



Club Ocean Villas II TSOA

A Newsletter for the Owners of Club Ocean Villas II TSOA

President's Message

Ok Owners – Alright – Ok

We have been listening; we have heard you! Many have said it for several years and even more owners in recent years have expressed their opinions and views:

“Our units are old – look old, worn and drab; When are you going to do something? Can't you change some things? etc. etc.”

We know; we agree – wholeheartedly! Even though our timeshare units are only 20 years old (most are and the last ones are nearly that age); and even though our maintenance program regularly repairs and replaces worn out or broken equipment, fixtures, carpeting, doors & windows and so forth, as needed . . . they still are old and look it!

Your Board of Directors has analyzed how it can best respond to your needs and satisfy your wants; has investigated what the city code and officials will and will not allow; has solicited a number of contractors and vendors to determine their interest and costs; and we have sought ideas from them, our management team and our owners.

We learned that we couldn't change the units' configuration or incorporate any unique additions due to code and city restraints. We discovered

some contractors considered our timeshare resort too small or restricted; or they were too expensive.

The fire in Building C-20 was a horrible event and it caused quite a negative impact on those unit owners, created hardships on all owners and the associations, and it brought overall extra expense. However, at the same time, it became a catalyst for bringing forth considerable discussion of the need to rehabilitate and renovate our units.

Because there was extensive damage in several units and considerable water and related damages in numerous others, the Board recognized the opportunity was there to make some changes. We decided to upgrade the interiors simultaneously with the restoration work ordered by the resort condominium association. This decision was made with the knowledge that we must go all the way and provide the same for all the remaining owners; and that the specific renovations ordered must preserve the original character while integrating more quality and content.

The Board of Directors has developed a plan to renovate and furnish the units while continuing operations and without imposing limitations or restraints on the use of the resort. It is our hope that this does not cause unreasonable demands on your resources. Our actions were predicated on your wishes and we trust that we have your continued support and cooperation.

ANNUAL MEETING, October 20, 2007, 11:30 AM at the Princess Royale

The Club Ocean Villas II Timeshare Owners Association Annual Meeting is scheduled for 11:30 AM on October 20, 2007. Your Notice of meeting and proxy card will be arriving soon. We will be serving coffee, tea, doughnuts, and muffins at the resort at 9:30 AM. Please come to see the newly renovated units. After breakfast, the annual meeting will be held, just up the block at the Princess Royale. A light lunch will be served after the meeting. There are two Board of Director positions up for election this year. If you are interested in serving on the Board of Directors, or on an association committee, please fill out the nomination form on the website, www.COV2.com, click on the owners information link to find the nomination form. Please detach and return the form on page 3 of this newsletter if you plan on attending the meeting and the preview of the renovated rooms.

The Plan

From the Board of Directors

The Board developed this plan to renovate and upgrade our units in the most feasible manner we could devise; at the most effective cost; and in the most logical way and time that permit everything to function normally as it gets done.

Due to the fire in Building C-20, we began the plan by integrating the renovations with the reconstruction work in those eight units. The Board intends to continue renovations to all the residential units in the timeshare association.

The program will be accomplished over the next 3 years, with approximately 20 completed during the late fall through early spring of each year, beginning around November 2007. Experience tells us this is the only viable time-frame we can utilize to conduct the construction work and not seriously disrupt owners or operations. Obviously, we cannot stop functioning; and we cannot relocate owners within the resort at any other time of the year.

The cost for renovating and upgrading the 68 units will be financed through the Replacement Reserve. However, the current total of funds in the reserve available for this purpose are nowhere near adequate to achieve this project. The costs are considerable and are currently estimated at approximately \$ 3,600,000.00.

The reserve provision in the operating budget will be increased by about \$ 1,020,000.00 in each of the next 3 years. This ensures that sufficient monies will be added to the reserve to sustain the project and allow it to continue. It also assures us that we have funds for the other obligations without depleting the reserve.

With the reserve provision, the operating budget and the individual interval maintenance fee increases dramatically during the next three years. Because we are estimating the costs and the work is scheduled over time, any ultimate differences between estimated and actual costs will be adjusted in the last year of the project.

Since there will be significantly higher fees during the plan period, our management company (**Defender Resorts, Inc.**) is offering you various

options for making your payment. You will be able to make incremental payments; lump sum, and automatic payments; and a number of methods available. You may contact the management company to make arrangements. Also, for owners, who want to and can afford it, you may prepay and earn a discount.

The increase to the annual reserve provision amounts to \$394.00 or \$1,182.00 for the 3 years for each weekly interval; due to so many external, uncontrollable expenses being a part of our operating budget, owners must anticipate that there will be some increases in these areas as well. In fact, the 2008 Operating Budget required an additional \$15.00 increase because of higher expense costs expected for various categories.

The Board recognizes that some owners may think this is an ambitious program; and feel the renovations should be stretched over a longer period. Their feelings, most probably, would be prompted by a desire to reduce the annual fee; but still get the upgrading and modernizing of the units.

We feel compelled to point out that such an approach could risk losing the contractor, who needs certain minimum work and adequate volume to justify taking the engagement and mobilizing it's personnel, machinery and equipment. Reducing the number of units further for each phase and extending the overall time to complete could easily prompt the stronger, larger company to withdraw. Many of the initial companies contacted rejected our inquiry because of the limited work in each phase. Further, stretching out the time frame of the renovations could expose us to higher costs due to rising prices of labor and materials; and the continued availability of like equipment, appliances, fixtures and construction materials becomes less certain.

The Board of Directors is very aware that the higher maintenance fee during these next years will represent a big hardship for some owners and many multiple interval owners. We truly regret any and all hardships that arise. We will work with each of you to the best of our ability and in the most equitable manner. Contact the management company for specific information on the various acceptable payment plans and options. Possibly, these will help.

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Club Ocean Villas II Timeshare Owners Association



Robert Ruckle, President
 Clarence Fortner, Director
 Dr. Calvin Lewis, Vice President
 Ann Dickey, Corporate Secretary
 Joseph Easley, Treasurer
 James Priestley, Director
 Jo Ann Van Billiard, Director

If you would like to contact a member of the board, please send your correspondence to their attention and mail to Defender Resorts, Inc. at P.O. Box 3849, Myrtle Beach, SC 29578 or email info@defenderresorts.com.

Replacement Reserve

Each year's Annual Operating Budget contains a line item identified as "Reserve for Replacement" in which we reflect the provision amount to be added to the reserve fund. This allocation is an association expense; it is part of the budget. It becomes part of the overall operating expense which must be paid for by the annual maintenance fee levied on each weekly timeshare interval.

Reserve funds are held separately for the cost of replacing equipment, appliances, fixtures, furnishings, and some structural elements as they wear out, are damaged, or break. These elements have less than a permanent life but a life-span greater than a year. The funds transferred into and held in the reserve are not used to pay any operating expenses.

The Replacement Reserve must provide for the unit interiors; the exterior courtyards, hot tubs, decks & stairs; exterior doors & windows, fences; the entire office/indoor pool building, including the pool and all the equipment and machinery.

Every reserve item is affixed a cost to replace value, the generally accepted life-span term and the total number of the items used in the complex. Calculations are done to determine the aggregate funds amount needed in the reserve for each inventory item; the current annual contribution necessary to reach that aggregate; and based on the individual ages of the inventory items, what the reserve balance should be at a given date. Revisions to calculations and the factors are made as new, current costs etc. become known. Periodically, reviews of the reserve components and the calculations are conducted, sometimes by outside specialists.

On October 20, 2007, I plan to attend the remodel preview at 9:30 AM and the annual meeting at 11:30 AM.

NAME: _____

ADDRESS: _____

UNIT/WEEK(S) OWNED: _____

ATTENDING: _____

Please detach and mail this form to the attention of Jonnie Foulkes at:
 Defender Resorts, Inc. 6301 N. Kings Highway, Myrtle Beach, SC 29572
 Or you may e-mail your response to: jfoulkes@defenderresorts.com

2008 Operating Budget

The Board of Directors has approved the Operating Budget for the calendar year 2008.

The per weekly interval annual maintenance fee for 2008 is \$879.00 and it is due on January 1, 2008. If your full payment is received prior to January 1st, you are entitled to the \$20.00 Early Bird Discount; and you may remit the net payment of \$859.00. If you prefer to pay monthly, management can "direct draft" your fees at \$73.25 per month beginning January 1, 2008. Please call before January 1 to effect your payment alternative. Remember, the fee will decline significantly after 3 years as we restore our reserve accounts.

The fee represents an increase of \$409.00; and that increase results from a \$394.00 increase in the Replacement Reserve provision; plus an aggregate in-

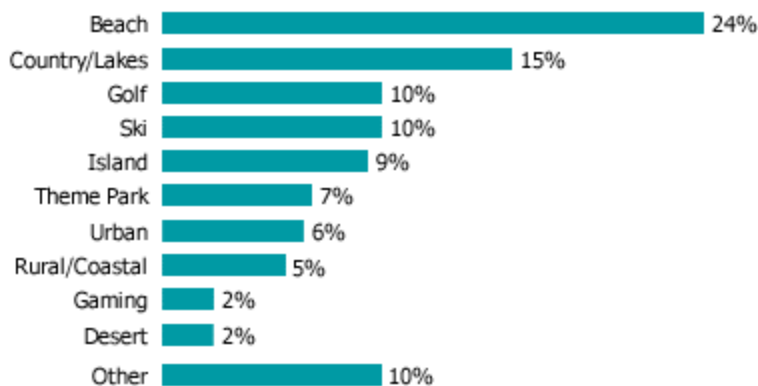
crease of \$15.00 from a number of expense categories. Higher estimates were used for the condominium dues, utilities, insurance, payroll & expenses, and legal expenses. This latter category increase is due to costs incurred whenever foreclosures against delinquent accounts occur.

Owners are encouraged to read articles elsewhere in this newsletter that directly relate to the budget. The articles are "President's Message," "Replacement Reserve," and "The Plan."

The Board realizes that this budget will surprise many owners; and that it will be harder for everyone to meet their obligation. We can only hope that the explanations shown in this newsletter will enable you to understand and agree. We are asking for your continued trust and support for your Board and Association. We believe this is what the majority of the owners want; and have been waiting for it to happen.

Timeshare resorts abound throughout the United States, offering owners access to a variety of vacation experiences. Whether it's relaxing on the beach by the ocean or speeding down black diamond trails, timeshare has it all!

Vacation Experience at U.S. Resort Location (2006)



OCEAN CITY EVENTS FALL 2007

August 31—September 2 Labor Day Weekend Arts and Crafts Festival

September 13—September 16 Delmarva Bike Week

September 20—September 23 SunFest

October 5—October 7 Oktoberfest

October 28 Halloween Spook-out Party

NOTES FROM THE REGIONAL DIRECTOR OF OPERATIONS

The long awaited day of moving back into the C-20 building arrived and we are looking forward to the owners getting a chance to view the renovated units.

You will notice several new faces at Club Ocean Villas II. Pam Cordell, General Manager for several years, has accepted the General Manager position at a Defender managed resort in Jensen Beach, Florida. Pam had a desire to move to Florida. We were delighted when Pam transferred and stayed with our company instead of leaving Defender to get to Florida. Rahman Chisty is the new General Manager. He was previously employed at Coconut Malory in Ocean City, where he served as Front Office Manager. Rahman is a dedicated professional who is most anxious to meet the highest standards of owner satisfaction.

Tish Purnell, Assistant General Manager, has accepted the promotion to General Manager at our Boardwalk One property in Ocean City. Tish has been with us over two years and has done a wonderful job at COV II. We are looking forward to great things from her at Boardwalk One. Leah Blake joined us as guest service representative. Leah is learning rapidly at the front desk and looks forward to meeting owners in person as you arrive for your stay.

The newest member to our staff is Catherine Skorochod. Catherine has previous timeshare management experience and is a 'local' to Ocean City.

Please meet new staff members as you arrive or during your stay. We look forward to seeing each of you upon your return to Ocean City.

Johnny Tramel
Regional Director of Operations

MANAGER'S CORNER

I am glad to be with Club Ocean Villas II. I joined the staff in the fall of 2006 and have experienced my first "season." Previously, I worked for another timeshare property in Ocean City. I look forward to meeting you on your next visit.

The long awaited Building C-20 reopening took place on April 13, 2007. The units have been fully renovated and will be available for viewing before the Annual Meeting, October 20th from 9:30 to 11:00 AM only.

We have replaced the exterior steps in all the units. All of our units now have DVD/VCR combination players. We have also replaced 12 hot tubs, 6 sliding doors and 8 French doors. The ramp at the office has been replaced. The fence around the courtyard has been painted. The pool building is being repainted. We now have wireless Internet available in the office lobby area and around the indoor pool area. We look forward to your comments on the upgrades.

Thank you,
Rahman Chisty
General Manager

CLUB OCEAN VILLAS II TSOA 2008 APPROVED OPERATING BUDGET

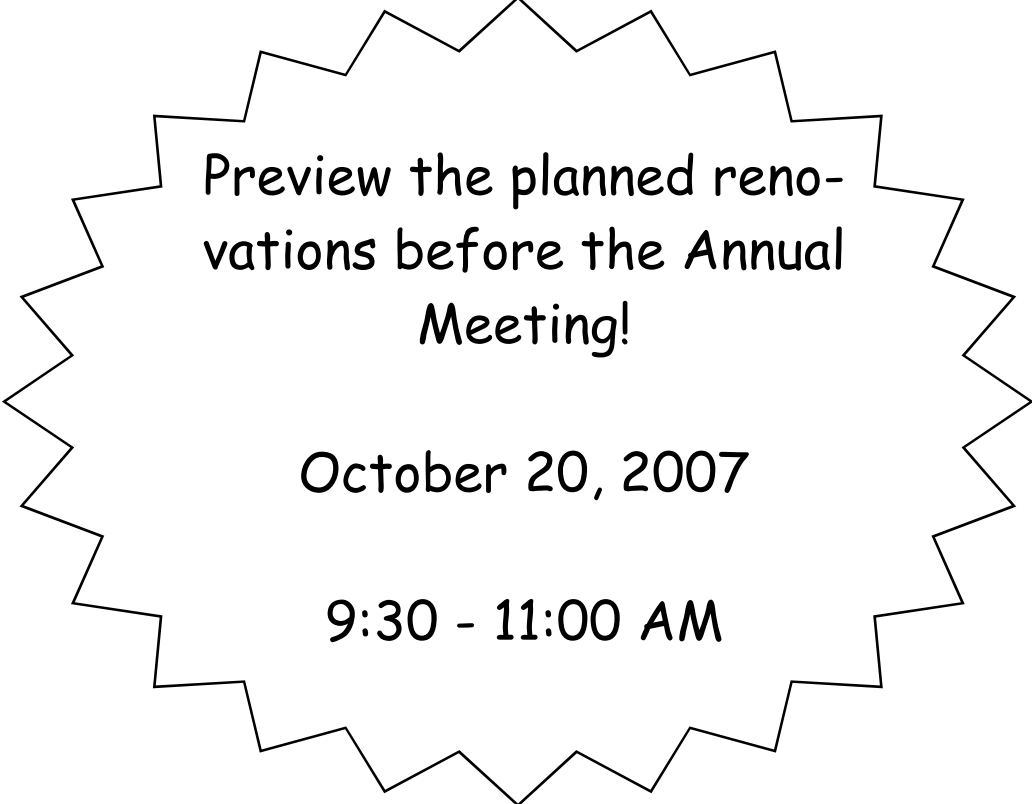
	Full	Cost Per		Full	Cost Per
	Budget	Unit/Week		Budget	Unit/Week
OPERATING REVENUE			ADMINISTRATION & GENERAL EXPENSE		
MAINTENANCE FEES- CURRENT	\$ 2,995,412	\$ 879	MANAGEMENT FEE	\$ 87,325	\$ 25
MAINTENANCE FEES- PRIOR YEARS	\$ 25,000	\$ 7	DATABASE MANAGEMENT	\$ 9,062	\$ 3
DELINQUENT LATE CHARGES	\$ 8,750	\$ 2	ACCOUNTING	\$ 5,700	\$ 2
DELINQUENT INTEREST CHARGE	\$ 9,000	\$ 3	LEGAL FEES - ORDINARY	\$ 800	\$ 0
USAGE FEE FOR PETS	\$ 7,500	\$ 2	LEGAL FEES - FORECLOSURE COST	\$ 22,500	\$ 6
TSOA RENTAL INCOME	\$ 4,500	\$ 1	DUES & SUBSCRIPTIONS	\$ 1,200	\$ 0
SALE OF WEEKS (TSOA)	\$ 7,500	\$ 2	LICENSE & FEES	\$ 1,785	\$ 1
FLEX FEE INCOME	\$ 400	\$ 0	BOARD EXPENSE	\$ 6,500	\$ 2
BANK INTEREST INCOME	\$ 7,500	\$ 2	PRINTING	\$ 5,754	\$ 2
SWIMMING POOL INCOME	\$10,200	\$ 3	POSTAGE	\$ 8,673	\$ 2
VENDING INCOME	\$ 200	\$ 0	NEWSLETTER	\$ 972	\$ 0
HOUSEKEEPING FEE	\$ 2,500	\$ 1	BANK CHARGES	\$ 850	\$ 0
MISCELLANEOUS INCOME	\$ 450	\$ 0	LOCKBOX CHARGES	\$ 1,428	\$ 0
			TRAVEL EXPENSE	\$ 900	\$ 0
TOTAL OPERATING REVENUE	\$ 3,078,912	\$ 871	OFFICE SUPPLIES	\$ 3,200	\$ 1
			MISCELLANEOUS EXPENSE	\$ 928	\$ 0
RESERVE (NET) REPLACEMENT & MAJOR REPAIR	\$ (1,285,946)	\$ (394)			
EARLY BIRD DISCOUNT	\$ (40,000)	\$ (11)	TOTAL ADMINISTRATIVE & GENERAL	\$ 157,577	\$ 45
ALLOWANCE FOR BAD DEBT (15% DELINQUENCY)	\$ (449,312)	\$ (127)			
			SALARIES & WAGES		
			SALARIES - ADMINISTRATIVE	\$ 90,521	\$ 26
NET OPERATING REVENUE	\$ 1,303,654	\$ 369	SALARIES - HOUSEKEEPING	\$ 105,172	\$ 30
			CONTRACT CLEANING SERVICE	\$ 43,000	\$ 12
OPERATING EXPENSES			SALARIES - MAINTENANCE	\$ 94,516	\$ 27
UTILITY EXPENSE			MATCHING 401K	\$ 2,627	\$ 1
ELECTRICITY INTERIOR UNITS & OFFICE	\$ 176,426	\$ 50	EMPLOYEE/RESORT INCENTIVE	\$ 2,641	\$ 1
PROPANE-POOL	\$ 14,017	\$ 4			
TELEPHONE (CONDOMINIUM UNITS)	\$ 9,500	\$ 3	TOTAL SALARIES & WAGES	\$ 338,477	\$ 96
TELEPHONE (OFFICE)	\$ 3,000	\$ 1			
WATER & SEWER	\$ 24,374	\$ 7	PAYROLL TAXES & BENEFITS		
CABLE TELEVISION	\$ 23,979	\$ 7	PAYROLL TAX	\$ 25,352	\$ 7
			WORKERS COMPENSATION	\$ 5,070	\$ 1
TOTAL UTILITY EXPENSE	\$ 251,296	\$ 71	EMPLOYEE INSURANCE	\$ 39,274	\$ 11
			PAYROLL SERVICE FEE	\$ 5,538	\$ 2
HOUSEKEEPING EXPENSE			TOTAL PAYROLL TAXES & BENEFITS	\$ 75,234	\$ 21
CLEANING & GUEST SUPPLIES	\$ 26,681	\$ 8			
CARPET CLEANING	\$ 7,500	\$ 2	LEASES & CONTRACTS		
LINEN PURCHASES	\$ 8,500	\$ 2	CONDOMINIUM ASSOCIATION DUES	\$ 147,000	\$ 42
ROOM PURCHASES	\$ 7,270	\$ 2	HEALTH CLUB MEMBERSHIP	\$ 16,800	\$ 5
LINEN (LAUNDRY SERVICE)	\$ 61,105	\$ 17	EQUIPMENT LEASE & PURCHASE	\$ 222	\$ 0
UNIFORMS	\$ 480	\$ 0	EXTERMINATING	\$ 1,788	\$ 1
			AUDIT EXPENSE	\$ 6,000	\$ 2
TOTAL HOUSEKEEPING EXPENSE	\$ 111,536	\$ 32	INCOME TAX	\$ 7,500	\$ 2
			PROPERTY TAX (COUNTY)	\$ 82,186	\$ 23
MAINTENANCE EXPENSE			PROPERTY TAX (CITY)	\$ 43,980	\$ 12
POOL EXPENSE/SUPPLIES (INDOOR)	\$ 5,750	\$ 2	GENERAL INSURANCE-CONTENTS/ LIABILITY	\$ 30,508	\$ 9
HOT TUB PARTS & SUPPLIES	\$ 1,500	\$ 0			
MAINTENANCE & SUPPLIES	\$ 26,000	\$ 7	TOTAL LEASES & CONTRACTS	\$ 335,984	\$ 95
UNIFORMS	\$ 300	\$ 0			
			TOTAL OPERATING EXPENSES	\$ 1,303,654	\$ 369
TOTAL MAINTENANCE EXPENSE	\$ 33,550	\$ 9			
			NET OPERATING INCOME	\$ -	\$ -
			2008 MAINTENANCE FEE	\$ 879	

Continued from Page 2

The Plan

With all this discussion of the planned renovations, we thought you may like to see what that work will cover. We summarize the major areas of the renovations.

- All new kitchen cabinets and counters
 - New kitchen lighting
 - New kitchen floor coverings
 - New kitchen sink and hardware
 - All new kitchen appliances
 - New washers and dryers
- All new bathroom fixtures and hardware (both bathrooms)
 - New bathroom floor coverings (both bathrooms)
 - New bathroom lighting (both bathrooms)
 - New carpeting throughout
 - New furniture throughout (except sofas/beds)
 - Painting throughout
- New exterior doors, sliders, & windows (where necessary)
 - New drapery and bedspreads
- Installing 220 electric service to courtyards for hot tubs
 - Wiring & plumbing changes where necessary
 - Repositioning HVAC wall unit (Friday units)
 - New small refrigerators, cabinets & counters (B side)
- New water heaters, central HVAC units & condensers (where necessary)



Preview the planned renovations before the Annual Meeting!

October 20, 2007

9:30 - 11:00 AM

Defender Realty's Message Board

RCI POINTS VERSUS FIXED WEEKS

Reasons Why You Should At Least Examine The RCI Points Program For You And Your Family:

...You have tried for years to get the week you want through RCI and can't get it. Now you can with Points.

...Choose the size of unit that you would like to vacation in.

...Vacation multiple weeks each year instead of one. Example: With fixed time you own one week year. Let's say it is a week 27. With Points, you can vacation almost SIX(6)WEEKS EACH YEAR.

...Vacation in higher rated resorts than you can through the weeks program.

...Stay less than 7 days on vacation and not lose the remainder of the week.

...Vacation when, where, and how you want.

...If you decide to stay at COV II on your week, you can reserve your own unit and week or split the week.

...Belong to the RCI Points Partners Program (cruises, airlines, theme parks, car rental, hotels and shopping).

...Maintenance Fee will be the same in points at COV II as it is with weeks.

BASED ON THE AMOUNT OF VACATION TIME WITH THE POINTS PROGRAM, THE INITIAL COST OF OWNERSHIP IS LOWER WITH THE RCI POINTS PROGRAM THAN IT IS WHEN YOU PURCHASE A FIXED WEEK!!!

Points Packages Are Available To Fit Your Needs And Budget. All Packages Include A Deeded Week, Cost To Convert That Week To Points, And The Closing Cost.

- PACKAGE "A" 31,500 Points
Vacation Three (3) And One Half Weeks Each Year. Only \$ 3,995.
- PACKAGE "B" 42,000 Points
Vacation Four (4) And One Half Weeks Each Year. Only \$ 6,295.
- PACKAGE "C" 52,500 Points
Vacation Almost Six (6) Weeks Each Year. Only \$ 10,495.

YOU BE THE JUDGE IF POINTS OR FIXED HAS THE MOST VALUE FOR YOUR MONEY!!!

If you decide the points program is for you and you want to convert your current week into the RCI Point Program, there is a small one time fee. Contact Don Stickle at (410) 524-8452 for complete details and pricing.



each

NEWSLETTER

*Professionally managed by:
Defender Resorts, Inc.*

Return Service Requested

**CLUB OCEAN VILLAS II TSOA
DEFENDER RESORTS
P.O. BOX 3849
MYRTLE BEACH, SC 29578**