

SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into between the U.S. Department of Housing and Urban Development (“HUD” or “Department”) and CBD Development, Inc., CBD Development Group, Inc., CBD Development Group Investment Partnership III, LLC, CBD Development Investment Partnership IV, LLC, and USALANDSALES.com (“Respondent”).

WHEREAS, the Interstate Land Sales Full Disclosure Act (“Act”), 15 U.S.C. § 1701 et seq., and its implementing regulations 24 C.F.R. § 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, the Act, requires certain developers, as that term is defined in § 1701(5) of the Act, to file a statement of record with HUD and to furnish a property report to purchasers of lots subject to the Act, §1703(a)(11);

WHEREAS, the Act provides that failure to provide a property report to a purchaser authorizes the purchaser to rescind the purchase transaction, §1703(c);

WHEREAS, the Act, 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, § 1703(a)(2);

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, Respondent and its employees were engaged in the sale of real estate lots in subdivisions located in Wilcox, Arizona and Douglas, Arizona, which are owned by Respondent and referred to as “Twin Lakes” and “Cochise College Park” Subdivisions (the “Subdivisions”);

WHEREAS, the Department alleges that, in connection with the sale or attempted sale of lots located in the Subdivisions, Respondent is a “developer” under the Act and failed to file a statement of record with HUD and to furnish property reports to certain purchasers, and further that Respondent engaged in a series of

improper sales practices in connection with the sale or attempted sale of lots located in the Subdivisions;

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

WHEREAS, Respondent asserts that as of July 25, 2005, Respondent has ceased offering to sell and selling lots in the Subdivisions; and Respondent represents it intends to offer to sell and sell lots in the Subdivisions in the future in compliance with the Act;

WHEREAS, and without admitting any of the Department's factual allegations, and solely for the purposes of settling this matter, 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 dispute under the terms and conditions of this Settlement Agreement 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 Respondent, the parties, intending to be legally bound, agree as follows:

- 1 The foregoing recitals are incorporated in this Settlement Agreement.
2. Respondent agrees to comply with all provisions of the Act and its implementing Regulations.
3. In the future, for all subdivisions subject to the jurisdiction of the Act, Respondent will register with HUD and distribute property reports as necessary, and, although Respondent denies ever having made such misrepresentations, will not make misrepresentations of facts about the subdivisions including but not limited to untrue facts about availability of utilities, water, plans for sewage disposal, investment potential, development plans for the property, information about roads, streets, and recreational facilities.
4. Within thirty (30) days of the effective date of this Settlement Agreement, Respondent will make a settlement payment by check for forty-five thousand dollars (\$45,000.00) payable to the United States Treasury and delivered to counsel for HUD.

5. Within thirty (30) days of the Effective Date of this Settlement Agreement, Respondent shall offer rescission to all persons who purchased lots in the Subdivisions from Respondent. The offer shall be for a full refund of the purchase price and any other monies paid pursuant to the purchase contract or other terms of sale, in exchange for a return of the deed. Respondent shall make the offer by sending the rescission offer in the form attached hereto as Exhibit A by certified mail, return receipt requested, to the buyer's last known address, or address that can be reasonably discovered. Respondent shall within ninety (90) days of the Effective Date provide the names and addresses of all persons who exercised their right to rescission and those that declined.
6. HUD agrees to take no further action against Respondent for alleged violations of the Act and its implementing Regulations based on the facts as set forth in this Settlement Agreement.
7. HUD releases, settles, and discharges 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, as alleged by the Department in this Settlement Agreement that occurred prior to the Effective Date of this Settlement Agreement.
8. Should Respondent fail to comply with the terms set out above, or should any of its representations set forth in this Settlement Agreement 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.
9. 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.
10. Each party shall bear its own costs and attorney's fees.
11. 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.
12. The "Effective Date" of this Settlement Agreement shall be the date it is signed on behalf of the Department.

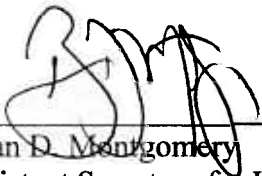
13. Each signatory to this Settlement Agreement certifies by signing that he or she is fully authorized, in his or her own capacity, or by the named party he or she represents, to accept the terms and provisions of this Settlement Agreement in their entirety, and agrees, in his or her personal or representational capacity, to be bound by the terms of this Settlement Agreement.

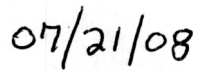
**CBD Development, Inc.,
CBD Development Group, Inc.,
CBD Development Group Investment Partnership III, LLC,
CBD Development Investment Partnership IV, LLC,
and USALANDSALES.com**

By:  _____
Manager

 _____
Date

U.S. Department of Housing and Urban Development:

By:  _____
Brian D. Montgomery
Assistant Secretary for Housing-Federal
Housing Commissioner

 _____
Date