

PRELIMINARY
TERMS & CONDITIONS OF AUCTION
“PALAZZO CONDOMINIUMS”
17281 Front Beach Road
Panama City Beach, Bay County, Florida
August 2, 2008

ORAL REPRESENTATIONS CANNOT BE RELIED UPON AS CORRECTLY STATING THE REPRESENTATIONS OF THE DEVELOPER. FOR CORRECT REPRESENTATIONS, REFERENCE SHOULD BE MADE TO THE PURCHASE AGREEMENT AND THE DOCUMENTS REQUIRED BY SECTION 718.503 FLORIDA STATUTES TO BE FURNISHED BY DEVELOPER TO A PURCHASER OR LESSEE.

The National Auction Group, Inc. (“Auction Company/Auctioneer”) has entered into a contract with **ISLAND BREEZE, LLC., a Florida limited liability company**, (hereinafter referred to as “Seller” and sometimes referred to as “Developer”) to sell **28 condominium units at Palazzo, a Condominium, located at 17281 Front Beach Road, Panama City Beach, Bay County, Florida** (hereinafter referred to as “Property” and sometimes referred to as “Unit”) 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 unit or all units, prior to the start of the bidding for each separate Unit or Units, by gavel of Auctioneer, before or at the Auction on **August 2, 2008**.

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 Purchaser(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 Purchaser(s).

The Property will be sold subject to conditions, covenants and agreements of The Declaration of Condominium of Palazzo, a Condominium, and any Exhibits annexed thereto, By-Laws and Rules and Regulations of Palazzo Owners Association, Inc., current taxes, applicable zoning ordinances or other land use restrictions, conditions, limitations, utility service agreements, reservations, covenants, restrictions and easements of record at the time of closing.

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Purchaser shall be entitled to such statutory warranties as are deemed granted to Purchasers of new condominium Units by the Developer in accordance with Section 718.203, Florida Statutes. Such warranties are in lieu of all other warranties express or implied.

All bidders must register and receive a bid number in order to bid. In order to obtain a bid number, a prospective Purchaser will be required to provide a personal check, company check or certified funds made payable to **Destin Land & Title, Inc.**, issued on a U.S. bank, or other funds acceptable to Seller in the amount of **Fifteen Thousand Dollars (\$15,000.00) per unit for the 1 bedroom condos, Twenty-Five Thousand Dollars (\$25,000.00) for the 2 bedroom condos, or Thirty-Five Thousand Dollars (\$35,000.00) per unit for the 3 bedroom condos (“Bidder Deposit”)**.

The units will be bid by the dollar (U.S.) and will be sold by the “High Bidder’s Choice” method for each Unit Type Group (three bedroom, two bedroom or one bedroom). The highest bidder in the initial round of bidding shall have the choice of all available units in the Unit Type Group 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 Unit Type Group designated by the Auctioneer, with the highest bidder for that round choosing from the remaining available units in the Unit Type Group 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 Agreement and pay an Earnest Money Deposit (“Deposit”) equal to Ten Percent (10%) of the total purchase price immediately after being declared the successful bidder. 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 include 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 successful bidder.

The Earnest Money Deposit will be held in an escrow account under the control of **Destin Land & Title, Inc.**, hereinafter referred to as Escrow Agent/Closing Agent, located at **4475 Legendary Drive, Destin, Florida 32541; Phone No.: (850) 654-4358**, to be held at **BankTrust, 34855 Emerald Coast Parkway, Destin, Florida 32541**, in the account of **Destin Land & Title, Inc., Real Estate Trust Account**, pending closing and in accordance with the terms of the Purchase Agreement. No disbursement will be made from this escrow account until closing or as otherwise set forth in accordance with the Purchase Agreement.

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Should the Purchaser fail to close or to pay the Deposit within the time period set forth in the Purchase Agreement, such non-performance shall constitute a default under the Purchase Agreement. In the event of any such default by Purchaser, Seller shall give Purchaser written notice of such default and allow ten (10) days from date such notice is received by the Purchaser for Purchaser to cure such default. If Purchaser shall fail to close as required by the Purchase Agreement or, as to any other default, cure such other default within such ten (10) day period, Seller shall, and does hereby have, the unrestricted option to take all of the following actions: (i) consider Purchaser in default under the Purchase Agreement; (ii) terminate all rights of Purchaser under the Purchase Agreement; and (iii) retain all sums paid to Seller or Escrow Agent (including, but not limited to any deposits paid by Purchaser, and any interest earned thereon); hereunder as agreed upon and liquidated damages and in full settlement of any claim for damages. This provision has been specifically agreed upon by the parties because the amount of actual damages is incapable of ascertainment, and default on the part of the Purchaser would have serious adverse financial effects upon the Seller, as a result of increased costs, expenses and fees having been incurred by Seller, and by its having lost the opportunity to sell the Unit to other prospective purchasers. Alternatively, in the event of Purchaser's default, Seller may pursue such other remedies as may be available to Seller at law or in equity, including without limitation, the remedy of specific performance. In no event, however, shall Seller be entitled to recover consequential or special damages arising out of Purchaser's default under the Purchase Agreement.

If for any reason consummation of this transaction is prevented after acceptance of the Purchase Agreement by Seller's inability to deliver title or to perform its obligations under the Purchase Agreement, the Purchaser shall be entitled to the refund of his Deposit, and all of the parties shall be discharged from all obligations and liabilities hereunder. Alternatively, in the event of Seller's default, Purchaser may pursue such other remedies as may be available to Purchaser at law or in equity, including without limitation, the remedy of specific performance. In no event, however, shall Purchaser be entitled to recover consequential or special damages arising out of Seller's default under the Purchase Agreement.

CLOSING: Closing shall take place on or before September 2, 2008 ("Closing Date"), or in accordance with the Purchase Agreement or such date as mutually agreed upon by Seller and Purchaser in writing. Title to the Unit shall be conveyed by **Warranty Deed** subject only to the permitted exceptions stated in Paragraph No. 6 of the Purchase Agreement. Ad valorem taxes, prepaid insurance premiums, prepaid lease fees and prepaid assessments of Palazzo Owners Association, Inc., will be prorated to the Closing Date. Each party shall pay its own attorneys fees and the closing costs as stated in the Purchase Agreement.

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POSSESSION: Permanent possession of any Unit shall be delivered to Purchaser upon Closing and funding of all of Purchaser's funds necessary to close in the form of "collected funds" such as a cashier's check, certified check or wire transfer.

TERMS: Terms shall be as follows: Ten Percent (10%) Earnest Money Deposit on Auction Day payable by personal check, company check, certified funds or other funds acceptable to the Seller with balance due at closing.

1031 EXCHANGE: It is understood that Seller or Purchaser may wish to make a like kind tax-deferred exchange, therefore, Seller or Purchaser 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 Purchaser agree to execute any documents as reasonably necessary to effect such an exchange. The exchanging party will pay any costs associated with said exchange.

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 Purchaser 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 PURCHASER.

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

RADON GAS DISCLOSURE: THE FOLLOWING DISCLOSURE IS REQUIRED BY SECTON 404.056(8), FLORIDA STATUTES, FOR ALL CONTRACTS FOR SALE AND PURCHASE OF ANY BUILDING IN FLORIDA: "RADON IS A NATURALLY OCCURRING RADIOACTIVE GAS THAT, WHEN IT HAS ACCUMULATED IN A BUILDING IN SUFFICIENT QUANTITIES, MAY PRESENT HEALTH RISKS TO PERSONS WHO ARE EXPOSED TO IT OVER TIME. LEVELS OF RADON THAT EXCEED FEDERAL AND STATE GUIDELINES HAVE BEEN FOUND IN BUILDINGS IN FLORIDA. ADDITIONAL INFORMATION REGARDING RADON AND RADON TESTING MAY BE OBTAINED FROM YOUR COUNTY PUBLIC HEALTH UNIT.

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THE PURCHASE AGREEMENT IS VOIDABLE BY PURCHASER BY DELIVERING WRITTEN NOTICE OF THE PURCHASER'S INTENTION TO CANCEL WITHIN FIFTEEN (15) DAYS AFTER THE DATE OF EXECUTION OF THE PURCHASE AGREEMENT BY BUYER, AND RECEIPT BY PURCHASER OF ALL ITEMS REQUIRED TO BE DELIVERED TO HIM BY THE DEVELOPER UNDER §718.503, FLORIDA STATUTES. THE PURCHASE AGREEMENT IS ALSO VOIDABLE BY PURCHASER BY DELIVERING WRITTEN NOTICE OF THE PURCHASER'S INTENTION TO CANCEL WITHIN FIFTEEN (15) DAYS AFTER THE DATE OF RECEIPT FROM DEVELOPER OF ANY AMENDMENT WHICH MATERIALLY ALTERS OR MODIFIES THE OFFERING IN A MANNER THAT IS ADVERSE TO THE PURCHASER. ANY PURPORTED WAIVER OF THESE VOIDABILITY RIGHTS SHALL BE OF NO EFFECT. PURCHASER MAY EXTEND THE TIME FOR CLOSING FOR A PERIOD OF NOT MORE THAN FIFTEEN (15) DAYS AFTER PURCHASER HAS RECEIVED ALL OF THE ITEMS REQUIRED. PURCHASER'S RIGHT TO VOID THE PURCHASE AGREEMENT SHALL TERMINATE AT CLOSING.

FIGURES CONTAINED IN ANY BUDGET DELIVERED TO THE BUYER PREPARED IN ACCORDANCE WITH THE CONDOMINIUM ACT ARE ESTIMATES ONLY AND REPRESENT AN APPROXIMATION OF FUTURE EXPENSES BASED ON FACTS AND CIRCUMSTANCES EXISTING AT THE TIME OF THE PREPARATION OF THE BUDGET BY THE DEVELOPER. ACTUAL COSTS OF SUCH ITEMS MAY EXCEED THE ESTIMATED COSTS. SUCH CHANGES IN COST DO NOT CONSTITUTE MATERIAL ADVERSE CHANGES IN THE OFFERING.

THE BUDGET CONTAINED IN THE OFFERING CIRCULAR HAS BEEN PREPARED IN ACCORDANCE WITH THE CONDOMINIUM ACT AND IS A GOOD FAITH ESTIMATE ONLY AND REPRESENTS AN APPROXIMATION OF FUTURE EXPENSES BASED ON FACTS AND CIRCUMSTANCES EXISTING AT THE TIME OF ITS PREPARATION. ACTUAL COSTS OF SUCH ITEMS MAY EXCEED THE ESTIMATED COSTS. SUCH CHANGES IN COST DO NOT CONSTITUTE MATERIAL ADVERSE CHANGES IN THE OFFERING.

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