

# PUBLIC OFFERING STATEMENT

## MARSH HARBOUR INN

A FRACTIONAL OWNERSHIP PROPERTY

21 Keelson Road, Bald Head Island, North Carolina 28461

**MARSH HARBOUR INN** (the "Property") is a converted bed & breakfast containing eleven (11) Units located at 21 Keelson Road, Bald Head Island, Brunswick County, North Carolina 28461. The Property is owned by Zarnoch Hyson, LLC, a North Carolina limited liability company, 120 E. Moore Street, Southport, North Carolina 28461 (the "Developer"). The Property has been or will be dedicated to fractional ownership pursuant to a Declaration of Covenants, Conditions and Restrictions for Fractional Interests at Marsh Harbour Inn recorded or to be recorded by the Developer in the Brunswick County Register of Deeds (the "Fractional Interest Declaration").

**1. FRACTIONAL INTEREST.** You are purchasing **FRACTIONAL INTEREST \_\_\_\_\_, MARSH HARBOUR INN.** Such Fractional Interest consists of a one-one hundred forty-third (1/143) undivided fee simple interest in the Property as a tenant-in-common (with the owners of the other Fractional Interests), together with the right to use and occupy the Unit assigned to your Fractional Interest and certain of the Common Area in accordance with and subject to the terms, conditions and restrictions set forth in the Fractional Interest Declaration and in any amendments and/or modifications thereof. Upon the purchase of your Fractional Interest, you may use the Unit assigned to your Fractional Interest and certain of the Common Area during the Use Periods assigned to your Fractional Interest in accordance with, and subject to, the terms, covenants and conditions set forth in the Fractional Interest Declaration.

**2. TOTAL COST.** Your total financial obligation as the purchaser of the above-referenced Fractional Interest is as follows:

<b>Purchase Price of Fractional Interest</b>	\$ _____
<b>Earnest Money Deposit:</b>	( _____ )*
<b>Balance of Purchase Price Due at Closing</b>	_____
<b>Fixed Closing Costs:</b>	_____ **
<b>Initial Installment(s) of Annual Maintenance Fee:</b>	_____
<b>Total Amount Due at Closing</b>	\$ _____

\*Includes the initial and any subsequent installment payment(s) of the Earnest Money Deposit.

\*\*Includes the following closing costs: closing attorney's fees, title insurance premium (owner's policy only) and recording costs (general warranty deed only). The Developer will pay all other closing costs exclusive of any loan closing costs, legal fees and costs charged by any attorney retained by you and the cost to record any mortgage or deed of trust. You will be responsible for, and shall pay at closing, any and all such loan and other costs and fees.

You will be responsible for payment of an annual maintenance fee which shall be set, and which may be increased or decreased from time to time, by the Marsh Harbour Inn Owners Association, Inc. (the "Association"). The annual maintenance fee for the current Fractional Interest Year is \$ \_\_\_\_\_, payable in quarterly installments of \$ \_\_\_\_\_ each. Payment of the quarterly installment of the current annual maintenance fee for the quarter in which closing occurs (prorated as of the closing date) and a prepayment of the quarterly installment of the annual maintenance fee for the next quarter are due, in full, at closing. Annual maintenance fees for each subsequent Fractional Interest Year will be due and payable in quarterly installments unless the payment frequency is changed by the Association's Board of Directors. If you do not pay your annual maintenance fee when due, you may be prevented from using your assigned Use Periods. In addition, you may be subject to collection efforts by the Association or the management entity which may include the placing of a lien upon your Fractional Interest and the foreclosure of such lien.

**3. THE ASSOCIATION.** The Association will be incorporated as a North Carolina nonprofit corporation prior to the initial closing of the purchase and sale of a Fractional Interest. Membership in the Association is mandatory. The Association will own the Common Furnishings (as defined in the Fractional Interest Declaration) and each Amenity (as defined in the Fractional Interest Declaration) and will be responsible for the fractional ownership management of the Property, including the Units and the Common Area, the Common Furnishings and each Amenity, including the establishment of an operating budget, assessment and collection of maintenance

fees and special assessments, and the day-to-day general management, repair, maintenance, upkeep and improvement of the Property, the Common Furnishings and each Amenity. Each Fractional Interest will be entitled to one (1) vote in the Association regardless of the number of Owners of each Fractional Interest. The Developer will also have one (1) vote for each Fractional Interest owned by it. No voting rights attach to any rights in any Maintenance Period. The Association's Board of Directors will consist of not less than one (1) nor more than nine (9) members. Any natural person shall be eligible for election or appointment as a director and/or an officer of the Association, regardless of whether he/she is a member of the Association.

**4. MANAGEMENT.** The responsibility for the operation and management of the Property will be delegated to the Association pursuant to the terms of the Fractional Interest Declaration. The Fractional Interest Declaration also provides that the Association may contract with a third-party management firm to perform some or all of the Association's responsibilities and duties with respect to the operation and management of the Property. The Developer anticipates that the Association will contract with Bald Head Island Rentals, LLC to operate and manage the Property for the Association. The Association or the management firm will collect maintenance fees and special assessments and maintain the Property, the Common Furnishings and each Amenity pursuant to maintenance reserve policies adopted from time to time by the Association. The Association or the management firm will maintain, for your inspection, copies of the Association's bylaws and the documents which create and govern the fractional ownership regime at the Property. These documents will be available for inspection by Owners at the office of the Association or the management firm during business hours each Monday through Friday, except legal holidays.

**5. FRACTIONAL OWNERSHIP INTERESTS.** The Property will be divided into one hundred forty-three (143) Fractional Interests. Each Fractional Interest will be assigned one (1) Unit. Each Fractional Interest will also be assigned four (4) Use Periods during each Fractional Interest Year in accordance with the schedule set forth in the Fractional Interest Declaration. The Owner of a Fractional Interest will be entitled to use and occupy the Unit assigned to his Fractional Interest during each of the Use Periods assigned to his Fractional Interest. The Developer will pay annual maintenance fees and special assessments with respect to each Fractional Interest owned by the Developer.

**6. INTEREST CONVEYED.** The Developer will convey to each purchaser of a Fractional Interest a one-one hundred forty-third (1/143) undivided interest in the Property as a tenant-in-common (together with the owners of the other Fractional Interests in the Property), free and clear of all encumbrances and exceptions other than those covenants, conditions and restrictions (including restrictions and limitations regarding the use and occupancy of the Unit and the Common Area) set forth in the Fractional Interest Declaration and any restrictive covenants, easements and other matters of record.

The Fractional Interest Declaration provides that the initial term of the Marsh Harbour Inn fractional ownership regime will expire on December 31, 2027 unless, prior thereto, the Owners exercise their option to renew and extend such term for an additional period of twenty (20) years in the manner prescribed in the Fractional Interest Declaration. There are no restraints against the transfer of any Fractional Interest by either deed or will; provided, however, that any Owner who wishes to sell his/her Fractional Interest must first offer to sell such Fractional Interest to the other Owners and the Developer as provided in the Fractional Interest Declaration.

**7. RIGHT TO CANCEL. UNDER NORTH CAROLINA LAW, EACH PURCHASER OF A FRACTIONAL INTEREST IN THE PROPERTY MAY CANCEL HIS/HER PURCHASE FOR FIVE (5) DAYS FOLLOWING THE SIGNING OF THE PURCHASE AGREEMENT. TO CANCEL A PURCHASE OF A FRACTIONAL INTEREST, THE PURCHASER MUST MAIL OR HAND DELIVER WRITTEN NOTICE OF HIS OR HER DESIRE TO CANCEL THE PURCHASE TO THE DEVELOPER, ZARNOCH HYSON, LLC, 120 E. MOORE STREET, SOUTHPORT, NORTH CAROLINA 28461. THE NORTH CAROLINA REAL ESTATE COMMISSION RECOMMENDS THAT THE PURCHASER USE REGISTERED MAIL, OR CERTIFIED MAIL, AND RETAIN THE RECEIPT OF PROOF OF THE DATE THE NOTICE WAS MAILED. UPON PROPER CANCELLATION, ALL PAYMENTS IN CONNECTION WITH THE SALE WILL BE REFUNDED TO THE PURCHASER. IF THE PURCHASER PAID BY CHECK, AND THE CHECK HAS NOT YET CLEARED AT THE TIME OF THE RECEIPT BY THE DEVELOPER OF THE NOTICE OF INTENT TO CANCEL, THE PAYMENT WILL BE REFUNDED TO THE PURCHASER WHEN THE CHECK HAS CLEARED THE BANK.**

**8. RECORDATION OF FRACTIONAL INTEREST INSTRUMENT.** Pursuant to North Carolina law, an instrument conveying a Fractional Interest in the Property must be recorded in the Office of the Register of Deeds for the county in which the Property is located in order to protect that interest. Consequently, unless the Purchase Agreement is terminated as provided therein, or unless otherwise expressly provided in the Purchase Agreement, the Developer will cause a general warranty deed to be recorded in the Office of the Register of Deeds of Brunswick County, North Carolina, not later than one hundred eighty (180) days following the date on which you sign the Purchase Agreement. All payments made by you will be delivered to an independent escrow agent upon the expiration of the ten (10) day escrow period as required by statute.

**9. EXCHANGE PROGRAM.** Marsh Harbour Inn is not affiliated with any fractional ownership, interval ownership, co-ownership or time share exchange program.

**10. RENTAL AND RESALE.** You may lease or rent any Use Period (or part thereof) assigned to your Fractional Interest during any Use Period assigned to your Fractional Interest. You may also sell your Fractional Interest. The Developer and/or the Association may, but are not required to, offer a rental and/or a resale program. The Developer does not and cannot guarantee that you will be able lease or rent the Unit assigned to your Fractional Interest during any Use Period assigned to your Fractional Interest or sell your Fractional Interest. If neither the Developer nor the Association offers a leasing, rental or resale program and you desire to lease or rent the Unit assigned to your Fractional Interest during any Use Period assigned to your Fractional Interest, or sell your Fractional Interest (subject to the re-sale requirements contained in the Fractional Interest Declaration), you may be required to utilize your own resources or the services of a qualified real estate agent. The Developer and/or the Association may also designate the real estate broker(s) and/or firm(s) which shall be authorized to lease or rent any Unit.

**11. MINIMUM SALES/CANCELLATION OF TRANSACTION.** It is the Developer's intent to effect simultaneous closings of not less than \_\_\_\_\_ (\_\_\_) Fractional Interests in the Property on or before \_\_\_\_\_, 20\_\_\_, which period may be extended, in the sole discretion of Developer, for an additional period not to exceed sixty (60) days. In the event the Developer is unable to effect simultaneous closings of the sale of not less than \_\_\_\_\_ (\_\_\_) Fractional Interests in the Property on or before \_\_\_\_\_, 20\_\_\_, or any extended closing date as provided above, the Developer will have the right to cancel each Fractional Interest transaction and refund any Earnest Money Deposit. Additional closing contingencies may be contained in the Purchase Agreement.

The Developer also reserves the right, in its sole discretion, to market the Property as a whole-ownership property contemporaneously with its marketing of Fractional Interests in the Property. Consequently, in the event the Developer shall receive a contract to purchase the Property as a whole-ownership property upon terms satisfactory to the Developer, in the Developer's sole discretion, prior to the time the Developer shall have received contracts to purchaser a total of not less than \_\_\_\_\_ (\_\_\_) Fractional Interests, all of which must close on or before \_\_\_\_\_, 20\_\_\_, or any extended closing date as provided above, the Developer will have the right to cancel each Fractional Interest transaction and refund any Earnest Money Deposit.

**12. OCCUPANCY.** Regardless of the date on which the purchase and sale of any Fractional Interest shall close, the Developer reserves the right, in its sole discretion, to restrict any purchaser of a Fractional Interest from occupying or otherwise using the Property prior to \_\_\_\_\_, 20\_\_\_, in order to complete improvements to and/or the furnishing of the Property or any part thereof.

**13. NATURAL HAZARDS.** The Property is not ocean front. It is, however, located in close proximity to the ocean and is, therefore, subject to natural hazards including, without limitation, high winds and flooding from hurricanes, tidal surges, etc. Although the Association will obtain standard form fire and casualty and flood insurance on the Property, such insurance may not cover all damage to the Property which may result from any such hazards. **CONSEQUENTLY, EACH PURCHASER OF A FRACTIONAL INTEREST SHALL ASSUME THE RISK OF ANY AND ALL UNINSURED DAMAGE TO THE PROPERTY RESULTING FROM ANY SUCH NATURAL HAZARDS.**