

DEVELOPMENT AGREEMENT

THIS AGREEMENT is made and entered into this 7th day of May, 2009, by and between, Captain's Cove Group, LLC ("Developer"), a Maryland limited liability company, and Captain's Cove Golf and Yacht Club, Inc. ("CCGYC"), a Virginia non-stock corporation;

WHEREAS, CCGYC is an association of homeowners in the Captain's Cove subdivision in Accomack, Virginia ("Captain's Cove"); and

WHEREAS, CCGYC desires to establish a strategy that will guide the continued development of utilities and roads, with utilities including but not limited to water, wastewater, electricity, phone, cable TV and other related utilities within Captain's Cove; and

WHEREAS, CCGYC shall have the authority to install such utility and road infrastructure and to approve the location and scope of any extension of such utilities and roads; and

WHEREAS, CCGYC has purchased common area parcels, roads, utility lines/easements and other rights of way necessary for the development and maintenance of road and utility infrastructure located within Captains Cove previously owned by Captains Cove Utility Company, Inc., and/or Developer, and CCGYC shall be the sole public or private entity allowed to design, build, own and manage utilities (except Electricity) and roads within Captain's Cove and desires to assume complete and sole operational control and management authority for all roads and utilities constructed within Captain's Cove; and

WHEREAS CCGYC further desires to operate and maintain said utilities and roads in accordance with Virginia state regulations and accepted best management practices and in furtherance of this to implement rules and regulations for the use of said infrastructure and to charge such sums as it deems just and proper for the use of same, including but not limited to operations and management costs and long term capital replacement costs, and;

WHEREAS, Developer owns lots located within Captains Cove and desires to sell said lots; and

WHEREAS, Developer will be severely restricted in its ability to sell said lots if water, wastewater, electricity, and roads are not available to said lots; and

WHEREAS, this Agreement does not entitle Developer to land densities greater than those allowed under state or local law, or waive any building restrictions imposed by state or local law, nor does it require CCGYC to provide any utilities beyond water, wastewater and electric; and

NOW, THEREFORE, in consideration of these premises, Developer and CCGYC hereby covenant and agree as follows:

1. Purpose.

This Agreement sets forth in detail the terms and conditions under which Developer will contribute to CCGYC for the design and construction of the roads (“Roads”) and water, wastewater, and electricity (the “Utilities”) for all lots owned by Developer and to specify the rights and obligations of each party hereto. CCGYC shall be solely responsible for the selection of the technology, the system design, and construction of roads and Utilities, but may at any time contract with Developer or other

qualified third parties by separate agreement for construction and maintenance of roads according to its construction specifications, provided that CCGYC retains ownership of said roads.

2. Initial Evaluation of Road and/or Utilities Extensions.

The Developer may in writing request CCGYC to prepare an estimate of the costs associated with the extension of Roads and/or Utilities (as may be specified in the request) to a designated section (the "Designated Section") of Captain's Cove (the "Request"). Within 120 days of receipt of a request (the "Request Date") from Developer along with a non-refundable payment of \$2500.00 CCGYC will perform an initial evaluation (the "Initial Evaluation") of the Request for extension of roads and Utilities to the Designated Section of Captain's Cove and will give Developer an estimated cost of extending the infrastructure set forth in the Request. As part of the Initial Evaluation of the project, CCGYC will determine the technology and system design necessary to provide the requested Utilities to the Designated Section.

Absent the prior consent of CCGYC, the Developer shall not submit a request for an extension of Roads and/or Utilities for 18 months after the Closing on CCGYC's acquisition of the stock of Captain's Cove Utility Company, Inc. and the initial increase in assessments following Closing, nor at any time, shall the Developer submit requests for more than 2 contiguous numbered sections in Captain's Cove in any 12 month period.

3. Preliminary Budget for Design, Permitting and Construction of Roads and Utilities.

After receipt of the Initial Evaluation on a Request, the Developer may in writing request CCGYC to prepare a preliminary budget ("Preliminary Budget") for designated sections to which the Developer desires roads and/or Utilities extended (the "Project").

Within 120 days of the receipt of the request for a Preliminary Budget CCGYC will provide Developer with a Preliminary Budget for the Project divided into the following components (collectively referred to herein as "Construction Costs"):

- a) the cost, including but not limited to administration and initiation costs, of the design and permitting of the road and Utility extension (the "Design Costs"), and;
- b) the costs for the extension of the roads ("Road Costs"), and;
- c) the cost for the extension of the Utilities ("Utility Costs").

The Preliminary Budget will calculate the per lot cost of each component by dividing the component cost by the total number of lots Served by the Project, where the sum of the per lot component costs shall be the total "Construction Cost Per Lot" Served by the Project.

For the purposes of this Agreement, the term "Served by the Project" shall mean those lots that will become buildable as a result of the Project. The lots Served by the Project shall be determined as part of the Final Budget as defined in Section 6 below.

The Preliminary Budget will be valid for a period of 90 days from the date it is delivered to Developer. After 90 days, CCGYC may re-calculate the Preliminary Budget.

Upon the election to proceed with a Project, the Developer shall pay to CCGYC for the Construction Costs an amount equal to the Construction Cost Per Lot multiplied

by the number of lots owned by Developer that are Served by the Project (the "Developer's Share"). The payments shall be made in accordance with the procedure and schedule set forth in paragraphs 5 and 6 below. For the purposes of the calculation of the Developer's Share, the Developer shall be deemed to own those lots Served by the Project that are owned by the Developer on the Request Date or at any time during the 5 years immediately preceding the Request Date.

4. Decentralized Wastewater Design Modification and Approval.

In the event that CCGYC opts to utilize clustered decentralized wastewater technology in order to provide wastewater service to a section of Captain's Cove, CCGYC shall determine the location and size of the treatment area, selection of treatment technology and the type and manner of effluent dispersal. CCGYC shall comply with state and federal regulations concerning dispersal technology and whether treated effluent must be dispersed or discharged. Should such regulations allow increased density or re-location of green spaces, CCGYC agrees to assist the Developer with any revised approval process that may be desired by Developer.

5. Payment for Design and Permitting.

Once Developer has received and reviewed the Preliminary Budget with CCGYC, Developer may elect to proceed with the Project, by submitting a payment to CCGYC equal to the Developer's Share of the Design Costs ("the Design and Permitting Payment"). CCGYC will not begin any design or permitting work of any kind on the Project until it receives the Design and Permitting Payment.

CCGYC will apply the Design and Permitting Payment towards the budgeted costs for design and permitting and in the event that Developer's Share of the actual

costs for design and permitting are less than the Design and Permitting Payment, CCGYC will credit Developer for the difference as set out below. In the event that the Developer's Share of the actual costs for design and permitting are more than the Design and Permitting Payment, Developer will pay CCGYC the difference before any additional work is done on the Project.

Within 10 business days of the receipt of the Design and Permitting Payment, CCGYC will schedule a meeting with Developer in order to develop a specific time-line for performance of all necessary tasks by CCGYC and Developer for design and permitting of the Project.

CCGYC will also coordinate this time-line with the relevant Virginia agencies so that its permitting requirements are reflected in the time-line. CCGYC will make every effort to expedite the permitting process and will apply for and hold all permits required by Virginia agencies in its name. CCGYC recognizes that time is of the essence and will make every effort to follow the time-line and to expedite the design, permitting and construction of the project.

6. Payment for Construction of Initial Phases.

Once CCGYC has completed the design of the roads and utilities, CCGYC will review the Preliminary Budget and make any necessary adjustments to the Construction Costs based on the final design. Any such adjustments will be provided to Developer. CCGYC shall submit to Developer a final budget (the "Final Budget") which shall contain a schedule of payments for the Project based upon actual expenses projected for the Project.

Within 30 days from receipt of the Final Budget Developer may elect to proceed by submitting to CCGYC a Notice to Proceed accompanied by the Developer's Share of the first payment required by the schedule of payments set forth in the Final Budget.

CCGYC may refuse to connect Utilities and/or construct any on-lot wastewater components for Developer or its assigns until any final sums owed by Developer pursuant to this paragraph are paid in full for such lot.

Failure to make any of said agreed upon payments within 30 days of written demand shall constitute a breach of this agreement and CCGYC will be entitled to retain all sums paid up to that point as liquidated damages, or in the alternative pursue any other remedies at law.

CCGYC shall not be required to commence construction if doing so would create an imminent risk of unavoidable default in its financial obligations. In the event that construction cannot commence immediately, CCGYC shall take all reasonable measures to obtain the funds necessary and shall commence construction as soon as possible.

7. Infrastructure Fees.

Developer will be allowed to add a fee equal to the final per lot Construction Costs to the sale price of each lot. . This fee is designed to compensate Developer for the actual costs of the utility extension project and Developer agrees not to add any additional cost to the sale price of a lot that serves as a connection or tap fee. This will allow CCGYC to sell lots it may own within the numbered section at a price comparable to lots sold by Developer.

8. Operation and Maintenance of System.

CCGYC shall assume full responsibility for the operations and maintenance of the roads, water and wastewater. CCGYC will handle any emergency service calls from customers as promptly as possible. CCGYC will handle all billings and shut-offs for non-payment.

9. Easements.

Developer shall grant to CCGYC such easements as are required for the practical construction, operation and maintenance of any Utilities. Developer shall, upon request, execute and deliver to CCGYC such deeds or other instruments as may be necessary to grant such easements before CCGYC begins actual design of the utilities extension project. Mortgagees, if any, holding prior liens or easements on the property shall be required to release such liens, subordinate their positions or join in the grant or dedication of easements or rights-of-way. It will be Developer's responsibility to obtain such documents before CCGYC begins the design of the Project.

The use of easements granted by Developer to CCGYC may also be used for CCGYC for cable television, telephone, and other utilities.

10. Wastewater Easement.

Prior to conveying any lot subject to a Project, Developer shall grant CCGYC, or its assigns, a right-of-way and/or easement for the installation and maintenance of components necessary for a decentralized wastewater collection system to that lot. CCGYC shall prepare and submit to Developer such documents and/or plats as may be necessary to identify and create the easement required by this Paragraph.

11. Effluent Re-Use.

The parties agree that CCGYC will have exclusive ownership of all effluent produced by any wastewater system.

12. Notices.

All notices provided for herein shall be in writing and either mailed or hand delivered to Developer at:

Roger Young
6014 South Point Road
Berlin, MD 21811

With a copy to:

Mark R. Baumgartner, Esq.
Pender & Coward, P.C.
222 Central Park Ave., Suite 400
Virginia Beach, VA 23462

and to CCGYC at:

General Manager
Captain's Cove Golf and Yacht Club, Inc.
3370 Captain's Corridor
Greenbackville, VA 23356

With a copy to:

Michael A. Inman, Esquire
Inman & Strickler, P.L.C.
575 Lynnhaven Parkway, Suite 200
Virginia Beach, VA 23452

13. Entire Agreement.

This Agreement incorporates and includes all prior negotiations, correspondence, agreements or understandings between the parties, and the parties agree that there are no commitments, agreements or understandings concerning the subject matter of this Agreement that are not contained in this document. Further, this Agreement is binding upon the heirs, assignees, and transferees of both parties.

14. Modification of Agreement.

No modification, amendment or alteration in the terms or conditions contained herein shall be effective unless contained in a written document executed by the parties.

15. Virginia Law.

This Agreement shall be governed and construed in accordance with Virginia law and venue of any action to enforce the terms of this Agreement shall be in Accomack County, Virginia if filed in state court.

16. Effective Date.

This Agreement shall become effective only after the approval of the United States Bankruptcy Court for the District of Maryland (the "Bankruptcy Court") in the chapter 11 proceedings of the Developer and those certain Agreement of Sale and Stock Purchase Agreement both dated May 7, 2009 between the Parties.

IN WITNESS WHEREOF, Developer and CCGYC have executed this Agreement as of the date and year first written above.

DEVELOPER:

CAPTAIN'S COVE GROUP, L.L.C.

By:
Name:
Its:

CCGYC:

CAPTAIN'S COVE GOLF & YACHT CLUB, INC.

By:
Its: