

J. P. KING AUCTION COMPANY, INC.

TERMS OF AUCTION

DAUFUSKIE ISLAND RESORT & BREATHE SPA Daufuskie Island, South Carolina Thursday, October 21, 2010 at 11:00 A.M. (ET)

J. P. King Auction Company, Inc. ("King"), an Alabama corporation headquartered at 108 Fountain Avenue in Gadsden, Alabama 35901 (telephone 800-662-5464 or 256-546-5217 and facsimile 256-543-8036) and its South Carolina broker of record, Rick Gilliam ("Broker") whose address is Gilliam and Associates, 3946 Tybre Down Circle, Little River, South Carolina 29566 (King and its Broker being referred to herein collectively as "Auctioneer") have contracted with Robert C. Onorato, Chapter 11 Trustee (herein "Seller") duly appointed by the U. S. Bankruptcy Court, District of South Carolina ("Bankruptcy Court"), to offer to sell at public auction ("Auction") certain real property ("Property"). The Property is an asset owned by the debtor in bankruptcy, Daufuskie Island Properties, LLC dba "Daufuskie Island Resort & Breathe Spa" ("Debtor"), and this offering and any sale will be made under the exclusive jurisdiction and oversight of the Bankruptcy Court. These terms, plus any additions, deletions, and/or revisions announced by Auctioneer before the commencement of the Auction, represent the exclusive terms for the Auction ("Terms of Auction").

COURT APPROVAL NECESSARY: AUCTIONEER'S ACCEPTANCE OF ANY HIGH BID OR OFFER TO BUY THE PROPERTY, INCLUDING A HIGH BID OR OFFER THAT EQUALS OR EXCEEDS THE RESERVE ON THE PROPERTY (SEE SECTION 10 BELOW), IS SUBJECT TO THE SUBSEQUENT REVIEW AND APPROVAL OF THE BANKRUPTCY COURT, AND ANY SALE OF THE PROPERTY IS SPECIFICALLY CONTINGENT UPON THE PRIOR APPROVAL AND ORDER OF THE BANKRUPTCY COURT. THE BANKRUPTCY COURT RETAINS THE JURISDICTION AND POWER TO DECLINE ANY HIGH BID OR OFFER TO BUY THE PROPERTY FOR ANY REASON.

1. **AGENCY:** Auctioneer is acting exclusively as an agent for Seller and not as an agent for any Bidder or Buyer. No third-party broker is acting as a sub-agent of Auctioneer.
2. **COLLUSION:** Bid-rigging is a federal felony punishable by imprisonment and fine. Auctioneer will report all illegal conduct to the F.B.I. and cooperate with any prosecution.
3. **COPYRIGHT:** The Auction is the exclusive intellectual property of Auctioneer, covered by copyright protection, and may not be recorded, reproduced, or used in any form by anyone other than Auctioneer.
4. **PROPERTY:** The Property is described in the "Real Property Sale Contract" ("Sale Contract"), a copy of which is available from Auctioneer, online at www.jpking.com, and posted at the Auction. No personal property or other chattel property is included in this offering, the Auction, or any sale of the Property.
5. **DUE DILIGENCE:** Seller and Auctioneer do not attempt to provide Bidder with all of the information Bidder may need to make an informed decision about the Auction and Property. Bidder should obtain professional advice and conduct due diligence on the Property, title commitment (available from Auctioneer and posted at the Auction), surrounding area, all information provided by Seller or Auctioneer, "Property Information Package" (available from Auctioneer, online at www.jpking.com, and posted at the Auction), public records, these Terms of Auction, the Auction, Sale Contract, transaction contemplated, and all burdens, circumstances, defects, facts, faults, dangers, hazards, issues, items, problems, vandalism, and all other relevant matters (individually or in any combination "Property Issues"). All information provided by Auctioneer came from Seller and is believed to be accurate, but neither Seller nor Auctioneer guarantees, represents, or warrants its accuracy or completeness and Bidder should not rely upon it without independent inspection and verification from sources Bidder knows to be reliable. Seller and Auctioneer are not required to update any information provided or published and will have no liability on any basis for failing to do so.
6. **DISCLAIMER:** Participation in the Auction is at Bidder's sole risk and Seller and Auctioneer, plus their agents, contractors, and employees, will have no liability on any basis. The Property will be offered "**AS IS, WHERE IS, WITH ALL FAULTS.**" To the fullest extent allowed by law, Seller and Auctioneer unconditionally

disclaim any guarantee, representation, or warranty of every kind, whether expressed, implied, or statutory, whether oral or written, whether past, present, or future, with respect to all Property Issues, except as expressly provided in the Terms of Auction and the Sale Contract.

7. DISCLOSURES: Unless otherwise disclosed, the Property will be offered for sale and conveyed by special warranty deed free and clear of all liens, mortgages, deeds of trust, delinquent taxes, assessments and warrants, but subject to all non-monetary encumbrances such as conditions, covenants, deeds, easements, reservations, restrictions, right-of-ways, title exceptions, zoning regulations and matters of record. Maps, depictions, and sketches in any materials related to the Property are for illustration purposes only and Seller and Auctioneer do not guarantee, represent, or warrant their accuracy or completeness. Residential dwellings built prior to 1978 may include lead-based paint. Buyer of such property must immediately execute a "Lead-Based Paint Waiver" in favor of Seller to be made part of the Sale Contract, thereby waiving Buyer's right to conduct any risk assessment or inspection for lead-based paint hazards. Every Bidder should read and understand the lead hazard information pamphlet provided and the "Lead Warning Statement" in the Sale Contract. Asbestos was commonly used in building construction prior to 1981 and can pose a significant health risk if disturbed and or dislodged in a way that causes asbestos fibers to be released. This can result from pounding, sanding, sawing, scraping, tearing, removing, or other remodeling procedures involving asbestos-containing material. Molds, fungi, mildew, and similar organisms may exist in the Property (individually or collectively "Mold"). There are many types of Mold and moisture is one of the most significant factors contributing to its growth. Information about controlling and eliminating Mold growth may be available from agencies of local, state and federal government. Certain strains of Mold may cause damage to property and adversely affect the health of susceptible persons, including allergic reactions that may include skin, eye, nose, and throat irritation and infections in persons with suppressed immune systems. Experts do not agree about the nature and extent of the health problems caused by Mold or about the level of exposure that may cause such problems. Seller and Auctioneer do not represent or warrant the absence of Mold at the Property and it is Bidder's obligation to determine whether a Mold problem is present. Radon is a radioactive gas that comes from the natural breakdown of uranium in soil, rock, and water. It is drawn into buildings through foundation and other openings to the soil. The U.S. Environmental Protection Agency and Surgeon General recommend all homebuyers have an indoor radon test conducted. Radon is a Class-A carcinogen and the second leading cause of lung cancer in the U.S. A building built, improved, or renovated during the approximate timeframe beginning in 2004 to present could contain defective drywall primarily manufactured in China. The presence of Chinese or other defective drywall has been linked to corrosion and significant damage to structural systems and other elements within and on affected properties. Chinese or other defective drywall is reported to emit a strong sulfur-like odor or fume which may also cause persons to experience health problems. The only cure known for Chinese or other defective drywall is to remove and replace it. Seller and Auctioneer notify Bidders of the potential issues and problems involved with Chinese or other defective drywall and make no representation of its existence or absence from the Property and specifically disclaim any and all responsibility or liability whatsoever to Bidder, Buyer, or anyone else if it is present.

Property Specific Disclosures: Property specific disclosures will be attached to these Terms of Auction.

8. REGISTRATION: Any competent adult with a satisfactory photo identification who properly registers and complies with the Terms of Auction may bid. Auctioneer may refuse to register or expel any person who is disruptive, noncompliant, or previously caused a problem for Seller or Auctioneer. Bidder must deposit a cashier's check in the amount of One Million Dollars and No Cents (\$1,000,000.00) with Auctioneer at registration. This deposit must be in the form of a cashier's check made payable to Bidder. Any person intending to bid on behalf of another must present Auctioneer with an executed, enforceable, recorded, and unexpired power of attorney which is subject to Auctioneer's approval. The requirements for Bidder registration may be waived by Auctioneer with respect to any Bidder, without waiving same for any other Bidder. By registering, Bidder acknowledges receipt of the Terms of Auction and access to the Sale Contract and unconditionally and irrevocably agrees to be bound by both.

9. BUYER'S PREMIUM: A Three and One-Half Percent (3.50%) buyer's premium will be in effect for the Auction and added to the amount of the highest bid to arrive at the selling price for the Property ("total contract price").

10. AUCTION: The Auction will be conducted as an "auction with reserve" meaning that the Seller has established a minimum, "reserve" amount that must be exceeded by the highest bid made for the Property before Seller will submit that bid to the Bankruptcy Court for review and approval. Auctioneer's discretion in conducting the Auction includes, but is not limited to, the auction method, bid-calling, bid increments, and

determining the buyer. The decision of Auctioneer is final regarding all matters that arise before, during, or after the Auction. Seller will not bid. Bidder will not retract any bid. Bidder's purchase will be considered a single transaction whether of the whole or a fraction of the Property. The sale of any fraction of the Property will not be contingent upon the sale of any other portion thereof, whether purchased by the same Buyer or not.

11. SALE CONTRACT: This is a cash sale and not contingent upon any matter, including Buyer obtaining financing, except that any sale of the Property is made specifically contingent upon the Bankruptcy Court's prior review and approval. Buyer will immediately execute the Sale Contract and all related documents presented by Auctioneer to bind Bidder and Seller to the sale of the Property. Any Buyer attempting to purchase on behalf of a business or arm of government ("Artificial Person") will immediately execute the Sale Contract in both the Artificial Person's and buyer's names, until such time as the Artificial Person presents Auctioneer with acceptable, written evidence of the Artificial Person's good standing in its state of formation, plus written authority, in a form acceptable to Auctioneer, agreeing to be bound by the Sale Contract. The Terms of Auction are incorporated into the Sale Contract which defines the entire agreement between Seller and Buyer. The Terms of Auction complement the Sale Contract and, in the event of any conflict between them, the Sale Contract will control in all instances. Buyer will execute the Sale Contract and no addition, deletion, or revision will be permitted.

12. DEPOSIT: Buyer will immediately pay to the escrow/closing agent, in U. S. Dollars, an earnest money deposit ("Earnest Money Deposit") of no less than Twenty Percent (20.00%) of the total contract price of the Property. If for any reason Buyer fails to timely execute the Sale Contract or pay the Earnest Money Deposit, Seller has sole discretion, to: (a) pursue all legal and equitable remedies available against Buyer, or (b) declare Buyer's bid to be immediately forfeited, null, and void, without any requirement of notice, and immediately re-sell the Property to another buyer.

13. RELEASE: Bidders, Buyers, and other persons present at the Auction (collectively "Attendees") are advised that Auctioneer and its agents, contractors, employees, and/or representatives may record the Auction, related matters, and Attendees through audiotape, photography, motion pictures, and/or videotape for advertising, marketing, promotion, publicity, record, and/or trade purposes, and in consideration of being allowed to attend the Auction, Attendees unconditionally and irrevocably agree that their images and voices may be so recorded and used by Auctioneer in all types of media without territorial, time, or use limitation, and without compensation being owed or paid to Attendees by Auctioneer or Seller.

14. LEGAL CLAIMS AND ACTIONS: THE PARTIES KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, COUNTERCLAIM, OR OTHER ADVERSARIAL PROCEEDING THAT ARISES OUT OF, OR IS IN ANY MANNER RELATED TO, THE OFFERING OF THE PROPERTY AND ITS SALE, THE AUCTION, THE SALE CONTRACT, THE TRANSACTION CONTEMPLATED HEREIN, ALL ISSUES INVOLVING THE PROPERTY, AND THE RELATED DEALINGS OF THE PARTIES ("SALE ISSUES"). Any action, claim, controversy, counterclaim, dispute, or proceeding arising out of the Sale Issues and involving Seller, Bidder, Buyer, or Auctioneer, including their respective agents, assigns, attorneys, beneficiaries, brokers, directors, distributees, employees, executors, heirs, legatees, officers, representatives, shareholders, and successors in interest, in any combination, whether controlled by federal or state law, and whether an issue of law or equity, must be submitted to the Bankruptcy Court for its exclusive adjudication and determination. The prevailing party will be entitled to collect from the other its full costs associated with any Sale Issues, including reasonable attorneys' fees. Any action or other adversarial proceeding must be commenced within two (2) years from the date of the Auction or when the cause of action accrued, whichever first occurs, or it will be forever barred. The right of action will accrue, and the two-year (2) limitation period will begin to run, from the date the breach, damage, or injury is sustained and not when discovered.

15. CHOICE OF LAW, JURISDICTION, AND VENUE: Any Auction matter will be exclusively construed and governed in accordance with the laws of the State of South Carolina, without regard to its conflict of laws principles. The exclusive jurisdiction and venue for any controversy or claim between the parties will be the City of Charleston in the State of South Carolina.

16. MISCELLANEOUS: The Terms of Auction will bind Bidders and their agents, assigns, attorneys, beneficiaries, brokers, directors, distributees, employees, executors, heirs, legatees, officers, representatives, shareholders, and successors in interest. No deletion, modification, supplement, or waiver of any provision of the Terms of Auction will be made, except by Auctioneer's written revision or announcement at the Auction.