

**UNITED STATES OF AMERICA**  
**Before the**  
**CONSUMER FINANCIAL PROTECTION BUREAU**

**ADMINISTRATIVE PROCEEDING**  
**File No. 2013-CFPB-0002**

**In the Matter of:**

**3D Resorts-Bluegrass, LLC**

**NOTICE OF CHARGES  
SEEKING RESCISSION,  
RESTITUTION, CIVIL MONEY  
PENALTIES, AND OTHER  
LEGAL AND EQUITABLE RELIEF**

The Consumer Financial Protection Bureau (“Bureau” or “CFPB”) hereby submits the following Notice of Charges against the Respondent, 3D Resorts-Bluegrass, LLC, relating to the offering, marketing, and sale of property in Grayson and Breckinridge Counties, Kentucky. In support of its Notice of Charges, the Bureau alleges and submits as follows:

**JURISDICTION AND LEGAL AUTHORITY FOR THE PROCEEDING**

1. The CFPB has subject matter jurisdiction over this matter pursuant to Sections 1053 and 1055 of the Consumer Financial Protection Act of 2010 (“CFPA”), 12 U.S.C. §§ 5563, 5565.
2. The CFPB is an independent agency of the United States and has jurisdiction to enforce the CFPA and other Federal consumer financial laws, as defined in 12 U.S.C. § 5481(14), including the Interstate Land Sales Full Disclosure Act (“ILSA”), 15 U.S.C. §§ 1701-1720, and its implementing regulations. By virtue of the CFPA, the CFPB has assumed all federal government responsibility for administration and enforcement of ILSA.

**STATEMENT OF FACTS**

3. The Respondent, 3D Resorts-Bluegrass, LLC (“3D Resorts-Bluegrass”) is a limited-liability company organized under the laws of Kentucky.

4. 3D Resorts-Bluegrass is the owner and operator of property located in the Commonwealth of Kentucky known as the Green Farm Resort (the “Resort Property”), a golf/recreation facility with hundreds of individual lots spread over several different development phases.

5. The Resort Property is, and at all times relevant to this proceeding has been, a “subdivision,” as that term is defined under ILSA, 15 U.S.C. § 1701(3).

6. 3D Resorts-Bluegrass is, and at all times relevant to this proceeding has been, a “developer,” as that term is defined under ILSA, 15 U.S.C. § 1701(5), because it directly or indirectly sold, offered to sell, or advertised for sale lots on the Resort Property.

7. Each lot sold and offered for sale on the Resort Property constituted a “lot” within the meaning of the regulations implementing ILSA, 12 C.F.R. § 1010.1(b), and was not exempt under 15 U.S.C. § 1702 or any subsection thereunder.

8. 3D Resorts-Bluegrass is the debtor in a bankruptcy currently pending in the United States Bankruptcy Court in the Western District of Kentucky, *In re 3D Resorts-Bluegrass, LLC*, Case Number 11-41599.

***The Development of the Green Farm Resort and the Marketing and Sales of Lots***

9. Since late 2008, 3D Resorts-Bluegrass has been engaged in the development, marketing, and sale of lots on the Resort Property. There were four sections in which lots, each generally a quarter-acre to a half-acre in size, were available for purchase. Lots were marketed as

properties on which purchasers could build “vacation homes” and enjoy the golf course and other amenities of the Resort Property.

10. 3D Resorts-Bluegrass, directly and through its agents, also engaged in the origination of mortgages by providing financing on sales of lots on the Resort Property and serviced such mortgages. Additionally, 3D Resorts-Bluegrass collected debts on allegedly delinquent notes.

11. 3D Resorts-Bluegrass, directly and through its agents, advertised and marketed the sale of lots on Resort Property through the mail, newspaper advertisements, the internet, and trade shows, and hosted promotional dinners or other events, made phone call solicitations, and used other instruments of transportation and communication in interstate commerce and the mails.

12. For example, 3D Resorts-Bluegrass and its agents sent marketing materials by mail to potential purchasers, offered promotional material and tours at home shows in Kentucky and other states, and collected contact information from potential purchasers and then solicited them by phone, offering tours of the Resort Property accompanied by complimentary gifts or overnight accommodations at the property.

***3D Resorts-Bluegrass’ Misrepresentations and Material Omissions***

13. In marketing the Resort Property to prospective purchasers, 3D Resorts-Bluegrass, directly and through its agents, made several material misrepresentations and material omissions in the Property Reports and elsewhere, in violation of ILSA, 15 U.S.C. §§ 1701-1720 and its implementing regulations.

14. For example, in or about February 2009, 3D Resorts-Bluegrass filed with the United States Department of Housing and Urban Development (“HUD”), as part of its Statement

of Record, a Property Report dated February 26, 2009 (“February 26, 2009 Property Report”), which is attached hereto as Exhibit A.

15. 3D Resorts-Bluegrass distributed to purchasers and prospective purchasers the February 26, 2009 Property Report.

16. The February 26, 2009 Property Report contains numerous untrue statements of material fact or omits material facts.

17. By way of example, the February 26, 2009 Property Report represented that 3D Resorts-Bluegrass escrowed sufficient funds to assure completion of certain electric lines in Section 2 of the Resort Property. In fact, 3D Resorts-Bluegrass never escrowed any such funds.

18. By way of further example, the February 26, 2009 Property Report represented that a septic tank installation fee would cost approximately \$260.00 to the consumer. In fact, the one-time cost of such an installation was more than ten times that amount.

19. Similarly, in or about January 2010, 3D Resorts-Bluegrass filed with HUD, as part of its consolidated and amended Statement of Record, a Property Report dated January 13, 2010 (“January 13, 2010 Property Report”), which is attached hereto as Exhibit B.

20. 3D Resorts-Bluegrass distributed to purchasers and prospective purchasers the January 13, 2010 Property Report.

21. The January 13, 2010 Property Report also contains untrue statements of material fact or omits material facts.

22. By way of example, the January 13, 2010 Property Report represented that 3D Resorts-Bluegrass escrowed sufficient funds to assure completion of certain electric lines in Section 2 of the Resort Property. In fact, 3D Resorts-Bluegrass never escrowed any such funds.

23. By further way of example, the January 13, 2010 Property Report represented that the construction of a centralized sewage treatment plant for Section 4 of the Resort Property would begin on or about April 1, 2010, and should be “completed and available for use” by December 31, 2011. In fact, construction was not undertaken or reasonably expected to be undertaken or completed by the stated dates, and as of the filing of this Notice of Charges has not been undertaken.

24. Due to the size of the lots in Section 4 of the Resort Property, no individual septic systems are permitted in Section 4, and therefore, a central sewage system is necessary to service these lots.

25. By further way of example, the January 13, 2010 Property Report falsely and misleadingly stated that eight rental cabins were completed and available for use on the Resort Property. In fact, eight rental cabins were not completed and available for use.

26. In addition, on or before March 22, 2010, 3D Resorts-Bluegrass made several material changes to the January 13, 2010 Property Report, but this Property Report retained the January 13, 2010 date on its cover. 3D Resorts-Bluegrass did not file this Property Report with HUD, but did distribute it to purchasers and prospective purchasers from on or about March 22, 2010 forward. This Property Report (the “March 22, 2010 Property Report”) is attached hereto as Exhibit C.

27. The March 22, 2010 Property Report contains untrue statements of material fact or omitted material facts.

28. By way of example, the March 22, 2010 Property Report continued to represent that all lots in Section 4 of the Resort Property will be served by a central sewage system that would be constructed by 3D Resorts-Bluegrass.

29. By further way of example, the March 22, 2010 Property Report represented that the construction of a centralized sewage treatment plant would begin on or about April 1, 2010, and should be “completed and available for use” by December 31, 2011. In fact, construction was not undertaken or reasonably expected to be undertaken or completed by the stated dates, and as of the date of the filing of this Notice of Charges has not been undertaken.

30. Due to the size of the lots in Section 4 of the Resort Property, no individual septic systems are permitted in Section 4, and therefore, a central sewage system is necessary to service these lots.

31. By further way of example, the March 22, 2010 Property Report falsely and misleadingly stated that eight rental cabins were completed and available for use on the Resort Property. In fact, eight rental cabins were not completed and available for use.

32. By further way of example, the March 22, 2010 Property Report falsely and misleadingly stated that a General Store was completed and available for use. In fact, on or about February 6, 2010, the General Store was completely destroyed in a fire and has not been reconstructed.

33. In addition to those false, fraudulent, and misleading statements and omissions in the Property Reports identified above, 3D Resorts-Bluegrass, directly and indirectly through its agents, made additional material misrepresentations to purchasers and potential purchasers in advertisements, marketing materials, sales pitches, and other materials used to induce consumers to purchase lots on the Resort Property.

34. By way of example, 3D Resorts-Bluegrass and its agents made misrepresentations, through oral communications, demonstratives, and other promotional

materials, pertaining to the infrastructure and amenities available to the lot or on the Resort Property. These misrepresentations included:

a. 3D Resorts-Bluegrass and its agents falsely represented orally to purchasers and prospective purchasers and on maps distributed and made available to purchasers and prospective purchasers that a large (eighty-acre) man-made lake was being constructed on the Resort Property, thus making available “lakefront” and “lakeview” lots, and that owners of lots not affronting the man-made lake would still have access to the same;

b. 3D Resorts-Bluegrass and its agents falsely represented orally, on maps distributed and made available to purchasers and prospective purchasers, and in other promotions, advertisements, depictions, or communications, that an RV Park, an amenity available to lot owners, was being constructed on the Resort Property;

c. 3D Resorts-Bluegrass and its agents falsely represented orally and in other promotions, advertisements, depictions, or communications that a centralized sewage system was being constructed for all of the lots in Section 4 of the Resort Property;

d. 3D Resorts-Bluegrass and its agents falsely represented orally and in other promotions, advertisements, depictions, or communications that the water lines in Section 2 were complete;

e. 3D Resorts-Bluegrass and its agents falsely represented orally and in other promotions, advertisements, depictions, or communications that construction of eight cabins, for use by lot owners and their guests at a discounted rate, were complete, and they were available for use;

f. 3D Resorts-Bluegrass and its agents falsely represented in the March 22, 2010 Property Report and in other promotions, advertisements, depictions, or communications that a

General Store was in operation on the Resort Property, despite the fact that the store had been completely destroyed by fire and has not been reconstructed;

g. 3D Resorts-Bluegrass and its agents falsely represented orally and in other promotions, advertisements, depictions, or communications that the “governor” had purchased one of the lots, and that the “governor” had committed to provide funding for a children’s camp on the Resort Property;

h. 3D Resorts-Bluegrass and its agents falsely provided inflated historical sales prices of lots that had been previously sold on the Resort Property, despite the fact that such lots had sold at prices far less than what was represented to prospective purchasers; and

i. 3D Resorts-Bluegrass and its agents falsely indicated that its property was properly registered with HUD, and omitted the material fact that HUD had suspended 3D Resorts-Bluegrass’ Statement of Record, thereby prohibiting further sales of lots on the Resort Property.

***Continued Sale Post-Suspension***

35. On or about April 19, 2011, HUD served a suspension notice (the “Suspension Notice”) on 3D Resorts-Bluegrass and its agents, pursuant to 15 U.S.C. § 1706(b) and its implementing regulations, which is attached hereto as Exhibit D. The Suspension Notice advised that HUD had conducted a review of 3D Resorts-Bluegrass’ consolidation and amendment to the filed Statement of Record, including the January 13, 2010 Property Report, and found it deficient in certain material respects.

36. Based upon these deficiencies and the denial of the consolidation and amendment to the Statement of Record, the Suspension Notice provided that the Statement of Record for the Resort Property was considered suspended until such time that HUD granted 3D Resorts-

Bluegrass an effective date for the Statement of Record, and that the sale of lots on the Resort Property, unless exempt, would violate ILSA and potentially subject 3D Resorts-Bluegrass and others to penalties.

37. The Suspension Notice advised 3D Resorts-Bluegrass and others of the deficiencies apparent in the consolidation and amendment filed to its current Statement of Record filed on or about March 29, 2011, explained how to correct those deficiencies, and informed it of its right to a hearing before an Administrative Law Judge. Neither 3D Resorts-Bluegrass nor others have taken the appropriate corrective actions with respect to the deficiencies cited in the Suspension Notice, which remains in effect.

38. As a result of the Suspension Notice, there was no longer an effective Statement of Record for the Resort Property. ILSA therefore prohibited the sale of any lot on the Resort Property. 15 U.S.C. § 1703(a)(1)(A).

39. Notwithstanding this Suspension Notice and prohibitions upon the further marketing and sale of lots on the Resort Property, 3D Resorts-Bluegrass, directly and through its agents, continued to market and sell lots on the Resort Property.

40. Furthermore, 3D Resorts-Bluegrass and its agents also failed to comply with several registration and filing requirements mandated by ILSA and the applicable regulations.

41. As set forth in the Suspension Notice, 3D Resorts-Bluegrass and its agents failed to timely file financial statements for fiscal year 2009, and the annual report of activity due in March 2010 and March 2011 required under the regulations implementing ILSA, 24 C.F.R. §§ 1710.212 and 1710.310 (now codified at 12 C.F.R. §§ 1010.212 and 1010.310).

42. 3D Resorts-Bluegrass and its agents failed to timely file amendments disclosing changes to representations of material fact required to be in the Statement of Record. On or about

October 29, 2010, 3D Resorts-Bluegrass entered into a Management Agreement with National Resort Marketing Corp. (“NRMC”) pursuant to which NRMC, as an agent of 3D Resorts-Bluegrass, became involved in the marketing and sale of lots on the Resort Property, as well as the operation and development of the Resort Property. The Management Agreement dated October 29, 2010, by and between 3D Resorts-Bluegrass and NRMC was required to be disclosed no later than 15 days after the contract was executed, but this disclosure was not made until March 29, 2011.

43. The complete destruction of the General Store by a fire on or about February 6, 2010, required 3D Resorts-Bluegrass to amend the January 13, 2010 Property Report to reflect that the General Store was not “100%” complete and available for use no later than 15 days after the fire, but this disclosure was never made.

### **VIOLATIONS OF LAW**

#### **Count I: Untrue Statements of Material Fact in the February 26, 2009 Property Report (15 U.S.C. § 1703(a)(1)(C))**

44. Paragraphs 1 through 43 are incorporated here by reference.

45. 3D Resorts-Bluegrass and its agents, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots on the Resort Property.

46. 3D Resorts-Bluegrass and its agents sold lots on the Resort Property although the February 26, 2009 Property Report included untrue statements of material fact or omitted material facts required to be stated therein pursuant to 15 U.S.C. §§ 1704-1707 or the regulations implementing ILSA.

47. By way of example, the February 26, 2009 Property Report falsely and misleadingly stated, among other things, that 3D Resorts-Bluegrass escrowed sufficient funds in

Leitchfield Deposit Bank to assure completion of electrical service lines in Section 2 of the Resort Property, where in fact, such funds were not escrowed.

48. Additionally, the Property Report represented that a septic tank installation fee would cost approximately \$260.00 to the consumer, where, in fact, the cost of such installation was more than ten times this amount.

49. These misrepresentations were material in that they had a natural tendency to influence, or were capable of influencing, the decision of the purchaser or prospective purchaser.

50. This false and misleading February 26, 2009 Property Report was filed with HUD and furnished to purchasers and prospective purchasers.

51. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 44 through 50 above, violated 15 U.S.C. § 1703(a)(1)(C).

**Count II: Untrue Statements of Material Fact in the January 13, 2010 Property Report**  
**(15 U.S.C. § 1703(a)(1)(C))**

52. Paragraphs 1 through 43 are incorporated here by reference.

53. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots on the Resort Property.

54. 3D Resorts-Bluegrass sold lots on the Resort Property although the January 13, 2010 Property Report contained untrue statements of material fact or omitted material facts required to be stated therein pursuant to 15 U.S.C. §§ 1704-1707 or the regulations implementing ILSA.

55. By way of example, the January 13, 2010 Property Report falsely and misleadingly repeated the statement that 3D Resorts-Bluegrass escrowed sufficient funds for the provision of electrical service in Section 2, where, in fact, such funds were not escrowed.

56. The January 13, 2010 Property Report falsely and misleadingly stated that 3D Resorts-Bluegrass secured a loan from PlainsCapital Bank to construct any required electric lines in Section 3 of the Resort Property, when, in fact, it had not secured such a loan.

57. Additionally, the January 13, 2010 Property Report falsely and misleadingly stated that a sewage treatment plant was scheduled for construction, when, in fact, no such construction was ever undertaken or reasonably planned to be undertaken.

58. Additionally, the January 13, 2010 Property Report falsely and misleadingly stated that water lines for Section 2 of the Resort Property were complete, when in fact, as of September 14, 2010, the Grayson County Water District refused to accept the Section 2 water lines into its system due to outstanding issues with the construction of the lines.

59. Additionally, the January 13, 2010 Property Report falsely and misleadingly stated that construction of water lines for Section 4 of the Resort Property would begin on or about April 1, 2010 and was expected to be completed by December 31, 2011, when, in fact, such lines were not and are not completed, and were not reasonably intended to be completed by this date.

60. Additionally, the January 13, 2010 Property Report falsely and misleadingly stated that eight rental cabins were completed and available for use on the Resort Property, when, in fact, eight rental cabins were not completed and available for use.

61. These misrepresentations were material in that they had a natural tendency to influence, or were capable of influencing, the decision of the purchaser or prospective purchaser.

62. This false and misleading January 13, 2010 Property Report was filed with HUD, and it was furnished to purchasers and prospective purchasers.

63. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 52 through 62 above, violated 15 U.S.C. § 1703(a)(1)(C).

**Count III: Property Report Created March 22, 2010**  
**(15 U.S.C. § 1703(a)(1)(B) and 1707(b))**

64. Paragraphs 1 through 43 are incorporated here by reference.

65. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots on the Resort Property.

66. On or about March 22, 2010, 3D Resorts-Bluegrass revised the January 13, 2010 Property Report in several material respects. Although the report was created on or about March 22, 2010, the Property Report retained the January 13, 2010 date on its cover. Furthermore, the March 22, 2010 Property Report was provided to purchasers and prospective purchasers with the false implication that it was the official Property Report that had been filed with HUD and was effective.

67. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 64 through 66 above, violated 15 U.S.C. §§ 1703(a)(1)(B) and 1707(b).

**Count IV: Untrue Statements of Material Fact in the March 22, 2010 Property Report**  
**(15 U.S.C. § 1703(a)(1)(C))**

68. Paragraphs 1 through 43, inclusive are reincorporated here by reference.

69. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots on the Resort Property.

70. 3D Resorts-Bluegrass sold lots on the Resort Property although the March 22, 2010 Property Report contained untrue statements of material fact or omitted material facts

required to be stated therein pursuant to 15 U.S.C. §§ 1704-1707 or the regulations implementing ILSA.

71. By way of example, the March 22, 2010 Property Report falsely and misleadingly stated that a central sewage treatment plant was scheduled for construction, when, in fact, no such construction was ever undertaken or reasonably expected to be undertaken.

72. Additionally, the March 22, 2010 Property Report falsely and misleadingly stated that water lines for Section 2 of the Resort Property were complete, when in fact, as of September 14, 2010, the Grayson County Water District refused to accept the Section 2 water lines into its system due to outstanding issues with the construction of the lines.

73. Additionally, the March 22, 2010 Property Report falsely and misleadingly stated that construction of water lines for Section 4 of the Resort Property would begin on or about April 1, 2010, and was expected to be completed by December 31, 2011, when, in fact, such construction was not begun at such time, such lines were not and are not completed, and the lines were not reasonably intended to be begun or completed by the stated dates.

74. Additionally, the March 22, 2010 Property Report falsely and misleadingly stated that eight rental cabins were completed and available for use on the Resort Property, when, in fact, eight rental cabins were not completed and available for use.

75. Additionally, the March 22, 2010 Property Report falsely and misleadingly stated that a General Store was completed and available for use, when, in fact, on or about February 6, 2010, the General Store was completely destroyed in a fire and has not been reconstructed.

76. These misrepresentations were material in that they had a natural tendency to influence, or were capable of influencing, the decision of the purchaser or prospective purchaser.

77. This false and misleading March 22, 2010 Property Report was not filed with HUD, and it was furnished to purchasers and prospective purchasers.

78. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 68 through 77 above, violated 15 U.S.C. § 1703(a)(1)(C).

**Count V: Fraud in Offering and Sale of Lots**  
**(15 U.S.C. § 1703(a)(2)(A), (B), & (C))**

79. Paragraphs 1 through 43 are incorporated here by reference.

80. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots and offers to sell lots on the Resort Property.

81. 3D Resorts-Bluegrass and its agents falsely represented to purchasers and prospective purchasers that an eighty-acre lake would be constructed on the Resort Property. In fact, no such lake was constructed or intended to be constructed, and each of these representations was false at the time it was made.

82. In making these representations, 3D Resorts-Bluegrass and its agents employed devices, schemes, or artifices to defraud, and obtained money by means of untrue statements of material fact, and by means of omissions of material facts necessary to make the statements not misleading. Additionally, in making these representations and omissions, 3D Resorts-Bluegrass engaged in a transaction, practice, or course of business which would operate as a fraud or deceit upon purchasers.

83. The representations were also material and had a natural tendency to influence, and were capable of influencing, the decisions of purchasers and prospective purchasers.

84. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 79 through 83 above, violated 15 U.S.C. § 1703(a)(2)(A), (B), and (C).

**Count VI: Fraud in Offering and Sale of Lots**  
**(15 U.S.C. § 1703(a)(2)(A), (B), &(C))**

85. Paragraphs 1 through 43 are incorporated here by reference.

86. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots and offers to sell lots on the Resort Property.

87. 3D Resorts-Bluegrass and its agents falsely represented to purchasers and prospective purchasers that an RV Park would be constructed on the Resort Property. In fact, no such RV Park was constructed or intended to be constructed, and each of these representations was false at the time it was made.

88. In making these representations, 3D Resorts-Bluegrass and its agents employed devices, schemes, or artifices to defraud, and obtained money by means of untrue statements of material facts, and by means of omissions of material facts necessary to make the statements not misleading. Additionally, in making these representations, 3D Resorts-Bluegrass engaged in a transaction, practice, or course of business which would operate as a fraud or deceit upon purchasers.

89. The representations were also material and had a natural tendency to influence, and were capable of influencing, the decisions of purchasers and prospective purchasers.

90. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 85 through 89 above, violated 15 U.S.C. § 1703(a)(2)(A), (B), and (C).

**Count VII: Fraud in Offering and Sale of Lots**  
**(15 U.S.C. § 1703(a)(2)(A), (B), & (C))**

91. Paragraphs 1 through 43 are incorporated here by reference.

92. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots and offers to sell lots on the Resort Property.

93. 3D Resorts-Bluegrass and its agents falsely represented to purchasers and prospective purchasers that a centralized sewage system would be constructed in Section 4 of the Resort Property. In fact, no such centralized sewage system was constructed or intended to be constructed, and each of these representations was false at the time it was made.

94. In making these representations, 3D Resorts-Bluegrass and its agents employed devices, schemes, or artifices to defraud, and obtained money by means of untrue statements of material facts, and by means of omissions of material facts necessary to make the statements not misleading. Additionally, in making these representations, 3D Resorts-Bluegrass engaged in a transaction, practice, or course of business which would operate as a fraud or deceit upon purchasers.

95. The representations were also material and had a natural tendency to influence, and were capable of influencing, the decisions of purchasers and prospective purchasers.

96. Therefore, 3D Resorts-Bluegrass, conduct described in Paragraphs 91 through 95 above, violated 15 U.S.C. § 1703(a)(2)(A), (B), and (C).

**Count VIII: Fraud in Offering and Sale of Lots**  
**(15 U.S.C. § 1703(a)(2)(A), (B), & (C))**

97. Paragraphs 1 through 43 are incorporated here by reference.

98. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots and offers to sell lots on the Resort Property.

99. 3D Resorts-Bluegrass and its agents falsely represented to purchasers and prospective purchasers that water lines in Section 2 of the Resort Property were complete and that water lines in Section 4 of the Resort Property would be constructed beginning on or about April 1, 2010 and were expected to be completed on or before December 31, 2011. In fact, as of September 14, 2010, the Grayson County Water District refused to accept the Section 2 water lines into its system due to outstanding issues with the construction of the lines, and no water lines in Section 4 of the Resort Property were constructed or intended to be constructed. Each of these representations was false at the time it was made.

100. In making these representations, 3D Resorts-Bluegrass and its agents employed devices, schemes, or artifices to defraud, and obtained money by means of untrue statements of material facts, and by means of omissions of material facts necessary to make the statements not misleading. Additionally, in making these representations, 3D Resorts-Bluegrass engaged in a transaction, practice, or course of business which would operate as a fraud or deceit upon purchasers.

101. The representations were also material and had a natural tendency to influence, and were capable of influencing, the decisions of purchasers and prospective purchasers.

102. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 97 through 101 above, violated 15 U.S.C. § 1703(a)(2)(A), (B), and (C).

**Count IX: Fraud in Offering and Sale of Lots**  
**(15 U.S.C. § 1703(a)(2)(A), (B), & (C))**

103. Paragraphs 1 through 43 are incorporated here by reference.

104. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots and offers to sell lots on the Resort Property.

105. 3D Resorts-Bluegrass and its agents falsely represented to consumers and prospective consumers that eight rental cabins were completely constructed on the Resort Property. In fact, no such eight rental cabins were constructed, and each of these representations was false at the time it was made.

106. In making these representations, 3D Resorts-Bluegrass and its agents employed devices, schemes, or artifices to defraud, and obtained money by means of untrue statements of material facts, and by means of omissions of material facts necessary to make the statements not misleading. Additionally, in making these representations, 3D Resorts-Bluegrass engaged in a transaction, practice, or course of business which would operate as a fraud or deceit upon purchasers.

107. The representations were also material and had a natural tendency to influence, and were capable of influencing, the decisions of purchasers and prospective purchasers.

108. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 103 through 107 above, violated 15 U.S.C. § 1703(a)(2)(A), (B), and (C).

**Count X: Fraud in the Offering and Sale of Lots**  
**(15 U.S.C. § 1703(a)(2)(A), (B), & (C))**

109. Paragraphs 1 through 43 are incorporated here by reference.

110. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots and offers to sell lots on the Resort Property.

111. On and after February 6, 2010, 3D Resorts-Bluegrass and its agents falsely represented to consumers and prospective consumers that a General Store was completed and available for use on the Resort Property. In fact, the General Store was destroyed in a fire on or about February 6, 2010, and has not been reconstructed. Each of these representations was false at the time it was made.

112. In making these representations, 3D Resorts-Bluegrass and its agents employed devices, schemes, or artifices to defraud, and obtained money by means of untrue statements of material facts, and by means of omissions of material facts necessary to make the statements not misleading. Additionally, in making these representations, 3D Resorts-Bluegrass engaged in a transaction, practice, or course of business which would operate as a fraud or deceit upon purchasers.

113. The representations and omissions were also material and had a natural tendency to influence, and were capable of influencing, the decisions of purchasers and prospective purchasers.

114. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 109 through 113 above, violated 15 U.S.C. § 1703(a)(2)(A), (B), and (C).

**Count XI: Fraud in the Offering and Sale of Lots**  
**(15 U.S.C. § 1703(a)(2)(A), (B), & (C))**

115. Paragraphs 1 through 43 are incorporated here by reference.

116. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots and offers to sell lots on the Resort Property.

117. In order to provide prospective purchasers with information regarding the value of lots on the Resort Property, and to sell such properties at certain prices, 3D Resorts-Bluegrass and its agents falsely provided such purchasers with inflated historical sales prices of lots that had been previously sold on the Resort Property. In fact, such lots had sold at prices materially less than what was represented to prospective purchasers.

118. In making these representations, 3D Resorts-Bluegrass and its agents employed devices, schemes, and artifices to defraud, and obtained money by means of untrue statements of material facts, and by means of omissions of material facts necessary to make the statements not misleading. Additionally, in making these representations and material omissions, 3D Resorts-Bluegrass engaged in transactions, practices, and a course of business which would operate as a fraud and deceit upon purchasers.

119. The representations and omissions were also material and had a natural tendency to influence, and were capable of influencing, the decisions of purchasers and prospective purchasers.

120. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 115 through 119 above, violated 15 U.S.C. § 1703(a)(2)(A), (B), and (C).

**Count XII: Fraud in the Offering and Sale of Lots**  
**(15 U.S.C. § 1703(a)(2)(A), (B), & (C))**

121. Paragraphs 1 through 43 are incorporated here by reference.

122. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots and offers to sell lots on the Resort Property.

123. On or about April 19, 2011, 3D Resorts-Bluegrass and its agents were served with a Suspension Notice from HUD pursuant to 15 U.S.C. § 1706(b) with respect to the Resort Property.

124. The Suspension Notice served upon 3D Resorts-Bluegrass and its agents suspended the Statement of Record with respect to the lots that 3D Resorts-Bluegrass and its agents were marketing and selling on the Resort Property, and therefore, no Statement of Record was in effect after service of the notice.

125. Pursuant to 15 U.S.C. § 1703(a)(1)(A), a developer or agent may not, directly or indirectly, make use of any means or instrument of transportation, or communication in interstate commerce, or the mails, to sell or lease any lot unless a Statement of Record is in effect for the property. The Suspension Notice prohibited 3D Resorts-Bluegrass and its agents from selling or leasing any lot until the Statement of Record was amended and the Suspension Notice was lifted.

126. From approximately April 22, 2011 through approximately August 1, 2011, notwithstanding the Suspension Notice and the statutory prohibition, 3D Resorts-Bluegrass and its agents conducted twenty-eight tours of the Resort Property (and scheduled an additional fifty-five such tours); marketed through interstate mailers the Resort Property and the lots to prospective purchasers; engaged in the same marketing and solicitation activities as it had prior to the suspension date; and sold at least three lots on the Resort Property.

127. In selling and offering to sell such lots, 3D Resorts-Bluegrass indicated that it was registered with HUD, and failed to disclose that it in fact had been suspended as of April 19, 2011.

128. In making these representations and by failing to disclose the suspension, 3D Resorts-Bluegrass and its agents employed devices, schemes, and artifices to defraud, and obtained money by means of untrue statements of material facts, and by means of omissions of material facts necessary to make the statements not misleading. Additionally, in making these representations and material omissions, 3D Resorts-Bluegrass engaged in transactions, practices, and a course of business which would operate as a fraud and deceit upon purchasers.

129. The representations and omissions were also material and had a natural tendency to influence, and were capable of influencing, the decisions of purchasers and prospective purchasers.

130. Therefore, from on or about April 22, 2011, through on or about August 1, 2011, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 121 through 129 above, violated 15 U.S.C. § 1703(a)(2)(A), (B), and (C).

**Count XIII: April 23, 2011 Sale of Lot in Violation of Suspension Notice**  
**(15 U.S.C. § 1703(a)(1)(A))**

131. Paragraphs 1 through 43 are incorporated here by reference.

132. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots and offers to sell lots on the Resort Property.

133. On or about April 19, 2011, 3D Resorts-Bluegrass and its agents were served with a Suspension Notice from HUD pursuant to 15 U.S.C. § 1706(b) with respect to the Resort Property.

134. The Suspension Notice served upon 3D Resorts-Bluegrass, National Resort Marketing Corp., and Double Diamond, Inc. suspended the Statement of Record with respect to the lots that 3D Resorts-Bluegrass and its agents were marketing and selling on the Resort Property, and therefore, no Statement of Record was in effect after service of the notice.

135. Pursuant to 15 U.S.C. § 1703(a)(1)(A), a developer or agent may not, directly or indirectly, make use of any means or instrument of transportation, or communication in interstate commerce, or the mails, to sell or lease any lot unless a Statement of Record is in effect for the property. The Suspension Notice prohibited 3D Resorts-Bluegrass and its agents from selling or leasing any lot until the Statement of Record was amended and the Suspension Notice was lifted.

136. On or about April 23, 2011, notwithstanding the Suspension Notice and the statutory prohibition, 3D Resorts-Bluegrass, through its agents, directly or indirectly, sold Lot Number 955.

137. 3D Resorts-Bluegrass, through its agents, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce to sell a lot without a Statement of Record in effect. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 131 through 136 above, violated 15 U.S.C. § 1703(a)(1)(A).

**Count XIV: June 5, 2011 Sale of Lot in Violation of Suspension Notice**  
**(15 U.S.C. § 1703(a)(1)(A))**

138. Paragraphs 1 through 43 and 133 through 135 are incorporated here by reference.

139. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots and offers to sell lots on the Resort Property.

140. On or about June 5, 2011, notwithstanding the Suspension Notice and the statutory prohibition, 3D Resorts-Bluegrass, through its agents, directly or indirectly, sold Lot Number 970.

141. 3D Resorts-Bluegrass, through its agents, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce to sell a lot without a Statement of Record in effect. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 138 through 140 above, violated 15 U.S.C. § 1703(a)(1)(A).

**Count XV: Additional Sale of Lot in Violation of Suspension Notice**  
**(15 U.S.C. § 1703(a)(1)(A))**

142. Paragraphs 1 through 43 and 133 through 135 are incorporated here by reference.

143. 3D Resorts-Bluegrass, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails with respect to the sale of lots and offers to sell lots on the Resort Property.

144. Between about April 19, 2011 and about August 1, 2011, notwithstanding the Suspension Notice and the statutory prohibition, 3D Resorts-Bluegrass, through its agents, directly or indirectly, sold another lot on the Resort Property.

145. 3D Resorts-Bluegrass, through its agents, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce to sell a lot without a Statement of Record in effect. Therefore, 3D Resorts-Bluegrass, through the conduct described in Paragraphs 142 through 144 above, violated 15 U.S.C. § 1703(a)(1)(A).

**Count XVI: Failure to Timely File Annual Reports**  
**(24 C.F.R. § 1710.310 (12 C.F.R. § 1010.310))**

146. Paragraphs 1 through 43 are incorporated here by reference.

147. On or about February 26, 2009, 3D Resorts filed the initial registration for the Resort Property.

148. Pursuant to 24 C.F.R. § 1710.310 (now 12 C.F.R. § 1010.310), 3D Resorts-Bluegrass is required to file the annual reports of activity on any initial or consolidated Statement of Record that is not under suspension within thirty days of the annual anniversary of the effective date of the initial Statement of Record.

149. 3D Resorts-Bluegrass failed to timely file the annual reports of activity and pay the corresponding filing fee that was due in March 2010 and March 2011.

150. Therefore, beginning on or about March 28, 2010, and continuing until April 19, 2011, 3D Resorts-Bluegrass has violated 24 C.F.R. § 1710.310 (now codified at 12 C.F.R. § 1010.310).

**Count XVII: Failure to File Financial Statements**  
**(24 C.F.R. § 1710.212 (12 C.F.R. § 1010.212))**

151. Paragraphs 1 through 43 are incorporated here by reference.

152. Each year after the initial effective date, 3D Resorts-Bluegrass must submit a copy of its latest financial statements, and to date, it has failed to timely file annual financial statements, in violation of 24 C.F.R. § 1710.212 (now codified at 12 C.F.R. § 1010.212).

153. 3D Resorts-Bluegrass failed to submit a copy of its financial statements within 120 days after the close of the fiscal year for fiscal years 2009, 2010, 2011, and 2012.

154. The financial statements for fiscal years 2010, 2011, and 2012 remain outstanding and overdue, and therefore 3D Resorts-Bluegrass has violated 24 C.F.R. § 1710.212 (now codified at 12 C.F.R. § 1010.212), which requires such filings.

**Count XVIII: Failure to Timely File Amendments**  
**(24 C.F.R. § 1710.23 (12 C.F.R. § 1010.23))**

155. Paragraphs 1 through 43 are incorporated here by reference.

156. 3D Resorts-Bluegrass and its agents failed to timely file amendments disclosing changes to material facts required to be in the Statement of Record.

157. The Management Agreement dated October 29, 2010, by and between 3D Resorts and NRMC is a material change required to be disclosed no later than 15 days after the contract was executed, pursuant to 24 C.F.R. § 1710.23 (now codified at 12 C.F.R. § 1010.23), which requires such disclosure.

158. On or about March 29, 2011, the Management Agreement was finally disclosed in the consolidation and amendment filed to the current Statement of Record.

159. Therefore, between November 13, 2010, until on or about March 29, 2011, 3D Resorts-Bluegrass failed to file a timely amendment to the Statement of Record, and has violated 24 C.F.R. § 1710.23 (now codified at 12 C.F.R. § 1010.23).

**Count XIX: Failure to Timely File Amendments**  
**(24 C.F.R. § 1710.23 (12 C.F.R. § 1010.23))**

160. Paragraphs 1 through 43 are incorporated here by reference.

161. 3D Resorts-Bluegrass failed to timely file amendments disclosing changes to material facts required to be in the Statement of Record.

162. On or about February 6, 2010, the General Store located on the Resort Property was destroyed by a fire.

163. The destruction of this recreational facility constituted a material change required to be disclosed no later than 15 days after the General Store was destroyed, pursuant to 24 C.F.R. § 1710.23 (now codified at 12 C.F.R. § 1010.23), which requires such disclosure.

164. As of the date of the filing of this Notice of Charges, no Amendment has been filed.

165. Therefore, between February 21, 2010 and the present, 3D Resorts-Bluegrass has failed to timely file amendments to its Statement of Record in violation of 24 C.F.R. § 1710.23 (now codified at 12 C.F.R. § 1010.23).

#### **PRAYER FOR RELIEF**

Wherefore, the Bureau, pursuant to Sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, respectfully requests an Order granting rescission of contracts and restitution of all monies paid by property owners for the purchase of the lots on the Resort Property from 3D Resorts-Bluegrass and its agents, injunctive relief, civil money penalties for the violations of Federal consumer financial law, recovery of costs in connection prosecuting the instant action, and any other legal or equitable relief deemed appropriate.

For purposes of civil money penalties, each sale or offer to sell constitutes a separate violation as to each count. In the case of continuing violations, each day constitutes a separate violation. Each violation set forth within this Notice of Charges is both a knowing and material violation.

#### **TIME AND PLACE OF THE HEARING**

The administrative hearing on the above-captioned action shall take place on August 12, 2013, at 9:00 am, at a place to be specified in Louisville, Kentucky, in the Western District of Kentucky, or at a time and place to be otherwise specified by the parties.

**TIME TO FILE AN ANSWER**

Within 14 days of service of this notice of charges, the answer must be filed and served in accordance with subpart A of 12 C.F.R. part 1081.

Respectfully submitted,

Kent Markus  
Enforcement Director

Deborah M. Morris  
Deputy Enforcement Director

Michael G. Salemi  
Assistant Litigation Deputy

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