

The primary energy source for heating, cooling, cooking, etc. is electricity; however, propane gas may also be used as an energy source. Propane is available from various suppliers and dealers in and around Leitchfield, Kentucky. You may purchase a new 250 gallon storage tank for approximately \$500.00 or lease a storage tank for approximately \$70.00 per year. Installation costs are estimated to be approximately \$30.00. These fees may increase in the future.

AFFIDAVIT OF STEVEN WOOD

Comes the Affiant, STEVEN WOOD, having first been duly sworn and cautioned and does hereby depose and state as follows:

1. I am an individual over the age of eighteen and am competent to testify to the facts recited herein. I reside in Eminence, Kentucky.
2. In September, 2009, I toured the development known as Green Farm Resort, in Leitchfield, Kentucky. I learned about this opportunity while attending the Kentucky State Fair, where the Resort had a booth promoting the property and offering a tour and a free stay at a hotel in Leitchfield.
3. During the sales tour, my sales representative was Brent Smith, who made the following representations to me:
 - a. A lodge was being built the following spring (2010) which would contain a spa and restaurant. He also showed me a detailed artist's depiction of this lodge.
 - b. A manmade lake was to be installed, and I was shown the location of the lake on a map.
 - c. Cabins were being completed and would be available in spring 2010 for overnight stays; and if I purchased a lot that day, I would receive free cabin stays.
 - d. A building referred to as a "general store" was included in the tour, and other old buildings were going to be restored, including an old mill.
 - e. A campground for recreational vehicles ("RVs") was being built in one area of the property.
 - f. A Christian camp for children was being built in one area of the property.
 - g. The road in the area around my lot was paved, and I had to pay \$1,500 toward installation of water lines. I was told electrical service would be brought to the lot.
 - h. The lot I was considering purchasing (Lot 413) was valued at \$35,000, but the price for that day only was \$21,900.
4. Based on this tour and the foregoing representations, I purchased Lot 413 in Section 2 of the property from 3D Resorts-Bluegrass LLC. The purchase price was \$21,900 and I put \$2,200 down and financed the remainder with a twenty (20) year note at eight percent (8%) interest.
5. During this sales tour and transactions, I was asked to sign various and multiple documents. I was not given an opportunity to read any particular document before initialing or signing. I was given a stack of papers to take with me after I completed the paperwork. The following spring, I located a document dated February 23, 2009 with the words "READ THIS PROPERTY REPORT BEFORE SIGNING ANYTHING" in red ink. I was not advised that I had seven days to cancel the contract.
6. When I later read the document, I noted that many of the items that were expressly represented during the tour are not included in the Recreational Facilities section of the document, such as the lodge, cabins and the lake. I also noted for the first time that my lot – Lot

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 You now have **7:00 p.m. on Mondays** to get your yard sales in! **The News-Gazette has expanded their deadlines for listing your yard sale.** **40 Photos, 200 words & 1 advertisement, KY. Starts on Mondays at 7:00 a.m.**
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The Grayson County News-Gazette

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SPORTS



The Cougar softball team ripped visiting Elizabethtown 12-2 during the game last Tuesday.

See Page A-11

Relay for Life

It's that time of year again... Grayson County's 2010 Relay for Life fundraising season has begun.

Contact any of the people below about forming a team, being a sponsor or volunteering.

Michelle Haworth, Chair
 mhaworth@mtprods.com
Lisa Shatten, spokeswoman
 lshatten56@bellsouth.com
Deborah Hardins, survivors
 hsh1729@vicksburg.net
Missy Mudd, publicity
 mmudd1@gcnnews gazette.com
Joseph Alexander, Entertainment
 joseph@mtprods.com
Lisa Harding, Team Recruitment
 lshatten@windstream.net

Obituaries

John Morgan Woodcock

Dennis Bratcher

WEATHER

GLIMPSE

SATURDAY

Clear to partly cloudy



High 72°
 Low 44°
 SUNDAY

Clear and mild



MONDAY

Cloudy and mild



TUESDAY

Warm and sunny



High 78°
 Low 61°

Another city passes alcohol ordinance

Hardinsburg vote passes with only 32 votes to spare

By **THERESA ARMSTRONG**
 Reporter
 tarmsong@gcnnews gazette.com

With the ink barely dry on the ballots that legalized the sale of alcohol in the city of Leitchfield, neighboring city Hardinsburg has now passed a similar statute.

On Tuesday, March 30, residents of the City of Hardinsburg passed a Limited 50 law allowing the sale of alcohol in restaurants that seat more than 50 people.

With only 698 out of approximately 1580 registered voters showing up to vote the measure passed by 32 votes with 365 voting for the measure and 533 against.

See Alcohol, Page 3

New Christian camp soon to be underway

By **MISSY MUDD**
 Reporter
 mmudd@gcnnews gazette.com

The planning phase has begun for a new Christian camp in Falls of Rough, providing children in Grayson County with an opportunity to retreat from everyday stresses of life and build better relationships with their peers.

Ella's Christian Camp at Green Farm Resort is now 30 days away from going live on the web as an official location for youth ages six years and up. The estimated cost for the project is upwards of \$5 to \$7 million.

T Bar M Camp Director Johnny Polk visited with Green Farm

See Camp, Page 3

Remembering the Gift



photo/Theresa Armstrong

Clearview Baptist Church Pastor Chester Shartzar was just one of those who carried the Cross through the city of Leitchfield street on Good Friday, March 2.

Dozens follow the Cross through Leitchfield on Good Friday

By **THERESA ARMSTRONG**
 Reporter
 tarmsong@gcnnews gazette.com

Some Grayson County residents had a chance to feel some of the burden that Jesus Christ felt when He carried the cross for Christians two centuries ago.

On Good Friday several members of the Grayson County Ministerial Association carried a life-size cross from Leitchfield United Methodist Church on West Main, around the square and back to the church.

"I started this 11 years ago, not so much to do a reenactment of what Jesus Christ went through but to

more or less magnify what Good Friday is about," said Reverend Musical Pearson, pastor of the Leitchfield United Methodist Church. "It allows the public to see the Lord's followers praising Him."

Various pastors of all denominations

See Cross, Page 3



photo/Missy Mudd

Deloris and Jason Hayes found the Easter Egg hidden by the Grayson County News-Gazette.

News-Gazette Easter Egg Hunt was great family adventure for local couple

By **MISSY MUDD**
 Reporter
 mmudd@gcnnews gazette.com

It did not take two dedicated grandparents long to discover the hidden egg during The Great News-Gazette Easter Egg Hunt.

The winning family who found the egg received a basket overflowing with goodies for Easter.

Participating businesses

posted clues during the week leading scavengers to the hidden treasure, located in a bush beside the Statue of Liberty on the courthouse square in Leitchfield.

Grandparents Deloris and Jason Hayes were the lucky winners of the Easter basket, which they decided to give to their grandson Tanner Cadant.

Deloris discovered the egg as the couple was driving

around the courthouse on Wednesday, trying to find a place to park. She knew not to hesitate grabbing it up, because someone else may be looking for it also.

Both described their quick, yet eventful journey, to discover where the mysterious egg was hidden. They added that it was a fun time for everyone involved.

See Hunt, Page 3



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Commonwealth's EXHIBIT



Camp

Resort Owner JR Newman on March 27 to discuss the two-year plan for implementing a camp on the grounds behind Green Farm Resort.

Polk has a strong background in constructing successful camps in the south, which is why Newman decided it was crucial that Polk become involved in this project.

On Saturday Polk and Newman drove around the landscape behind Green Farm Resort to get a game plan for the layout of Ella's Camp. The first step when building a successful camp, according to Polk, is to stop and take a look at areas where kids could basically have encounters with the world around them, for instance, fishing and swimming.

"It is about a two-year wait," Polk advised. "What we are doing is some master planning right now. I have had a chance to experience this throughout the south. Historically improvements will be around

\$3-4 million, by the time we are done, it will be a \$5.5-7 million project."

Newman explained the current plan is to construct an 80-acre lake on the grounds. He also wants to seclude a piece of land for crop production.

"We want the kids to be able to grow crops the way they (Green family) used to grow them here," Newman mentioned, "and put them through the mill."

Polk added, "The green thing is important, going back to the basic core values for here. The legacy with the families here from generation to generation, allowing kids to discover 'Who I am', 'Why am I here' and 'What is my purpose'." The goal is to get the community involved with this process.

Some of the other key highlights the camp will offer are archery, water sports, canoeing, hiking and safety.

"People will drive four hours for a quality camp," Polk assured. "This will give kids

the chance to get off of the concrete, and out of the Xbox 360 world. They will have a place to get engaged, to have Mother Nature to point them to Father creator. Kids need to know they have a safe haven where they are valued, and that they are valuable. We want to build champions and warriors in the classroom at home."

Newman explained that right now he was in the process of building an advisory board, to oversee all operations of the camp construction. He also welcomed the public's feedback on the camp.

An upcoming benefit concert is already in the works. The performance will take place on the grounds of where Ella's Farm will soon be.

"We are going to mow the land flat and keep it nice for the rest of year," Newman said. "Phil Storey will be back sometime the beginning of summer to perform a benefit concert for Ella's Christian

Camp." Berea artist Mitchell Tolle is another notable who is helping out to make Newman's vision become a reality.

Tolle has painted five University of Kentucky Wildcats on canvas to signify the five freshmen on the U of K basketball team.

For each print that is sold, a portion of the sale goes back to the Ella's Camp fund.

"He has done this type of print before," Newman explained. "In this one he was inspired by the five freshmen on the team. He plans on giving us as many as we need. I brought 12 in this week and over half have been sold."

Anyone interested in becoming involved in the project is urged to contact Newman by phone at 1-830-221-6948.



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Alcohol

An attorney from Shelbyville filed the petition requesting the vote in Hardinsburg one week after the petition was filed in Leitchfield.

There are two major differences between the Limited 100 vote that was passed in Leitchfield and the Limited 50 vote that passed in Hardinsburg. One difference is that the restaurants in Leitchfield must seat 100 people to be eligible to sell alcohol

and those in Hardinsburg only need to seat 50.

The Limited 100 allows alcohol to be ordered before any food is ordered and with the Limited 50 food must be ordered before alcohol can be sold.

On Friday morning the Breckinridge County Clerk Jill Ewin said the City of Irvington may be the next city to file a petition for a wet vote.

"I received a call today from someone in Irvington who may have a petition to request the vote in that percent next," said Ewin. "But as of this minute I have not received anything official."

Hardinsburg is the 27th community in Kentucky to have passed this measure since 2000 when the state changed legislation allowing the limited vote.

Hunt

"We started on Saturday with our grandson," Deloris explained. "We wanted him to find it. We went and got some of the clues then went to the city park. It said 'Among the trees and a place to rest.' We thought immediately of the park, and the benches against the rocks. Tanner moved the rocks where the benches were."

Jason said his grandson really wanted to be the person to find the egg, but he was in school on Wednesday. That left the grandparents to carry on with the hunt.

"We were driving around the courthouse on Wednesday," Jason mentioned, "getting ready to come over here (courthouse). I knew as soon as I read all of the clues, that

was where it was at (the egg). My wife saw it immediately when we were looking for a place to park, she said. 'There it is'. I knew that we needed to act fast before someone else got it."

Participating businesses for the 2010 egg hunt were: For Myself Florist, C.D.'s Indoor Flea Market, My Father's House and DQ Grill and Chill.

Cross

and about 20 or 30 people met in front of the Methodist church. Anyone who wanted to participate was given a chance to carry the heavy cross.

Once the cross was returned to the church it was put in the ground and draped with a black mourning cloth.

The cross will remain in front of the church through the Lenten Season.

The participants then prayed and held a worship service as part of the celebration.

"I can never experience what He went through, because He was beaten almost to death before he carried the cross,"

said Pearson. "But it gives me just a taste of what Christ went through back then when He carried that cross," said Pearson. "It is a very humbling experience, just knowing that He carried the cross for you and for me"

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John Tarter - Broker/Auct.
Burch Oglesby - Auct./Sales
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team ripped visiting Elizabethtown 12-2 during the game last Tuesday

See Page A-11

Relay for Life

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Contact any of the people below about forming a team, being a sponsor or volunteering.

Michele Heaverin, Chair

michele.heaverin@nrpproducts.com

Lusie Shartzler, sponsorship

lshartzler96@hotmail.com

Belinda Hawkins, survivors

bsh1729@windstream.net

Missy Mudd, publicity

mmudd@gcnewsgazette.com

Joseph Alexander, Entertainment

joseph@mymobiledj.net

Lois Mattingly, Team Recruitment

loismatt@windstream.net

Obituaries

John Morgan Woodcock

Dennis Bratcher

WEATHER

GLIMPSE

SATURDAY

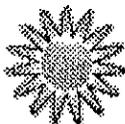
Clear to partly cloudy



High 72°
Low 44°

SUNDAY

Clear and mild



High 78°
Low 54°

MONDAY

Cloudy and mild



High 80°
Low 60°

TUESDAY

BY THERESA ARMSTRONG

Reporter

tarmstrong@gcnewsgazette.com

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New Christian camp soon to be underway

BY MISSY MUDD

Reporter

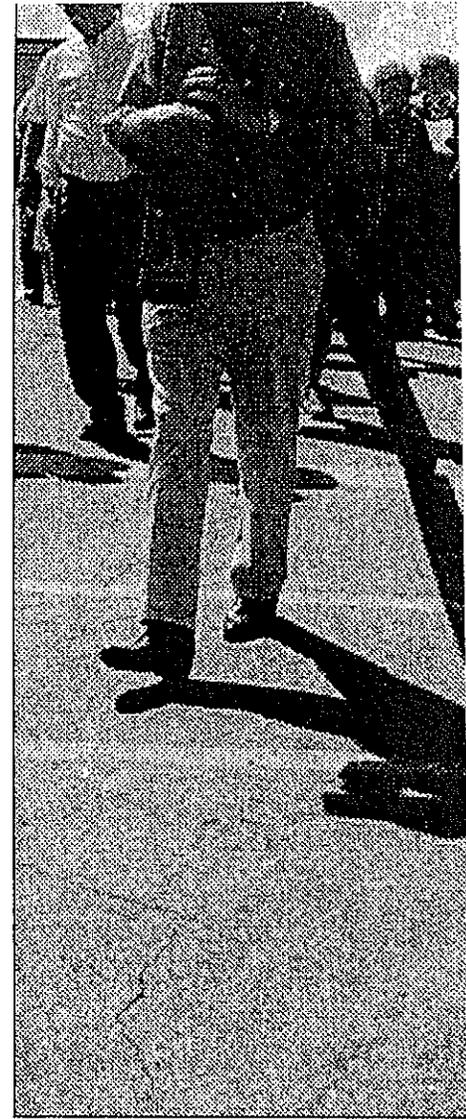
mmudd@gcnewsgazette.com

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Clearview Baptist Church Pastor Ch...
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Dozens follow the Cross thro

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Reporter

tarmstrong@gcnewsgazette.com

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On Good Friday the Grayson Co Association car from Leitchfield Church on West square and back "I started this much to do a re Jesus Christ we



News-Gazette great family a

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Reporter

mmudd@gcnewsgazette.com

It did not take two dedicat-

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Advertisement for Grayson County News-Gazette featuring a large headline: 'HAVE A SPECIAL PHOTO YOU WOULD LIKE TO SHARE?' and a sub-headline: 'Submit feature photos for our website!'. It includes contact information: 'Send pics to: mmudd@gnewsgazette.com' and the publication name 'GRAYSON COUNTY News-Gazette'.

AFFIDAVIT OF ERIC MINK

Comes the Affiant, Eric Mink, having first been duly sworn and cautioned and does hereby depose and state as follows:

1. I am an individual over the age of eighteen and am competent to testify to the facts recited herein. I reside in Borden, Indiana and work in Louisville, Kentucky.
2. On or about August 8, 2009, I toured the development known as Green Farm Resort, in Leitchfield, Kentucky. I learned about this opportunity through a kiosk at the Louisville Zoo offering a free dinner and vacation package if you took a tour of the property.
3. During the sales process, Ken Crocker was my representative. The following representations were made to me:
 - a. A lodge was being constructed that would have rooms; restaurant; and indoor pool with spa areas. Crocker pointed out heavy construction equipment sitting near the golf clubhouse and stated that it was there for the lodge construction but had been delayed because of wet weather. I was also shown a drawing of the finished lodge.
 - b. I was shown a finished cabin and laborers were working on other cabins in the same area. I was told there would be 9 or 10 finished soon with a reduced rental rate for property owners, and that owners could bring people down for tours and earn free stays. The lodge and cabins were important to me for family outings. I have repeatedly tried to book a cabin and have been informed that they are still not available.
 - c. I was told that if I bought "today only" I would also receive a lifetime membership to the golf course, and that in addition to the existing course an "executive" course was being built.
 - d. I had to pay \$1,500 toward the water lines. I specifically asked if I would have to pay to install any other utilities and was told that all the necessary money was already set aside for roads and electric service, other than getting service for the electric lines from the edge of my lot to my house.
4. Based on this tour and the foregoing representations, I purchased Lot 551 in Section 2 of the property from 3D Resorts-Bluegrass LLC. The purchase price was \$25,900. I put ten percent (10%) down on my credit card and financed the balance with 3D Resorts Bluegrass. I later tried but was unable to refinance this note to obtain a lower interest rate from other lenders, and I have since paid off the mortgage note in full.
5. During the transaction, I recall seeing a multipage document with red ink on the cover and being told I could read it, but various documents continued to be placed in front of me for

**Commonwealth's
EXHIBIT**

R

GREEN FARMS RESORT SEC. 3
66 LOTS.

GREEN FARMS RESORT SEC. 1
350 LOTS.
256 ACRES

GREEN FARMS RESORT SEC. 2
240 LOTS.
284 ACRES

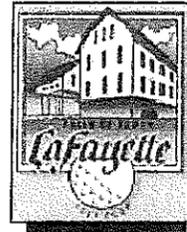
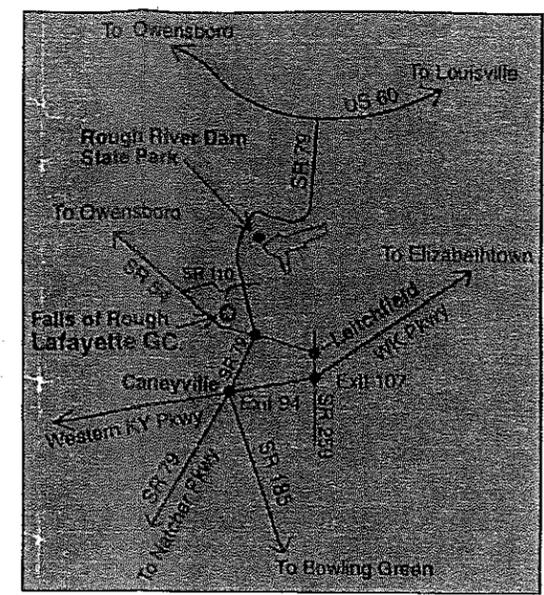
Proposed
Section 4
440 Lots

**Green Farm Resort
Falls of Rough, Ky**

GOLF COURSE

**FUTURE
DEVELOPMENT**

Existing Water Tank



July 13, 2009

Commonwealth's
EXHIBIT

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