

## SETTLEMENT AGREEMENT

### RECITALS

This Settlement Agreement is made and entered into between the U.S. Department of Housing and Urban Development ("HUD" or "Department") and Cat Creek Properties, LLC

WHEREAS, the Interstate Land Sales Full Disclosure Act ("Act"), 15 USC § 1701 et seq., and its implementing regulations 24 CFR § 1700 et seq. ("Regulations") govern interstate land sales;

WHEREAS, the Secretary of HUD ("Secretary") is responsible for the enforcement of the Act and its Regulations;

WHEREAS 15 U.S.C. § 1703(a)(2) prohibits any developer or agent, directly or indirectly, to employ any device, scheme, or artifice to defraud; or to obtain money or property by means of any untrue statement of a material fact, or any omission to state a material fact necessary in order to make the statements made (in the light of the circumstances in which they were made and within the context of the overall offer and sale or lease) not misleading, with respect to any information pertinent to the lot or the subdivision; or engage in any transaction, practice, or course of conduct of business which operates or would operate as a fraud or deceit upon a purchaser;

WHEREAS the Secretary is authorized by 15 U.S.C. § 1714(b) to make such investigations as deemed necessary to determine whether any person has violated or is about to violate any provision of the Act or any rule or regulation prescribed pursuant thereto, and is authorized to investigate any facts, conditions, practices or matters which he may deem necessary or proper to aid in the enforcement of the Act;

WHEREAS Cat Creek, LLC was the developer of The Gardens at Cat Creek and The Preserve at Cat Creek (collectively, "Cat Creek") located in North Carolina;

WHEREAS Respondent is the successor in interest to the assets and liabilities of Cat Creek, LLC;

WHEREAS the Department has completed an investigation into Respondent's sale of lots in Cat Creek;

WHEREAS the Respondent has cooperated with HUD's investigation;

WHEREAS the Department has determined that the Respondent in 2001 was investigated by the State of North Carolina to determine whether there were any violations regarding certain representations regarding North Carolina's approval of a water system, when, in fact, approval had not been granted;

WHEREAS, the State of North Carolina assessed the Respondent a penalty for failing to comply with state regulatory requirements to obtain an Authorization to Construct for a water supply system and for resuming construction after prior notice of a violation

WHEREAS, as a result of the North Carolina investigation into the water supply system, the Respondent, without admitting any liability or fault, paid a fine in the amount of \$15,000 to the State of North Carolina;

WHEREAS, Cat Creek now has an approved water system;

WHEREAS, the Department has determined that the Respondent in 2001 advertised to consumers that Cat Creek would be serviced by a water system that had been approved by the State of North Carolina when in fact approval had not been granted;

WHEREAS, the Respondent has already been required to pay a fine to the State of North Carolina and an appropriate disposition of this matter is for the Respondent to pay a portion of the costs associated with the Department's investigation;

WHEREAS the Respondent does not agree with HUD's determinations;

WHEREAS this Settlement Agreement shall not constitute an admission of liability or fault on the part of the Respondent; and

WHEREAS the parties to this Settlement Agreement now desire to avoid further expense and proceedings and to settle this matter under the terms and conditions set forth below.

## AGREEMENTS

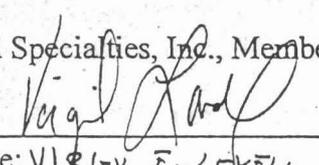
NOW THEREFORE, in consideration of the mutual promises and representations set forth herein, and in further consideration for HUD's reliance upon the substantial accuracy and good faith of the representations and submissions made to it by the Respondent, the party, intending to be legally bound, agree as follows:

1. The foregoing recitals are incorporated in this Settlement Agreement.
2. The Respondent agrees to comply with all provisions of the Act and its implementing Regulations
3. Within thirty (30) business days of the effective date of this Settlement Agreement, the Respondent will remit eight thousand five hundred dollars (\$8,500.00) care of HUD to the United States Treasury.

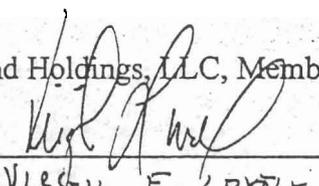
4. HUD agrees to take no further action against the Respondent for violations of the Act and its implementing Regulations based on the facts as set forth in this Settlement Agreement
5. HUD releases, settles and discharges the Respondent, its affiliates, subsidiaries, officers, directors, partners, employees, members, managers, shareholders, agents, successors, heirs, administrators, executors and assigns from and against any and all claims, demands, costs, expenses, commissions, liens, debts, liabilities, judgments, sanctions, fines, sums of money, actions and causes of action of whatever kind and nature which HUD may have against Respondent based on the facts that gave rise to this investigation.
6. Should the Respondent fail to comply with the terms set out above, or should any of its representations prove to be false or incomplete in any material manner, HUD may take appropriate enforcement action, and/or refer the matter to other governmental authorities for further action.
7. It is understood and agreed that, except as otherwise stated herein, this Settlement Agreement expresses the complete settlement of Respondent's liabilities in connection with HUD's investigation upon which this Settlement Agreement is based.
8. Each party shall bear its own costs and attorney's fees.
9. This Settlement Agreement applies to and binds each of the persons or entities identified in the first paragraph of this Settlement Agreement, and their respective predecessors, successors, directors, officers, employees, agents, representatives and assigns.
10. The "Effective Date" of this Settlement Agreement shall be the date it is signed on behalf of the Department.
11. Each signatory to this Settlement Agreement certifies by signing that he or she is fully authorized, in his or her own capacity, or by the named party he or she represents, to accept the terms and provisions of this Settlement Agreement in their entirety, and agrees, in his or her personal or representational capacity, to be bound by the terms of this Settlement Agreement.

**Cat Creek Properties, LLC**

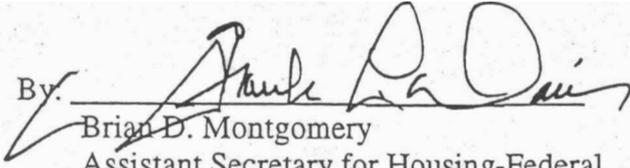
By: Land Specialties, Inc., Member

By:   
 Name: VIRGIL E. LOVELL  
 Date: OCT 18, 2005

By: AP Land Holdings, LLC, Member

By:   
 Name: VIRGIL E. LOVELL  
 Date: OCT 18, 2005

**U.S. Department of Housing and Urban Development:**

By: 

Brian D. Montgomery  
Assistant Secretary for Housing-Federal  
Housing Commissioner

11-14-05

Date

**Cat Creek Properties, LLC**

ILS No: I-04-047

Settlement Agreement