

PRELIMINARY
EXHIBIT "B"
TERMS & CONDITIONS OF AUCTION
"WaterBound at Smith Lake"
County Road 351
Crane Hill, Cullman County, Alabama
August 15, 2009

These "Terms and Conditions of Auction" supersede all other printed and oral statements and will be attached to and become a part of the **PURCHASE AND SALE AGREEMENT** ("Agreement"), which will contain the precise conditions of sale and will prevail over this document and any other agreement between the Buyer and Seller.

The National Auction Group, Inc. ("Auction Company/Auctioneer") has entered into a contract with **THE WATERSOUND GROUP, LLC., an Alabama limited liability company**, hereinafter referred to as "Seller", to sell real estate described as **waterfront lots and water view lots located in WaterBound Subdivision, Cullman County, Alabama**, hereinafter referred to as the "Property". We are selling real estate only together with all rights, members and appurtenances thereto and together with all improvements and fixtures located thereon. Two waterfront lots and two water view lots will be sold at absolute auction.

The Seller has the right, in its sole discretion, for any or no reason, to change or modify these terms and conditions, to add or withdraw any lot or lots, prior to the start of the bidding for each separate lot or lots, by gavel of Auctioneer, before or at the Auction on **August 15, 2009**.

All information contained in the advertising and promotion of this sale has been provided by the Seller and is believed to be true and correct. The Auctioneer reserves the right to announce any additional terms and conditions before or during the Auction. The Auctioneer makes no warranty or guarantee as to the correctness and completeness of any information. All information is subject to actual verification thereof by bidder(s)/prospective Buyer(s) prior to commencement of the auction, and bidding constitutes evidence of bidder's (s') acceptance of these terms and satisfactory verification of any information received or relied upon by any such bidder(s)/prospective Buyer(s).

All properties are selling subject to any existing rights-of-way, easements, encroachments, zoning regulations, governmental agency regulations, environmental conditions, leases, adverse possession, restrictions, sewer assessments and all other matters of record.

Purchaser acknowledges that WaterBound is a master planned community created by recordation of The Articles of Incorporation of WaterBound Owner's Association, Inc., to be recorded prior to closing in the public records of Cullman County, Alabama. Purchaser further acknowledges that all property within WaterBound is subject to the covenants and restrictions contained in the Declaration of Restrictions, Conditions and Covenants for WaterBound to be recorded prior to closing in the public records of Cullman County, Alabama, a copy of said Declaration is attached hereto as Exhibit "E", and that every owner of property within WaterBound,

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including Purchaser, will automatically be a member of the WaterBound Owner's Association, Inc., and shall be obligated to pay assessments to such Association pursuant to the Articles of Incorporation of WaterBound Owner's Association, Inc. Purchaser hereby agrees that Purchaser, its agents, employees and subcontractors will comply fully with the Articles of Incorporation of WaterBound Owner's Association, Inc., as it may be amended from time to time, the By-Laws of the WaterBound Owner's Association, Inc., and the Declaration of Restrictions, Conditions and Covenants for WaterBound, as it may be amended from time to time by the Seller.

THE PLAT OF THE PROPOSED WATERBOUND SUBDIVISION WILL BE RECORDED UPON COUNTY APPROVAL AND PRIOR TO CLOSING. IN THE EVENT THAT THE PLAT IS NOT APPROVED AND RECORDED PRIOR TO SEPTEMBER 14, 2009, THE PURCHASE AND SALE AGREEMENT CAN BE VOIDED AT THE BUYER'S SOLE DISCRETION AND ANY EARNEST MONEY DEPOSIT BEING HELD BY CHARLES G. ROBINSON, ATTORNEY AT LAW, P.C., WILL BE REFUNDED TO THE BUYER. IF THE PURCHASE AND SALE AGREEMENT IS NOT VOIDED BY THE BUYER, THE SELLER SHALL HAVE THE OPTION OF EXTENDING THE CLOSING DATE UNTIL ON OR BEFORE OCTOBER 14, 2009.

All Property will be sold "AS IS, WHERE IS", "WITH ALL FAULTS, IF ANY". No warranties, either statutory or otherwise, expressed or implied, of any kind whatsoever, including those as to the fitness for a particular use or purpose, habitability, merchantability, quality of construction, or environmental condition [including without limitation, the presence or absence of asbestos, lead-based paint, or any hazardous substances, hazardous wastes, petroleum or petroleum by-products (collectively "Hazardous Materials")] concerning or with respect to the Property are given by the Seller or the Auction Company.

All bidders acknowledge and agree by their participation in the Auction, that the bidder has inspected the Property and is not relying on any warranty or representation of Seller or Auctioneer, or any agent thereof, and that the bidder is buying the Property "AS IS, WHERE IS" and "WITH ALL FAULTS, IF ANY".

All bidders must register and receive a bid number in order to bid. In order to obtain a bid number, a prospective Buyer will be required to provide a personal check, business check or certified funds made payable to **Charles G. Robinson, Attorney at Law, P.C., ("Escrow Agent")**, issued on a U.S. bank, or other funds acceptable to Seller, in the amount of **Five Thousand Dollars (\$5,000.00) per lot ("BIDDER DEPOSIT")**.

Two (2) waterfront lots will be sold absolute. The lots will be bid by the dollar (U.S.) and will be sold by the "High Bidder's Choice" method. The highest bidder in the initial round of bidding shall have the choice of all available lots in each individual group as designated by the Auctioneer. After the initial round of bidding and once the High Bidder's choice has been made, a new round of bidding shall begin for the waterfront lots as designated by the Auctioneer, with the highest bidder for that round choosing from the remaining available lots in each individual group as designated by the Auctioneer.

Two (2) water view lots will be sold absolute. The lots will be bid by the dollar (U.S.) and will be sold by the "High Bidder's Choice" method. The highest bidder in the initial round of bidding shall have the choice of all available lots in each individual group as designated by the Auctioneer. After the initial round of bidding and once the High Bidder's choice has been made, a new round of bidding shall begin for the water view lots as

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designated by the Auctioneer, with the highest bidder for that round choosing from the remaining available lots in each individual group as designated by the Auctioneer.

All decisions of the Auctioneer shall be final, including but not limited to, decisions on matters such as method of bidding, increments of bidding, disputes among bidders and any other issues that may arise before, during or after the sale.

The successful bidder shall be required to sign the Purchase and Sale Agreement and pay an Earnest Money Deposit ("Deposit") equal to Ten Percent (10%) of the Total Purchase Price immediately following the Auction. The Total Purchase Price shall be the winning high bid plus a Buyer's Premium equal to **Ten percent (10%)** ("Buyer's Premium") of the winning high bid. The Earnest Money Deposit shall be the Bidder Deposit with the balance of the Earnest Money Deposit being paid by certified funds, personal check or company check immediately after being declared the Buyer.

The Deposit will be held in a non-interest-bearing, escrow account under the control of **Charles G. Robinson, Attorney at Law, P.C.**, ("Escrow Agent"/"Closing Agent") at **229 East Side Square, Huntsville, Alabama 35801; Phone No.: (256) 517-1500**, pending closing and in accordance with the terms of the Agreement. No disbursement will be made from these escrow accounts until closing or as otherwise set forth in accordance with the Purchase & Sale Agreement. In the event a Buyer fails to close and pay his or her balance when due, the Deposit paid by the Buyer shall be paid to the Seller as liquidated damages in addition to any other remedies available to the Seller.

CLOSING: Closing shall take place on or before **September 14, 2009**, ("Closing Date"), or in accordance with the Purchase & Sale Agreement or such date as mutually agreed upon by Seller and Buyer in writing. Taxes for the current year shall be prorated to the date of closing. Buyer will be responsible for any subsequent assessments for prior years due to any changes in the usage of the property, if applicable. Seller shall have paid all real property taxes that are due and owing as of the Closing Date. Seller will deliver a special warranty deed on the property, free and clear of all liens and encumbrances, conveying the Property, except as is otherwise provided in the Agreement. Each party shall pay its own closing costs as enumerated in Exhibit "D" of the Agreement and its own attorneys' fees. **POSSESSION SHALL BE UPON CLOSING AND FUNDING.**

TERMS: Ten percent (10%) Earnest Money Deposit on Auction Day payable by personal check, business check, certified funds or other funds acceptable to the Seller with the balance due at closing.

1031 EXCHANGE: It is understood that Seller or Buyer may wish to make a like kind tax-deferred exchange, therefore; Seller or Buyer shall have the right to assign their rights to an intermediary for the purposes of effecting a like kind exchange pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended ("Section 1031", "exchange", or a "tax-free exchange"). Seller and Buyer agree to execute any documents as reasonably necessary to effect such an exchange. The exchanging party will pay any costs associated with said exchange.

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AUCTION COMPANY NOTICE OF AGENCY RELATIONSHIP: The Auction Company is acting as agent for the Seller in this transaction and is to be paid a fee by the Seller pursuant to a separate written agreement between Seller and the Auction Company. The Auction Company is not acting as agent for the Buyer in this transaction. Any third party broker is not a subagent of the Auction Company.

THERE WILL BE A TEN PERCENT (10%) BUYER'S PREMIUM ADDED TO THE WINNING BID PRICE TO ARRIVE AT THE TOTAL PURCHASE PRICE. THIS BUYER'S PREMIUM WILL BE PAID BY THE BUYER.

THE NATIONAL AUCTION GROUP, INC. IS THE SELLER'S AGENT ONLY AND MAKES NO REPRESENTATION CONCERNING THIS PROPERTY WHATSOEVER.

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