

## SALE AND PURCHASE CONTRACT

THIS SALE AND PURCHASE CONTRACT ("Contract") is made as of the Effective Date (as defined in Section 18(I) below), by and between **THE MUNICIPAL CORPORATION OF CAPE CHARLES, VIRGINIA**, a political subdivision of the Commonwealth of Virginia ("Seller"), and **ECHELON RESOURCES, INC.**, a Virginia corporation ("Purchaser").

WITNESSETH: For and in consideration of the mutual covenants and agreements herein contained, the parties agree as follows:

1. Property. Subject to the terms and conditions hereof, Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, the following described property:

A. That certain tract or parcel of land located at the intersection of Plum Street and Madison Avenue in the Town of Cape Charles, Virginia being a portion of Tax Parcel 083A3-(01)-00-281 and commonly known as the old Cape Charles School, as more particularly described on Exhibit "A" attached hereto and by this reference incorporated herein, together with the school building and other improvements located thereon owned by Seller (the "Improvements") (said tract of land and Improvements being hereinafter collectively referred to as the "Real Property"); and

B. The equipment, furniture, furnishings, and other personal property and fixtures located on or attached to the Real Property and which are owned by Seller, as more particularly described on Exhibit "B" attached hereto and by this reference incorporated herein (the "Personal Property").

The Real Property and Personal Property are hereinafter collectively referred to as the "Property".

2. Purchase Price. The purchase price to be paid by Purchaser to Seller for the Property is Ten and 00/100 Dollars (\$10.00) (the "Purchase Price"). An amount equal to the Purchase Price (the "Deposit") shall be deposited by Purchaser with the Seller within three (3) days after the Effective Date.

3. Review Period: Inspection.

A. Subject to the requirements of this Section, during the period commencing on the Effective Date and terminating one hundred eighty (180) days thereafter (the "Review Period"), Purchaser, its agents, employees, representatives and contractors, at Purchaser's sole cost and expense, may perform such tests, inspections and examinations of the Real Property and Personal Property as Purchaser deems advisable, including without limitation investigations with regard to title, physical condition, environmental matters, matters of survey, flood plain, utilities availability, zoning and building code and other applicable governmental requirements, and development requirements. Notwithstanding the foregoing, prior to entry on the Property by Purchaser or its agents, employees, or contractors, Purchaser shall provide evidence of liability insurance naming

Seller as an additional insured in amounts and with coverages, if applicable, as follows:

1. Commercial General Liability - \$1,000,000 each occurrence, \$2,000,000 aggregate.
2. Automobile Liability - \$1,000,000 combined single limit.
3. Workers Compensation - Statutory limit.

Purchaser shall obtain Seller's written consent before conducting invasive or destructive testing or soil sampling. Purchaser shall not damage or alter the Property while conducting its inspections, tests and studies. Purchaser shall indemnify, defend and hold Seller harmless from and against all costs, losses, damages and expenses, including without limitation reasonable attorneys' fees, arising out of Purchaser's or its agent's or contractor's presence on the Real Property or acts or omissions in conducting the activities upon the Real Property pursuant to the terms of this subsection. Notwithstanding anything to the contrary in this Contract, Purchaser's indemnification, defense, and hold harmless obligations set forth in this subsection shall survive Closing and/or the termination of this Contract.

B. Within five (5) days after the Effective Date, Seller shall forward to Purchaser copies of the following items, to the extent they exist and are in Seller's possession in Seller's regular operating files: (i) the title commitment or policy for the Real Property, (ii) surveys and plats of the Real Property, (iii) environmental reports, and (iv) physical inspection reports.

C. Purchaser shall order, at its cost and expense, a title commitment for the issuance of an ALTA owners policy of title insurance (the "Title Commitment") insuring the Real Property. Purchaser may order, at its cost and expense, an ALTA survey of the Property (the "Survey"). Purchaser shall, on or before the date that is thirty (30) days after the Review Period, furnish a copy thereof to Seller, together with a statement as to which exceptions shown therein are unacceptable to Purchaser ("Purchaser's Objection Notice") and all matters in the Title Commitment and Survey to which Purchaser does not object in writing, and all matters that would be shown on an ALTA survey of the Property if Purchaser does not order the Survey, shall be "Permitted Exceptions." Seller may, within ten (10) days after Purchaser's Objection Notice, give notice to Purchaser ("Seller's Response Notice") stating those matters in Purchaser's Objection Notice that Seller is willing to cure at or before Closing. Failure by Seller to give Seller's Response Notice shall be deemed an election by Seller not to cure any matters in Purchaser's Objection Notice. Within five (5) days after Seller's Response Notice, Purchaser shall elect to either (a) proceed to Closing, with all matters in Purchaser's Objection Notice that Seller does not expressly agree to cure in Seller's Response Notice being added to and deemed part of the Permitted Exceptions, or (b) terminate this Contract, in which event the Deposit shall be retained by Purchaser, and neither party shall have any further liability or obligations to the other hereunder except for those that survive the termination of this Contract. Failure by Purchaser to respond within such time shall be deemed an election by Purchaser to proceed under option (a).

D. Purchaser shall have the right during the Review Period to determine that it is satisfied, in its sole and absolute discretion, with the results of any of the tests, inspections or investigations relating to the Property or the operation thereof, and that the Property is suitable in all respects for Purchaser's intended purposes or needs. Purchaser shall provide reasonably detailed

status reports in writing to Seller every thirty (30) days during the period prior to Closing. Such reports shall describe Purchaser's due diligence inspections and results as well as Purchaser's efforts to obtain financing. In the event Purchaser does not, on or before the expiration of the Review Period, notify Seller in writing of Purchaser's termination of this Contract, Purchaser shall be deemed to have waived such right to terminate and all objections to the Property (but subject to the Closing Conditions), and this Contract shall remain in full force and effect without requirement of further action on the part of Purchaser or Seller.

E. If this Contract is terminated prior to Closing, or if the transaction contemplated by this Contract is otherwise not consummated, Purchaser shall return to Seller all of Seller's Information (including all copies, notes, and versions thereof) within five (5) days after termination of this Contract or within five (5) days after a request from Seller, as the case may be.

4. Disclaimer and Indemnification.

A. Purchaser acknowledges and agrees to the following:

1. **PURCHASER ACCEPTS THAT THE PROPERTY WILL CONVEY IN "AS IS, WHERE IS" CONDITION WITH ALL FAULTS, AND THAT SELLER MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER, WHETHER EXPRESS, IMPLIED, OR ARISING BY OPERATION OF LAW, WITH RESPECT TO THE PROPERTY OR ANY PORTION, ASPECT, OR COMPONENT THEREOF, AND EXPRESSLY DISCLAIMS THE SAME. LIKEWISE, SELLER MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER, WHETHER EXPRESS, IMPLIED, OR ARISING BY OPERATION OF LAW, WITH RESPECT TO ANY DOCUMENTS, REPORTS, OR MATERIALS PROVIDED OR MADE AVAILABLE TO PURCHASER BY SELLER OR ITS AGENTS, OR THE ACCURACY OF THE INFORMATION CONTAINED THEREIN, AND EXPRESSLY DISCLAIMS THE SAME. THE FOREGOING DISCLAIMERS INCLUDE, BUT ARE NOT LIMITED TO, MATTERS OF TITLE, SURVEY, FINANCIAL PERFORMANCE, PHYSICAL CONDITION (INCLUDING WITHOUT LIMITATION ENVIRONMENTAL CONDITION OR PRESENCE OR ABSENCE OF HAZARDOUS SUBSTANCES), ZONING, TAX STATUS OR CONSEQUENCES, FITNESS FOR A PARTICULAR PURPOSE OR USE, COMPLIANCE WITH GOVERNMENTAL REQUIREMENTS, ACCESS TO THE PROPERTY, AND AVAILABILITY OF UTILITIES.**

2. From and after Closing, Purchaser releases and forever discharges Seller and Seller's officials, employees, and agents from all claims, actions, suits, damages, judgments, losses, costs, and expenses (including without limitation reasonable attorneys' fees) arising out of or relating to the Property.

3. From and after Closing, Purchaser shall indemnify Seller for and shall indemnify, defend and hold Seller and Seller's officials, employees, and agents harmless from and against all claims, actions, suits, damages, judgments, losses, costs, and expenses (including without limitation reasonable attorneys' fees) arising out of or relating to the Property or the Purchaser's or

its agent's or independent contractor's acts or omissions.

4. The representations, covenants, and obligations set forth in this Section 4 shall survive Closing and/or the termination of this Contract.

5. Purchaser's Representations. Purchaser represents to Seller as follows, which representations shall be deemed remade at and as of Closing and which shall survive Closing and/or termination of this Contract:

A. Purchaser is a duly organized and validly existing corporation in good standing under the laws of Virginia, and has all requisite power and authority for the making of this Contract.

B. The execution and delivery of this Contract, compliance with provisions hereof, and the consummation of the transaction contemplated hereby, will not result in any breach or violation of, or constitute a default under, the organizational documents of Purchaser or any agreement, contract or other instrument to which Purchaser is a party, or by which Purchaser is bound.

C. The individual(s) signing on behalf of Purchaser have all necessary authority to bind Purchaser to this Contract, and no additional approvals and/or signatures are required to make this Contract fully binding on Purchaser in all respects.

D. Purchaser and its principals are experienced in the purchase, sale, financing, and management of commercial real estate, and are fully capable of evaluating the risks and benefits of undertaking the transaction contemplated by this Contract. Purchaser has voluntarily entered into this Contract and the transaction contemplated hereunder without relying in any manner on any representations, statements, opinions, or actions of Seller or any person or entity purporting to be acting on behalf of Seller. Purchaser has had full opportunity to investigate the Property and has obtained all information necessary for Purchaser to make an informed decision with respect to the transaction contemplated by this Contract.

6. Conditions to Closing. Prior to the expiration of the Review Period, Purchaser shall notify Seller in writing of Purchaser's completion or waiver of its inspection under Section 3 above. If Purchaser fails to timely send such notice, Seller may, at its option, terminate this Contract. Within the first sixty (60) days of the Review Period, Seller shall cause the following to be completed (the "Closing Conditions"):

A. Seller shall cause the Property to be rezoned to allow for multifamily residential use.

B. Seller shall subdivide the Property from Seller's remaining property pursuant to a subdivision plat that is acceptable to Seller and Purchaser.

C. Seller shall use good faith efforts to obtain all approvals, votes, and ordinances that are required under applicable law for the sale of municipal property, including those set forth in

Virginia Code Sections 15.2-1800 et seq. and 15.2-2100 et seq.

D. Seller's failure to complete the Closing Conditions shall not be a default by Seller, and Purchaser's sole remedy shall be to terminate this Contract and receive a refund of the Deposit.

7. Closing.

A. Unless this Contract is terminated by Purchaser or Seller as herein provided, the closing hereunder ("Closing") shall be conducted on or before the date that is fifteen (15) days after completion of the Closing Conditions, or as otherwise agreed by the parties in writing (the "Closing Date").

B. At Closing, in addition to any other documents required to be delivered under the terms of this Contract, Seller shall deliver or cause to be delivered the following:

1. A special warranty deed (the "Deed"), duly executed and acknowledged by Seller and in proper form for recordation, conveying good, marketable title to the Real Property, subject to the Permitted Exceptions.

2. A valid bill of sale or assignment, as the case may be, of all of the Personal Property, duly executed and acknowledged by Seller.

3. To the extent they exist and are in Seller's possession, originals of all certificates of occupancy, licenses, permits, and warranties.

4. An affidavit that Purchaser's title insurance company shall reasonably require in order to issue policies of title insurance free of any exceptions for unfilled mechanic's, materialmen's or similar liens and parties in possession.

5. A certificate of non-foreign status if required by Section 1445 of the Internal Revenue Code.

6. All keys, codes, or other security devices, if any, used in connection with the operation of the Property.

C. At Closing, in addition to any other documents and items required to be delivered under the terms of this Contract, Purchaser shall deliver or cause to be delivered the following:

1. Cash, wire transfer or other immediately available funds payable to Seller in the amount of the Purchase Price, after credit for the Deposit which shall be released to Seller.

8. Closing Adjustments and Expenses.

The following shall be adjusted between Seller and Purchaser and paid as provided below:

A. Purchaser shall be solely responsible for all real estate taxes assessed against the Property for periods after Closing.

B. Seller shall pay the grantor's tax on the deed, to the extent provided by law. Purchaser shall pay all other state and local recording taxes and clerk's fees imposed in connection with the transfer of the Property and/or the recording of the Deed.

C. Seller shall pay the fees and expenses of its legal counsel. Purchaser shall pay all fees and expenses of the title insurance company, surveyors, engineers, Purchaser's legal counsel, and all other professionals and vendors to the extent not paid prior to Closing.

9. Possession. Possession of the Property shall be delivered as of the Closing Date.

10. Condemnation Prior to Closing. In the event that any eminent domain proceeding materially and adversely affecting the Real Property or any part thereof is commenced or threatened by a governmental body having the power of eminent domain (a "Condemnation"), Seller shall promptly give Purchaser written notice thereof. Purchaser shall then notify Seller in writing within ten (10) days after Seller's notice of the Condemnation of Purchaser's election to either: (i) proceed to Closing, in which event Seller and Purchaser shall in good faith negotiate an equitable allocation between Seller and Purchaser of the award resulting from the Condemnation, and if the parties cannot agree, either party may terminate this Contract; or (ii) terminate this Contract, in which event the Deposit shall be returned to Purchaser.

11. Insurance; Risk of Loss Prior to Closing. Seller shall continue to maintain in full force and effect such casualty and liability insurance on or with respect to the Property as it maintains in the ordinary course of business, it being understood and agreed that all risk of loss with respect to the Property, except as may be caused by the acts or omissions of Purchaser or its employees, agents, or contractors, shall remain with Seller through Closing. In the event that prior to the Closing Date, the Improvements on the Property are materially damaged, destroyed, or rendered unusable by fire, casualty, or other cause, then Seller may, at its option, terminate this Contract and the Deposit shall be refunded to Purchaser. If Seller does not terminate this Contract, then the parties shall proceed with the transaction contemplated herein, in which event Purchaser shall be entitled to receive, as applicable, insurance proceeds so long as they are applied toward Project expenses.

12. Default Prior to Closing. If either party shall be in material breach or violation of, or shall fail or refuse to perform its obligations under, this Contract prior to Closing (collectively a "Breach"), and such Breach continues for at least fifteen (15) days following written notice thereof from the non-Breaching party, then the sole and exclusive remedy of the non-Breaching party shall be to terminate this Contract and recover from the Breaching party the reasonable, documented, out-of-pocket expenses incurred by the non-Breaching party in connection with the negotiation,

documentation, and performance (or preparation for performance) of this Contract prior to the breach.

13. No Broker. Seller represents and warrants to Purchaser, and Purchaser represents and warrants to Seller, that each engaged no real estate broker, salesperson or other intermediary to assist in the transfer of the Property from Seller to Purchaser. Purchaser hereby agrees to indemnify, defend and hold Seller harmless from and against any claim arising out of a breach of the representations and warranties in this Section. The representations, warranties, and indemnification obligations set forth in this Section shall survive Closing and/or the termination of this Contract.

14. Assignment. Purchaser may assign this contract to an entity created and controlled by Purchaser to construct the Project. Otherwise, Purchaser may not assign this Contract, or any part hereof or any rights or obligations hereunder, without the prior written approval of Seller. In all circumstances in which this Contract is assigned, Purchaser shall remain jointly and severally liable with any assignee under this Contract.

15. Construction of the Project by Purchaser.

A. As a material part of the consideration for Seller to convey the Property to Purchaser, Purchaser agrees to construct the Project on the terms and conditions set forth herein. Seller would not convey the Property to Purchaser in the absence of Purchaser's agreement to strictly adhere to the conditions set forth in this Section.

B. As used in this Contract, the "Project" shall refer to the repair, renovation, historic rehabilitation and improvement of the Improvements for use as a 17-unit residential apartment building. Prior to constructing the Project, Purchaser shall obtain all required approvals and permits from the Town of Cape Charles, Northampton County, and state and federal authorities (collectively "Authorities"), none of which are waived by this Contract.

C. Within ninety (90) days after Closing, Purchaser shall commence construction of the Project. Purchaser shall complete the Project within twelve (12) months after commencement. All costs of every kind and description associated with the Project shall be borne by Purchaser, except that, to the extent permitted by law, Seller shall pay to Purchaser to be applied toward Purchaser's Project expenses the amount of insurance proceeds received by Seller in connection with earthquake damage sustained by the Property on or about August 23, 2011. Purchaser shall pay all permitting, impact, and utility connection fees, none of which are waived by this Contract except as indicated below. In constructing the Project, Purchaser shall comply with all applicable laws, codes, and regulations of the Authorities.

D. Seller agrees to reduce the applicable water and sewer connection charges by fifty (50) percent. Such connection charges shall be paid in full before issuance of a Certificate of Occupancy for the Project.

E. Within fourteen (14) days after Closing, Seller agrees to close the entrance to the playground contiguous to the Property.

F. To the extent permitted by law, Purchaser shall not operate the Project as a low-income housing facility under any state or federal program.

16. Survival of Covenants. All covenants, representations, warranties, and obligations made by or imposed upon Seller or Purchaser shall survive Closing.

17. Notices. All notices, requests or other communications permitted or required under this Contract shall be in writing and shall be communicated by personal delivery, nationally recognized overnight delivery service (such as Federal Express), or certified mail, return receipt requested, to the parties hereto at the addresses shown below, or at such other address as any of them may designate by notice to each of the others. Notice given by electronic mail shall be effective as of receipt by the addressee, but only if notice is simultaneously sent by another method permitted by this Section.

Seller: MUNICIPAL CORPORATION OF  
CAPE CHARLES  
2 Plum Street  
Cape Charles, Virginia 23310  
Attn: Town Manager  
Phone: 757-331-3259 x12  
Email: [heather.arcos@capecharles.org](mailto:heather.arcos@capecharles.org)

Copy to: VANDEVENTER BLACK LLP  
101 W. Main Street  
500 World Trade Center  
Norfolk, Virginia 23510  
Attn: Michael L. Sterling, Esq.  
Phone: 757-446-8600  
Email: [msterling@vanblk.com](mailto:msterling@vanblk.com)

Purchaser: ECHELON RESOURCES, INC.  
16215 Wolf Creek Road  
Montpelier, VA 23192  
Attn: Edwin Gaskin  
Phone: 804-767-5990  
Email: [gaskin@echelonresourcesinc.com](mailto:gaskin@echelonresourcesinc.com)

Copy to: DAVID L. ARNOLD, PENDER &  
COWARD, P.C.  
160 W. Washington Street  
Suffolk, VA 23434  
Attn: David L. Arnold  
Phone: 757-490-6260  
Email: [darnold@pendercoward.com](mailto:darnold@pendercoward.com)



18. Miscellaneous.

A. This Contract shall be deemed made in Cape Charles, Virginia, regardless of which party is the last to sign, and shall be governed by, construed and enforced under the laws of the Commonwealth of Virginia, without regard to its conflicts of laws provisions.

B. This Contract sets forth the entire agreement and understanding between the parties with respect to the transactions contemplated hereby and supersedes all prior agreements, arrangements and understandings which led to the subject matter hereof.

C. All the terms, covenants, representations, warranties and conditions of this Contract shall be binding upon, and inure to the benefit of and be enforceable by, the parties hereto and their respective heirs, personal representatives, executors, successors and permissible assigns.

D. Failure of any party at any time or times to require performance of any provisions hereof shall in no manner affect the right at a later time to enforce the provision. No waiver by either party of any condition, or the breach of any term, covenant, representation or warranty contained in this Contract, whether by conduct or otherwise, in any one of more instances, shall be deemed a further or continuing waiver of condition or covenant, representation or warranty contained in this Contract.

E. Any amendment or modification of this Contract shall be made in writing executed by the party sought to be charged thereby.

F. Wherever used herein, the singular shall include the plural, the plural shall include the singular and the use of any gender shall include all other genders.

G. The captions and Section headings contained herein are for convenience only and shall not be used in construing or enforcing any of the provisions of this Contract.

H. This Contract may be executed in two (2) or more counterparts, each of which shall be deemed an original hereof, but all of which, together, shall constitute a single agreement. Signatures transmitted by .pdf email shall be deemed effective, whether or not hard copy original signatures are exchanged.

I. As used in this Contract, the "Effective Date" shall be date on which this Contract has been fully executed by Seller and Purchaser.

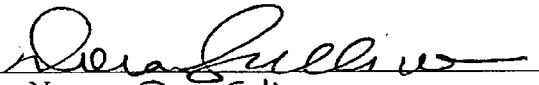
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SIGNATURE PAGES TO FOLLOW**

IN WITNESS WHEREOF, Purchaser and Seller have caused this Contract to be executed on their behalf and any party executing this Contract warrants that such party has the authority to do so.

**SELLER:**

**MUNICIPAL CORPORATION OF CAPE CHARLES,**  
a political subdivision of the Commonwealth of Virginia


Date: 6/28/2012

By:  (SEAL)  
Name: Dora Sullivan  
Title: Mayer

**PURCHASER:**

**ECHELON RESOURCES, INC.,**  
a Virginia corporation

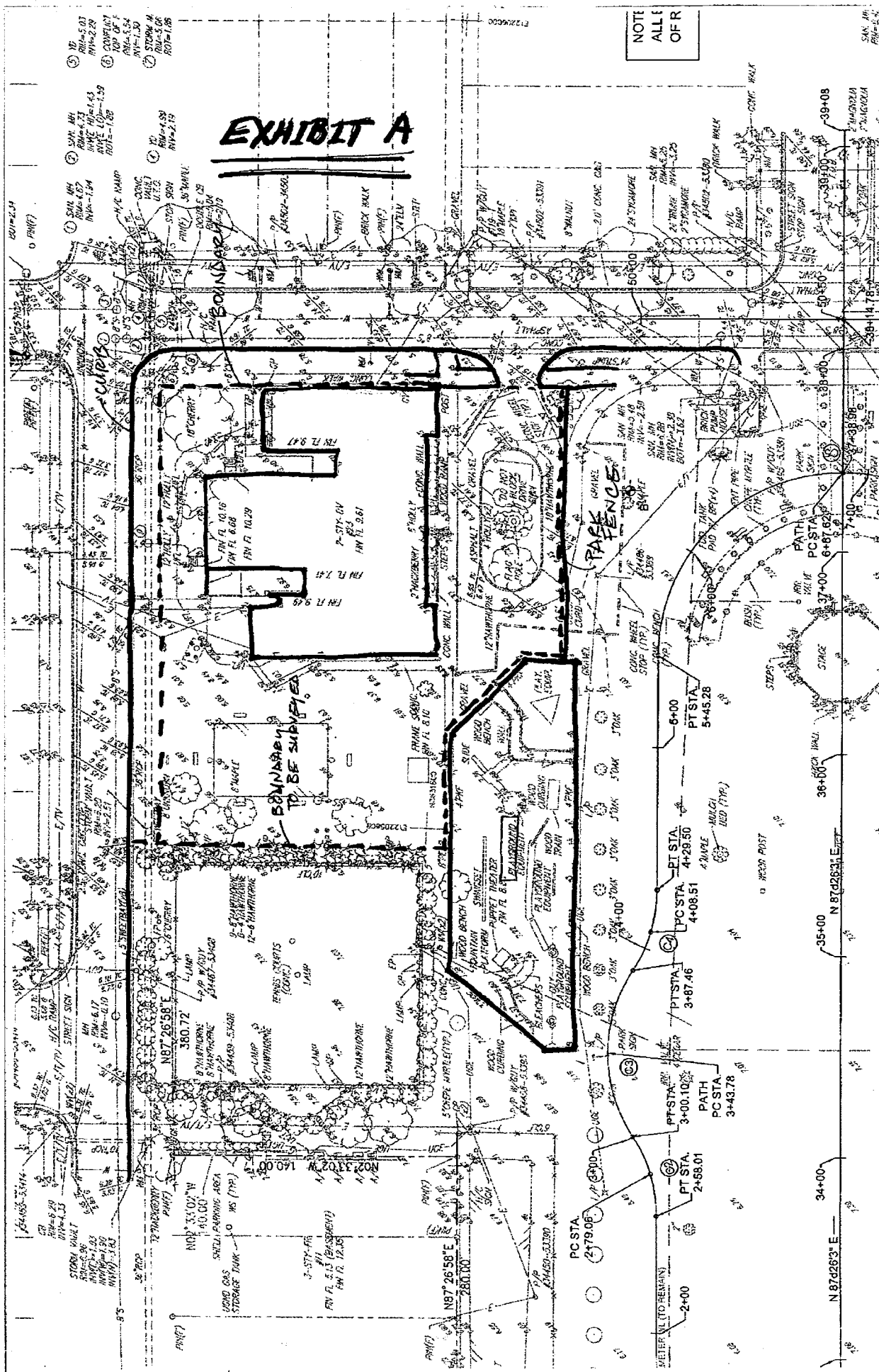
Date: 6/20/2012

By:  (SEAL)  
Name: Edwyn Goston  
Title: President

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**EXHIBIT "A" TO PURCHASE CONTRACT**  
**DESCRIPTION OF REAL PROPERTY - ATTACHED**

NOTE  
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**EXHIBIT "B" TO PURCHASE CONTRACT**

**PERSONAL PROPERTY**

All personal property on or attached to the real property except the following:

1. Any Town documents.
2. Several municipal office benches and former church pews.
3. A U.S. Army Corps of Engineers Global Positioning System transmitter and ancillary equipment.
4. Video monitoring cameras mounted on the exterior.
5. A small wooden storage shed between the playground and basketball court.

The above items will be removed prior to closing.