

***PUBLIC OFFERING STATEMENT***

***THE ISLANDER SUITES-  
A HOTEL IN CONDOMINIUM FORM OF OWNERSHIP***

1. The name and principal address of the Declarant:

Islander Ventures of Emerald Isle, LLC  
P.O. Box 2418  
Morehead City NC 28557

2. The name of the condominium:

The Islander Suites - a Hotel in Condominium Form of Ownership.

3. A general description of the condominium:

The Islander Suites - A Hotel In Condominium Form of Ownership will be a hotel in condominium form of ownership on Islander Drive in Emerald Isle, North Carolina. The Islander Suites will be a phased development with Phase I consisting of forty-four (44) Units. There will be one two-story building. The buildings will have cement board siding. The condominium is being created in the hotel building formerly occupied by the Islander Motor Inn. Construction of the project is scheduled to begin in September of 2007 and is scheduled to be completed in July of 2008.

The condominium will be administered by an owners association (the "Association") named ISLANDER SUITES OWNERS' ASSOCIATION, INC.

The common amenities will be a swimming pool.

3A. Hotel operation required:

The Town of Emerald Isle zoning regulations require The Islander Suites - A Hotel in Condominium Form of Ownership to be operated as a hotel and prohibit the ownership and occupation of the Units as either a primary or secondary residence of Unit Owners. Likewise, the Emerald Isle zoning regulations prohibit ownership and use of any Unit at the Islander Suites for residential occupancy in any respect other than as a transient guest similar to a non-owner transient guest. All condominium units must be utilized in a manner consistent with Emerald Isle Zoning. In order to comply with the Emerald Isle zoning regulations all Units must be available for short term rentals and Unit Owners may occupy their Units only on a transient basis. The Declarant,

until management and control is assumed by the Association, and then the Association, will be responsible for zoning compliance, and the Declarant and the Association will have the authority to subject all Units to rules and regulations relating to the hotel operation, including a requirement that all Units participate in a hotel management program using one designated onsite manager approved by the Declarant and/or the Association for the handling of front desk management and on-site property management of the hotel operations (the "Hotel Manager"), although bookings may be handled by the owners or an agent of their choosing, as necessary to insure zoning compliance.

THE DECLARANT MAKES NO REPRESENTATION, EXPRESS OR IMPLIED, REGARDING THE EXPECTED OCCUPANCY RATE OF UNITS IN THE HOTEL OR THAT THE UNITS WILL RECEIVE ANY REVENUES, INCOME OR PROFIT AS A PARTICIPANT IN THE HOTEL OPERATION.

"POOLING" OF ANY REVENUES FROM UNITS IN THE HOTEL OPERATION IS STRICTLY PROHIBITED.

PURCHASERS OF UNITS WILL BE REQUIRED BY THE TERMS OF THE DECLARATION OF UNIT OWNERSHIP TO COOPERATE WITH SUCH HOTEL MANAGER FOR THE ON-SITE MANAGEMENT OF THE UNITS AND THE HOTEL OPERATIONS. THE DECLARATION WILL REQUIRE THAT THE UNIT OWNERS REQUIRE GUESTS TO CHECK IN AND OUT WITH THE HOTEL MANAGER, AND THAT THE UNIT OWNERS WILL ASSURE THAT THE HOTEL MANAGER IS APPRISED OF ALL RESERVATIONS AND RENTAL AND OCCUPANCY INFORMATION (INCLUDING USE BY THE UNIT OWNER), AND RATES FOR RENTAL OF THE UNITS. THE HOTEL MANAGER SHALL BE REQUIRED TO KEEP ON-SITE RECORDS OF ALL RATES AND OCCUPANCY, INCLUDING DATES OF OCCUPANCY (INCLUDING USE BY THE UNIT OWNER) AND NAMES AND ADDRESSES OF GUESTS, OF ALL OF THE UNITS TO ASSURE COMPLIANCE WITH THE REGULATIONS REQUIRING OPERATION AS A HOTEL. ZONING REGULATIONS DO NOT PROHIBIT UNIT OWNERS FROM ARRANGING THEIR OWN RENTALS OR FROM USING A RENTAL AGENT OF THEIR CHOOSING FOR MARKETING AND BOOKINGS OF THEIR UNIT, HOWEVER OWNERS SHALL BE REQUIRED BY THE TERMS OF THE DECLARATION TO COOPERATE WITH AND USE THE ON-SITE HOTEL MANAGER SELECTED BY THE ASSOCIATION FOR THE ADMINISTRATION AND ON-SITE MANAGEMENT OF THEIR UNITS.

4. The number of units in the condominium:

The hotel in condominium form of ownership shall initially consist of forty-four (44) units. Declarant has the right to add additional units in phases to the development.

4A. Developer's reserved development rights:

Declarant reserves the right to develop additional units in phases within the west side of Building A and reserves the

right to develop additional units within Building B (see Page 13 regarding proposed phases). Declarant reserves Development Rights as provided in the Act and the right to add up to fifty-six (56) additional units to the project bringing the total number of Units to one hundred (100).

The maximum number of units per acre will be established by the Town of Emerald Isle zoning ordinances as amended from time to time. There is no schedule for adding the additional units. Declarant's right to add the additional units shall be exercised by recording in the Office of the Register of Deeds of Carteret County, North Carolina, an amendment to the Declaration, which amendment shall not require the joinder of the Association, Unit Owners, mortgage holders or any third party, and which amendment specifically describe the units to be created to the Declaration. All additional units will be restricted to use as a hotel, in condominium form of ownership, consistent with applicable zoning, and shall be restricted to occupancy by transient guests, and unit owners only when acting as transient guests as provided in 3A herein.

Upon the creation of additional units, the Declarant reserves the right, in the amending of the Declaration, to reduce the percentage ownership in the Common Elements of Units previously created on a pro rata basis, and such reduction as a result of the creation of the additional units shall not be considered to "materially and adversely impact the rights of the owner of any Unit on the Property". The percentage of ownership in the Common Elements for any Unit Owner shall not be reduced below one percent (1%).

Declarant shall have no obligation to add any additional units, and may add units in phases at different times and from time to time. However, the right of add units reserved herein shall expire on December 31, 2030.

If Declarant adds additional units within Building A and Building B, Declarant reserves the right to change the size of units, the footprint of the both of the Buildings in order to accommodate the additional units. The Declarant will use the same architectural styles and quality of construction for all future phases.

Declarant may, but is not required to, include amenities in future phases of the Condominium. Such amenities will be designated Common Elements and open to use by all Unit Owners unless Declarant designates same as Limited Common Elements and allocates the use and costs to the Units exclusively benefited by the same.

Declarant makes no limitation as to the location of any

building or other improvements that may be made within any part of the condominium except to the extent the Declarant is limited by local, state and federal land use regulations.

Limited Common Elements in future phases may or may not be of the same or general types, sizes, and proportions as the Limited Common Elements in the initial phase or phases.

The restrictions in the Declaration that affect use, occupancy, and alienation of units will generally apply to units annexed in the future.

The assurances made in this section 4A do not apply in the event that any development right is not exercised by the Declarant.

The Declarant's development rights will include the right to reserve easements over, and to grant easements over, the Condominium property, in order to facilitate access, egress, and installation and maintenance of utilities, to and from the additional Units and to facilitate the construction of any additional Units. These rights are more particularly set forth in the Declaration.

5. Condominium documents:

A copy of the proposed Declaration, any other Covenants, Conditions, Restrictions and Reservations affecting the condominium known to Declarant, and the proposed By-Laws of the Association are attached to this Public Offering Statement.

6. Balance sheet/budget:

A current balance sheet and a projected budget for the Association for one year after the date of the first conveyance are attached to this Public Offering Statement. Occupancy has no bearing on the budget and it is not anticipated that inflation will impact on this initial budget. The projected budget was prepared by the Declarant.

7. Declarant services:

The Declarant provides no services and pays no expenses which are not reflected in the budget.

8. Working capital - insurance payment - estimated dues:

Upon the initial transfer of title from the Declarant to the Purchaser of each Unit, the Purchaser will pay the Association an amount equal to three months' estimated owner's dues as working capital and the first year's

insurance premium on the Unit. Dues and assessments (including insurance assessments) for a Unit prepaid by the Declarant will be prorated between Declarant and purchaser at closing for the remaining term of the particular assessment.

The monthly dues/assessments for each Unit are set forth on page 12 of this Public Offering Statement. Amounts paid by the Purchasers into the working capital fund are not refundable and are not to be considered as advance payments of monthly Association dues.

The purpose of the working capital fund is to provide the Association with available cash to meet expenditures, or to acquire additional equipment or services deemed necessary or desirable by the Board of Directors.

9. Status of title:

The liens, encumbrances, or defects known to the Declarant that affect the title to the condominium are as follows:

- (a) The Declaration of Condominium for The Islander Suites - A Hotel In Condominium Form of Ownership and the Bylaws of Islander Suites Owners' Association, Inc. and the plats and plans of Islander Suites.
- (b) Building setback lines, utility easements, drainage easements, and other matters set forth on that plats recorded in Map Book 13, Page 80, in the Office of the Register of Deeds, Carteret County, North Carolina and Map Book 30, Page 894, in the Office of the Register of Deeds, Carteret County.
- (c) Title below the mean highwater mark of the Atlantic Ocean.
- (d) Rights of the federal and state governments, and the general public, with respect to the ownership and use of all lands, and waters, lying below the mean highwater mark of the Atlantic Ocean and lands that have been created through artificial means. This property is also subject to the rights of the federal government to control navigable water and the public right of access to any navigable water.
- (e) Littoral and riparian rights incident to Atlantic Ocean.
- (f) A deed of trust from Islander Ventures of Emerald Isle, LLC to TRSTE, Inc., Trustee for Wachovia Bank, National Association dated March 21, 2007 in the amount of \$4,761,000.00 recorded in Book 1215, Page 440, Carteret

County Registry. This deed of trust will be released as to each condominium unit as it is sold.

- (g) Right of way to Carolina Telephone and Telegraph Company recorded in Book 36, Page 7 Carteret County Registry.
- (h) Beach renourishment easement to the Town of Emerald Isle recorded in Book 1065, Page 323, Carteret County Registry.
- (i) Right of way to Carteret Craven Electric Membership Corporation recorded in Book 155, Page 109, Carteret County Registry.
- (j) Right of way to Bogue Banks Water & Sewer recorded in Book 314, Page 480, Carteret County Registry.
- (k) Pavement encroachment on western boundary line of property by the Town of Emerald Isle related to public beach access.

10. Warranty:

Upon closing, the Declarant warrants each unit as follows:

- (a) For a period of one year from closing Declarant will make all necessary repairs and corrections to the condominium and unit that shall become necessary by reason of defects in labor or materials upon written notice of the defect from Purchaser.
- (b) Manufacturers' or vendors' warranties or guarantees, if any, on materials, fixtures, appliances, and components, to the extent assignable, are deemed assigned without recourse by Declarant to Purchaser at closing. Declarant will deliver to Purchaser at closing all warranty forms in his possession. Purchaser is responsible for compliance with any notice and claim procedures set forth therein. Declarant does not adopt and is not bound by any such warranty or guarantee and purchaser will seek enforcement of any such warranty or guarantee exclusively against the issuing entity.
- (c) DECLARANT MAKES NO WARRANTY EXPRESS OR IMPLIED OTHER THAN CONTAINED IN THIS SECTION.

11. Right of rescission:

Each purchaser must receive a copy of this Public Offering Statement before signing a contract for purchase and no conveyance can occur until seven (7) calendar days following

the signing of a contract for purchase. The purchaser has the absolute right to cancel the contract during the seven (7) calendar days.

12. No litigation:

There are no judgments or pending suits against the Association, and there are no pending suits material to the condominium of which Declarant has knowledge.

13. Earnest money:

All deposits made in connection with the purchase of a unit will be held in an escrow account with Declarant's attorney, Kirkman, Whitford, Brady and Berryman, P.A., 710 Arendell Street, Morehead City, North Carolina 28557 pursuant to G.S. 47C-4-110(a).

Following the expiration of the purchaser's right to cancel as set forth herein all earnest money will be transferred to the Declarant and the earnest money shall become NON-REFUNDABLE. Declarant may use the earnest money to help pay renovation and construction costs. All earnest money will be applied to the purchase price of the Unit at closing.

14. No restraints on alienation:

The Declarant knows of no restraints on alienation of any portion of the condominium.

15. Insurance:

Hazard insurance on the units at The Islander Suites - A Hotel in Condominium Form of Ownership will be in the amount of the replacement cost of the Condominiums. Premises liability insurance on the common elements in the amount of THREE MILLION FIVE HUNDRED and no/100 (\$3,500,000.00) DOLLARS, will be placed on the Condominium at the time of closing of the first sale of unit by Declarant.

NOTE: OWNER SHOULD SECURE AN INDIVIDUAL LIABILITY INSURANCE POLICY FOR LOSSES INCURRING WITHIN HIS UNIT, AND SHOULD SECURE CONTENT INSURANCE, AND SHOULD SECURE INSURANCE FOR THAT PART OF THE CONDOMINIUM STRUCTURE DEEMED A PART OF THE UNIT AND OWNED BY THE PURCHASER.

16. Fee for use of common elements:

There are no current or known future fees or charges to be paid by unit owners for the use of the common elements and other facilities related to the condominium except those to be included in the assessments levied by the Owners Association. Although not a fee for use of the common elements, Owners may incur fees to a rental manager or booking agent of their choosing for marketing and obtaining bookings of their Units in the furtherance of the hotel operations.

17. Zoning:

The zoning for the condominium is by the Town of Emerald Isle, North Carolina. The zoning district is Business (B3) which does not permit residential condominiums. As a result, the zoning requires that the project be a hotel in condominium form of ownership.

18. Alienation of common elements:

Any common element may be alienated or conveyed in accordance with Section 47C-3-112.

This the \_\_\_ day of \_\_\_\_\_, 2008.

Islander Ventures of Emerald Isle, LLC

By: \_\_\_\_\_ (SEAL)  
Manager

THE ISLANDER SUITES - A HOTEL IN CONDOMINIUM  
FORM OF OWNERSHIP

BALANCE SHEET

as of July 15, 2008

Assets	-	\$ -0-
Liabilities	-	\$ -0-
Equity	-	\$ -0-

ISLANDER SUITES OWNERS' ASSOCIATION, INC  
ESTIMATED BUDGET FIRST TWELVE MONTHS OF OPERATION  
PHASE I

ESTIMATED REVENUES & WORKING CAPITAL

Monthly dues from 44 units @ \$225.00 per month	\$ 118,800.00
Insurance assessment from 44 Units @ \$350.00 per year	\$ 15,400.00
Working capital from 44 Units @\$675.00 (per Unit)	\$ 29,700.00
Declarant Contribution*	<u>\$ 109,800.00</u>
TOTAL ESTIMATED REVENUES & WORKING CAPITAL	\$ 273,700.00

ESTIMATED EXPENSES:

Pest Control	\$ 1,800.00
Grounds Maintenance	\$ 2,400.00
Exterior Building Maintenance	\$ 12,000.00
Trash Removal	\$ 4,800.00
Cable TV	\$ 9,000.00
Phone and Internet Service	\$ 10,800.00
Utility Charges	\$ 48,000.00
Waste Treatment	\$ 30,000.00
Insurance- General Liability and Casualty	\$ 28,000.00
Association Administration Fee	\$ 24,000.00
Pool Maintenance	\$ 6,000.00
Bill Board Advertising	\$ 18,000.00
Gas	\$ 10,800.00

Miscellaneous \$ 14,400.00

Estimated reserves for capital improvement \$ 24,000.00

TOTAL ESTIMATED EXPENSES &  
ESTIMATED RESERVES FOR CAPITAL IMPROVEMENTS \$244,000.00

ESTIMATED REVENUES & WORKING CAPITAL  
OVER ESTIMATED EXPENSES & ESTIMATED  
RESERVES FOR CAPITAL IMPROVEMENT \$ 29,700.00

\* Declarant reserves the right to reduce its contribution to the Association as additional units are added to the Condominium and the Association begins to receive assessments from those units. This reduction shall be in an amount equal to the monthly dues assessed by the Association on each unit which is added to the Condominium.

THE ISLANDER SUITES  
OWNERS' ASSOCIATION, INC.  
PROPOSED MONTHLY ASSOCIATION DUES

The monthly dues for each unit shall initially be \$225.00. In addition, it is expected that the Association will assess insurance to each unit on an annual basis. The first year's insurance premium is \$350.00 and will be collected at closing. Dues and assessments are subject to change by the Owners Association as per the Declaration and Bylaws.

THE ISLANDER SUITES  
PROPOSED CONDOMINIUM PHASES

Phase I:	Units 101-120, Building A Units 210-220, Building A Units 139-140, Building A Units 239-240, Building A
Phase II:	Units 133-138, Building A Units 233-238, Building A
Phase III:	Units 127-132, Building A Units 227-232, Building A
Phase IV:	Units 121-126, Building A Units 221-226, Building A
Phase V:	Units 301-320, Building B

ACKNOWLEDGEMENT OF RECEIPT OF PUBLIC OFFERING STATEMENT

A copy of this Public Offering Statement and attachments were received by the undersigned in connection with the purchase of Unit \_\_\_\_\_ The Islander Suites - A Hotel in Condominium Form of Ownership, on the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

\_\_\_\_\_  
Buyer (SEAL)

\_\_\_\_\_  
Buyer (SEAL)