

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (“Agreement”) is made and entered into by the Department of Housing and Urban Development (“HUD”) and Craft Development, L.L.C. (“Craft Development”), a North Carolina limited liability company. Craft Development and HUD shall be collectively referred to in this Agreement as the “Parties.”

WHEREAS the Secretary of HUD (“Secretary”) is authorized to enforce the Interstate Land Sales Full Disclosure Act (“Act”), 15 U.S.C. §§ 1701 *et seq.*, and its implementing regulations at 24 C.F.R. § 1710 *et seq.*; and

WHEREAS the Act prohibits any developer or agent from directly or indirectly making use of any means or instruments of transportation or communication in interstate commerce or the mails to sell or lease any non-exempt lot in any subdivision unless a Statement of Record with respect to such lot is in effect in accordance with 15 U.S.C. § 1707 is furnished to the purchaser in advance of the signing of any contract or agreement for sale or lease by the purchaser or lessee; and

WHEREAS the Secretary is authorized by 15 U.S.C. § 1714(b) to investigate any facts, conditions, practices, or matters deemed necessary to determine if there has been or is about to be a violation of the Act or of any rule or regulation prescribed pursuant thereto; and

WHEREAS Craft Development is engaged in the business of developing subdivisions; and

WHEREAS Craft Development is the developer of the Edgewater subdivision (“Edgewater”) in Lancaster, South Carolina; and

WHEREAS HUD has determined that:

- (a) Edgewater is comprised of 848 lots,
- (b) Craft Development sold a total of 321 lots in Edgewater without having first filed a statement of record with HUD and providing purchasers with property reports, and
- (c) Craft Development did not qualify for an exemption from the Act; and

WHEREAS Craft Development has represented that upon learning that it was subject to the Act’s registration and disclosure requirements, it notified HUD of its sales in violation of the Act and, as of January 2007, voluntarily suspended its sales of lots in Edgewater; and

WHEREAS Craft Development thereafter submitted a statement of record for Edgewater, which HUD declared effective on March 30, 2007; and

WHEREAS Craft Development cooperated fully with HUD in this matter; and

WHEREAS the Parties agree that this Agreement constitutes the settlement of the disputed claims between the Parties; and

WHEREAS this Agreement does not constitute an admission of wrongdoing, liability or legal fault on the part of Craft Development for any conduct underlying this Agreement, nor shall it be construed as an admission that any person or entity acted wrongfully; and

WHEREAS the Parties desire to avoid formal proceedings and any further expense, as well as to finally resolve this matter under the terms and conditions set forth below; and

WHEREAS the terms of this Agreement are an appropriate disposition of this case and are in the public interest.

NOW THEREFORE in consideration of the mutually negotiated promises, covenants, and obligations in this Agreement, the Parties reach a final settlement as stated below:

- 1. The “Effective Date” of this Agreement means the date on which it has been signed by HUD.**
- 2. Based on Craft Development’s compliance with this Agreement, HUD will terminate its investigation into the business practices of Craft Development that gave rise to this investigation and agree to take no further enforcement action under the Act with respect to Craft Development’s conduct described herein, unless such practices recur.**
- 3 If Craft Development fails to comply with the terms and conditions of this Agreement, HUD may take appropriate enforcement action and refer the matter to other government authorities for additional action.**
- 4 Within sixty (60) business days of the Effective Date, Craft Development will send a notification letter (“Notification Letter”) to each eligible purchaser, for whom the sale of lots does not meet an exemption under 15 U.S.C. § 1702 or 24 C.F.R. § 1710.14 (“Eligible Purchaser”). The Notification Letter will specify that Craft Development violated the Act’s registration and disclosure requirements and that Craft Development is required under the Act to offer the purchaser the option of rescinding the contract for his or her lot purchase(s).**
- 5. Each Eligible Purchaser will have twenty-one (21) days after his or her receipt of the Notification Letter to rescind his or her contract(s) with Craft Development.**
- 6. Within thirty (30) business days of the Effective Date of this Agreement, Craft Development will remit twenty-four thousand dollars (\$24,000) payable to the U.S. Treasury and delivered to counsel for HUD.**

7. Craft Development hereby waives, releases, and remits any and all claims, directly or indirectly, against HUD or any of its employees, agents or representatives with respect to HUD's investigation and this Agreement.
8. Craft Development agrees hereafter to fully comply with all provisions of the Act and its implementing regulations.
9. This Agreement is the complete agreement between the Parties as to the matters addressed herein. This Agreement may not be amended except by written consent of the Parties.
10. Each of the Parties shall bear its own attorney's fees and costs, including the preparation and performance of this Agreement.

This Agreement applies to and binds Craft Development and its predecessors, successors, directors, officers, employees, representatives, and assigns.

12. The Parties agree and stipulate that this Agreement is freely and voluntarily entered into without any duress or compulsion whatsoever. No provision of this Agreement shall be construed against any of the Parties solely for having drafted such provision of this Agreement.
13. By this Agreement, the Parties do not waive, compromise, or release any claims or causes of action against any other person or entity not expressly released by this Agreement.
14. Failure by any party to enforce any provision of this Agreement shall not be construed as a waiver by any such party of any provision of this Agreement, nor in any way affect the validity of this Agreement or any part thereof.
16. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitutes the same agreement.
7. Each person who signs this Agreement in a representative capacity warrants that his or her execution of this Agreement is duly authorized, executed and delivered by and for the entity for which he or she signs.

Craft Development, L.L.C.

By:  5/12/08
Signature Date

David Cuthbertson Manager
Name printed Title

U.S. Department of Housing and Urban Development

By:  8/4/08
Signature Date

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