



COMMONWEALTH OF KENTUCKY
OFFICE OF THE ATTORNEY GENERAL

JACK CONWAY
ATTORNEY GENERAL

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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.



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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:

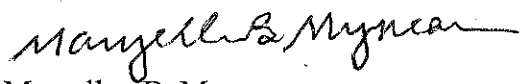
Any and all future marketing and/or sale of any lot in the Green Farm Resort to any consumer shall comply with the Kentucky Consumer Protection Act, federal Interstate Land Sales Full Disclosure Act and any other applicable local, state or federal law. 3D Resorts-Bluegrass and all agents, employees, 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