

SU2508258

**STATE OF MINNESOTA
COMMISSIONER OF COMMERCE**

In the Matter of Cascadas Mexico I, S. de R.L. de C.V.

SETTLEMENT AGREEMENT

TO: Joseph T. Schneider, Sole Administrator
Cascadas Mexico I, S. de R.L. de C.V.
304 Park Place West
6465 Wayzata Boulevard
Minneapolis, MN 55426

1. Commissioner Glenn Wilson (hereinafter "Commissioner") has advised Cascadas Mexico I, S. de R.L. de C.V. (hereinafter "Respondent") that he is prepared to commence formal action pursuant to Minn. Stat. Chapter § 83 (2004) against Respondent based on allegations that Respondent has engaged in the sale of unregistered non-exempt lots in the development known as Fraccionamiento Bahia or Bahia Poniente (hereinafter "the Subdivision").

2. Respondent acknowledges that it has been advised of its rights to a hearing in this matter, to present argument to the Commissioner and to appeal from any adverse determination at a hearing, and Respondent hereby expressly waives those rights. Respondent further acknowledges that it has been represented by legal counsel throughout these proceedings, or has been advised of its right to be represented by legal counsel, which right it hereby waives.

3. Respondent and Commissioner have agreed to an informal disposition of this matter without a hearing as provided under Minn. Stat. § 14.59 (2004) and Minn. R. 1400.5900 (2003):

NOW, THEREFORE, IT IS HEREBY AGREED, that Respondent shall:

1. Suspend all offers, sales, or closings on lots previously sold, to Minnesota residents, regardless of the location of the Minnesota resident at the time of such activities, until Respondent successfully completes the process of subdivided land registration for the Subdivision.
2. Offer to repurchase all lots located within the Subdivision that were sold to any Minnesota resident or entity, domiciled in Minnesota, whose transactions were consummated prior to the completion of the registration process, by providing each purchaser with the repurchase form attached hereto as Exhibit A.

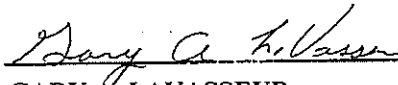
IT IS FURTHER AGREED, that as a condition of registration Respondent shall provide the Commissioner with copies of the Kennedy Funding release provided to purchasers who elected not to rescind their transaction and that Respondent shall provide an affidavit identifying the purchasers who elected to accept the Respondent's offer to repurchase and the dates and amounts paid to those purchasers.

IT IS FURTHER AGREED, that Respondent's completion of the undertakings identified in this agreement will resolve all outstanding issues relating to the Commissioner's allegations that the Respondent offered and sold lots within the Subdivision in violation of the registration requirements of Minn. Stat. Chapter 83. Respondent acknowledges that the Commissioner will not close the investigative file on this matter until Respondent provides documented evidence that it has fully completed the repurchase process and until it has completed the registration process for this property, pursuant to the requirements of Minn. Stat. Chapter 83.

IT IS FURTHER AGREED, that nothing in this agreement will be interpreted as prohibiting the Commissioner from reopening his investigation of Respondent's activities, if the Commissioner discovers that the Respondent has made any material misrepresentation in connection with the registration or marketing of the Subdivision or that Respondent has improperly converted funds or offered or sold properties within the Subdivision through unlicensed, non-exempt agents.

This agreement shall be effective upon signature of the Commissioner and Respondent's authorized Corporate Officer. The agreement may be executed in counterparts, including by telefax and email.

By:



GARY A. LAVASSEUR
Director of Enforcement
Dated: March 2, 2006

85 Seventh Place East, Suite 500
St. Paul, MN 55101
Telephone: (651) 296-2488

By:



Joseph T. Schneider
Sole Administrator of
Dated: March 2, 2006

Cascadas Mexico I, S. de R.L. de C.V.
304 Park Place West
6465 Wayzata Boulevard
Minneapolis, MN 55426

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EXHIBIT A

Company Letterhead

Date: _____

Name and address of purchaser:

Dear _____:

On _____ you purchased lot number _____ at Fraccionamiento Bahia or Bahia Poniente (located in the project known as "Cascadas de Manzanillo") from us for a total price of _____. Recently it became clear that we and the Minnesota Department of Commerce had a legal disagreement on whether the subdivision was exempt from registration with the Department under the Minnesota Subdivided Land Sales Practices Act. Although we respectfully disagree with the Department's interpretation of the applicable law, we have elected to register the program. We value our relationship with both lot buyers and all levels of government.

As part of our agreement with the Department to register our program, we have agreed to offer all prior purchasers the right to have us repurchase their lots and receive a full refund of their purchase price along with interest from the date of purchase, at the legal rate or at the rate charged on any lien paid by you, whichever is higher, less the amount of any income, if any, you received from the lot.

If you reject this offer of repurchase, you will foreclose your right to rescind your purchase in the future based on the registration status of property at the time of your purchase. This offer remains open to you for a period of thirty (30) days from the date you receive this letter. Failure to formally accept the offer during this 30-day period constitutes a rejection.

Your transaction only involves the purchase of a lot within Fraccionamiento Bahia and Bahia Poniente. The lot you have purchased has city water and sewer, paved streets, sidewalks and curbs as well as underground power, telephone and cable TV. (Note: although water and sewer lines have been installed within the subdivision and stubbed into the lot, they have not been connected to the city system at this time. However, we

have been assured by the city that this connection will be completed during construction of the first residence with the subdivision.)

When considering whether to have us repurchase your lot, it is important to understand that the only improvements guaranteed by contract are those specifically noted in the preceding paragraph. While we intend to continue developing our properties, any other improvements or amenities or structures that may have been contained in any advertising relating to the program only represent our current intentions and are not guaranteed under your purchase agreement.

If you decide to give up your lot and have us repurchase it, you should sign Alternative 1 attached hereto. If you decide to keep your lot and not have us repurchase it, you should sign Alternative 2.

We are presently in the process of registering our program for the offer and sale of lots in Section 7 (Fraccionamiento Bahia or Bahia Poniente) with the Department of Commerce, pursuant to the provisions of Minnesota Statute Chapter 83. We expect to complete this process in the very near future

If you elect to have us repurchase your lot and if you do not receive your refund within 30 days of mailing acceptance of our offer of repurchase, please call the Minnesota Department of Commerce at (651) 296-6332.

Sincerely,