

**Notice of 2017 Annual Meetings
of the
Board of Directors and Members
The Villas at Disney's Grand Californian Hotel Condominium Association, Inc.**

To: Kenneth M. Potrock, President and Director
Leigh Anne Nieman, Director
Mahmud Dhanani, Director

Shannon Sakaske, Director
Yvonne Chang, Director

To: Disney Vacation Development, Inc. ("DVD"), as Authorized Voting Representative for all units ("Units") declared as part of the project (the "DVC Resort") for The Villas at Disney's Grand Californian Hotel Condominium Association, Inc. (the "Association")

Attn: Kenneth M. Potrock, Senior Vice President and General Manager

Under the terms of the Master Cotenancy Agreement (the "Agreement") among DVD or Disney Vacation Club Management, LLC, as applicable, and each owner of an Ownership Interest in a Unit (the "Owner"), DVD has been designated as the Authorized Voting Representative for each Unit in the DVC Resort for any meeting of the Association.

Pursuant to the Agreement and to the applicable provisions of the bylaws of the Association (the "Bylaws"), notice is hereby given to DVD, as the Authorized Voting Representative, the Owners and the members of the Board of Directors for the Association (the "Board") that **the 2017 Annual Meeting of the Board of Directors and the 2017 Annual Meeting of the Members will take place at 11:00 a.m. PST and 11:10 a.m. PST, respectively, on Thursday, December 7, 2017, at Disney's Grand Californian Hotel Convention Center** located at 1600 S. Disneyland Drive, Anaheim, California, United States, 92802 via two-way audio. You may also attend the meetings at Disney's Contemporary Resort Convention Center, located at 4600 N. World Drive, Lake Buena Vista, Florida 32830. The purposes of the meetings are to conduct all business properly brought before the Board and the Association, including to elect the members of the Board and to review and adopt the proposed 2018 Estimated Annual Budget for the Association (the "Budget"). The meeting of each of the Boards and Associations of all Disney Vacation Club Resorts will be jointly and simultaneously held.

The following items of business will be conducted at the meetings:

(1) Resolutions to be Adopted. The following resolutions will be presented for adoption for the Association:

(a) Excess Assessments. Any assessments collected by or paid to the Association in excess of operating expenses for the year ended December 31, 2017, shall be set aside for future major repairs and replacements and allocated to capital components as provided by the guidelines established by the Internal Revenue Code under IRC Section 118 and Revenue Rulings 75-370 and 75-371. Such amounts shall be deposited into insured interest-bearing accounts and shall be allocated to the various components at the discretion of the Board.

(b) Use of Reserve Funds. The amounts assessed to fund the Capital Reserves Budget are not payments for yearly Association operating services.

(2) 2018 Estimated Annual Operating and Reserves Budget. The proposed 2018 Estimated Annual Operating and Reserves Budget for the Association will be reviewed and presented for adoption.

The resolutions outlined above and the 2018 Estimated Annual and Operating Reserves Budget will be presented at the Member Annual Meeting. As the authorized Voting Representative for each Unit of the DVC Resort, DVD has reviewed the proposed resolutions and budget and intends to cast each Unit's vote to approve the resolutions and budget when presented for approval at the Member Annual Meetings.

In addition to the matters listed above, an election will be held at the Member Annual Meeting to elect directors to the Board. DVD, as the authorized Voting Representative for each Unit of the DVC Resort, intends to elect the following individuals to the Board:

Kenneth M. Potrock
President and Director

Shannon Sakaske
Director

Leigh Anne Nieman
Director

Mahmud Dhanani
Director

Yvonne Chang
Director

Board of Directors Annual Meeting Agenda:

1. Call to Order
2. Declaration of Chairperson of the Meeting
3. Calling of the Roll
4. Verification of Quorum
5. Proof of Notice of Meeting
6. Approval of 2016 Minutes
7. New Business:
 - a. Presentation of Budgets
8. Adjournment

Members Annual Meeting Agenda:

1. Call to Order
2. Election of Chairperson of the Meeting
3. Calling of the Roll
4. Verification of Quorum
5. Proof of Notice of Meeting
6. Approval of 2016 Minutes
7. Election of Directors
8. New Business:
 - a. Presentation of Resolutions for Approval
 - b. Presentation of Budgets
9. Adjournment

November 7, 2017

The Villas At Disney's Grand Californian Hotel Condominium Association, Inc.

The 2018 Budgets were calculated based on the Association's 2017 fiscal year operating experience and anticipated or known changes in costs for 2018. Please direct Annual Dues questions to Member Accounting at 800-800-9800 or 407-566-3800, Option 3.

Estimated Operating Budget For The Year January 1, 2018 Through December 31, 2018

Condominium Common Expenses	Total Condominium Common Expenses - 203 Hotel Units and 48 Vacation Ownership Units	Hotel Units - 203 Units	Vacation Ownership Units - 48 Units
Revenue Components			
Member Late Fees and Interest	\$4,645	\$2,654	\$1,991
Member Annual Dues Assessment	1,120,655	640,374	480,281
TOTAL REVENUES AND INCOME	\$1,125,300	\$643,028	\$482,272

Cost Components

Administration and Management	\$256,453	\$146,545	\$109,908
Housekeeping	354,766	202,724	152,043
Income Taxes	8,533	4,876	3,657
Insurance	58,082	33,190	24,892
Maintenance	161,692	92,395	69,297
Condominium Management Fee	205,417	117,381	88,036
Security	32,157	18,375	13,781
Utilities	48,199	27,542	20,657
TOTAL CONDOMINIUM COMMON EXPENSES	\$1,125,299	\$643,028	\$482,271

Vacation Ownership Common Expense Budget

48 Vacation Homes

Revenue Components	Budget	Per Vacation Point
Member Late Fees and Interest	\$19,906	\$0.0176
Breakage Income	154,427	0.1358
Member Annual Dues Assessment	4,744,674	4.1734
Condominium Common Revenue and Income	482,271	0.4242
TOTAL REVENUES AND INCOME	\$5,401,278	\$4.7510

Cost Components

Administration and Front Desk	\$1,054,520	\$0.9276
Annual Audit	14,500	0.0128
Condominium Common Expenses	482,271	0.4242
DVC Reservation Component	7,513	0.0066
Housekeeping	1,368,389	1.2035
Income Taxes	32,913	0.0290
Insurance	224,031	0.1971
Legal	1,000	0.0009
Maintenance	623,669	0.5486
Vacation Ownership Plan Management Fee	593,613	0.5221
Member Activities	156,159	0.1374
Security	124,033	0.1091
Transient Occupancy Tax	532,759	0.4686
Utilities	185,909	0.1635
TOTAL OPERATING EXPENSES excluding property tax	\$5,401,279	\$4.7510
Ad Valorem Real Estate Taxes	\$1,147,646	\$1.0095
TOTAL OPERATING EXPENSES including property tax	\$6,548,925	\$5.7605

Estimated Operating Budget Notes

All capitalized terms not defined in these budget notes will have the same meanings ascribed to such terms in the Declaration of Covenants, Conditions and Restrictions and Condominium and Vacation Ownership Plan of The Villas at Disney's Grand Californian Hotel ("Resort"), a Leasehold Condominium. See also Additional Budget Notes.

Description of Condominium Revenue Components:

1. Member Late Fees and Interest - All delinquent Annual Dues payments are subject to a late fee in an amount equal to the greater of \$10.00 or ten percent (10 percent) of the delinquent Annual Dues, plus interest at the maximum rate permitted by law (currently 12 percent) accrued on the amount outstanding from the date which is thirty (30) days after the original due date.
2. Member Annual Dues Assessment - The amount assessed to Owners with an Ownership Interest in The Villas at Disney's Grand Californian Hotel.

Description of Condominium Cost Components:

1. Administration and Management - Cost of resort management, including operating supplies and equipment rental. Also includes costs for operational and administrative support from the Disneyland® Resort ("DLR").
2. Housekeeping - Cost of cleaning the Common Areas and Common Furnishings.
3. Income Taxes - Federal income taxes and state taxes. Timeshare condominium associations may not claim non-profit status for federal income tax purposes under current regulations.
4. Insurance - Cost of insurance premiums for the Common Areas and Common Furnishings for property coverage and general liability, workers' compensation, crime and Director's and Officer's liability.
5. Maintenance - Cost of interior and exterior maintenance and repairs of Common Areas not paid for out of replacement reserves. Also includes landscaping, pest control and fire alarm monitoring.
6. Condominium Management Fee - Fee paid to DVCMC for providing management services to the Association according to the Property Management Agreement. The fee is equal to 12 percent of the total Operating and Reserve Budget for the operation and management of the Condominium as a whole exclusive of real estate taxes, transportation fees, and the Condominium Management Fee, itself.
7. Security - A portion of the cost of guard coverage at the Resort allocated to the Common Areas.
8. Utilities - Cost of electricity, gas, water, sewer, solid waste disposal, cable television and telephone service for the Common Areas of the Resort.

Description of Vacation Ownership Revenue Components:

1. Member Late Fees and Interest - All delinquent Annual Dues payments are subject to a late fee in an amount equal to the greater of \$10.00 or ten percent (10 percent) of the delinquent Annual Dues, plus interest at the maximum rate permitted by law (currently 12 percent) accrued on the amount outstanding from the date which is thirty (30) days after the original due date.
2. Breakage Income - As stated in the Condominium Documents, Disney Vacation Club Management, LLC ("DVCMC") rents, during the Breakage Period, certain accommodations that have not been reserved by Members. The Association is entitled to receive, as breakage income, the proceeds of such rentals not to exceed 2.5 percent of the aggregate of the Condominium Operating Budget (total operating expenses less the sum of interest income and Member late fees and interest) and Capital Reserve Budget in each calendar year.

3. Member Annual Dues Assessment - The amount assessed to Owners with an Ownership Interest in The Villas at Disney's Grand Californian Hotel.

Description of Vacation Ownership Cost Components:

1. Administration and Front Desk - Cost of front desk operations and resort management exclusively for the benefit of the Vacation Ownership Plan, including operating supplies and equipment rental.
2. Annual Audit - Fee for the independent audit of the Association's financial statements.
3. DVC Reservation Component - Fee paid to Buena Vista Trading Company for providing the exchange component of the Club central reservation system.
4. Housekeeping - Cost of cleaning Vacation Homes and replacement of disposable amenities in Vacation Homes. Also includes the purchase, replacement and cleaning of linens and towels.
5. Income Taxes - Federal income taxes and state taxes. Timeshare condominium associations may not claim non-profit status for federal income tax purposes under current regulations.
6. Insurance - Cost of insurance premiums for the Vacation Homes for property coverage, general liability, workers' compensation, crime and Director's and Officer's liability.
7. Legal - Cost of legal counsel regarding Association business.
8. Maintenance - Cost of maintenance and repairs of Vacation Homes not paid for out of replacement reserves.
9. Vacation Ownership Plan Management Fee - Fee paid to DVCMC for providing management services to the Association according to the Property Management Agreement. The fee is equal to 12 percent of the total Operating and Reserve Budget for the operation and management of the Vacation Ownership Plan exclusive of real estate taxes, transportation fees, and the management fee, itself.
10. Member Activities - Cost of recreation operations, certain Member activities and events at the Resort. Cost of quarterly Member newsletter, annual Association meetings and printing and postage for Association legal mailings.
11. Security - A portion of the cost of guard coverage at the Resort allocated to the Vacation Homes.
12. Transient Occupancy Tax - Tax on timeshare occupancy in the City of Anaheim, California.
13. Utilities - Cost of electricity, gas, water, sewer, solid waste disposal, cable television and telephone service for the Vacation Homes at the Resort.

General Notes:

1. Condominium Common Expenses and Vacation Ownership Common Expenses - The Condominium Common Expenses are the expenses incurred by the Association in operating, maintaining and managing the Condominium as a whole and such expenses are allocated between the Hotel Units and the Vacation Homes. The Vacation Ownership Expenses are the expenses incurred by the Association in operating, maintaining and managing the Vacation Ownership Plan and are payable solely by Owners of Vacation Ownership Units. All expenses of owning, operating and managing the Hotel Units (e.g., housekeeping of hotel rooms) are paid directly by the Owner(s) of the Hotel Units and are not included in the Association's Budgets.
2. Property Management Subcontract - Certain of the variable and semi-variable expenses related to the provision of certain services to the Condominium as set forth in the 2018 Estimated Annual Operating Budget, including

expenses for housekeeping, maintenance and front desk operations, may be lower than they otherwise would be if such services were being provided only to the Condominium instead of included in a property management subcontract that takes into account that the services are also being provided to Hotel Units and hotel rooms that are not part of the Condominium.

3. Developer Guarantee - Pursuant to a Maintenance/Subsidy Agreement, DVD has agreed to guarantee to the Association that for the calendar year of this Budget no Owner will be required to pay more than the Annual Dues Assessment (exclusive of Ad Valorem Taxes) set forth in this Budget and that DVD will pay the difference between the actual costs incurred in operating the Condominium during the calendar year and all amounts assessed to Owners other than DVD with respect to such operating costs. Provided DVD timely performs its obligations under the Maintenance/Subsidy Agreement, DVD's payments thereunder to the Association shall satisfy fully its obligation to pay assessments attributable to each Ownership Interest owned by DVD. However, any expenses incurred during the calendar year resulting from a natural disaster or an act of God and/or required repair or replacement of damage to the Condominium, which are not covered by insurance proceeds from the insurance maintained by the Association, will be assessed against all Owners on the date of such natural disaster, act of God or other damage, or their successors or assigns, including DVD as to its unsold Ownership Interest. The Maintenance/Subsidy Agreement shall automatically be renewed for successive one-year periods unless DVD elects to terminate the Maintenance/Subsidy Agreement upon thirty (30) days prior written notice to the Association.

See also Additional Budget Notes.

Estimated Capital Reserves Budget For January 1, 2018 Through December 31, 2018

Replacement Fund Components	<u>TOTAL CONDOMINIUM COMMON RESERVES</u>		<u>VACATION OWNERSHIP RESERVES</u>	
	203 Hotel Units and 48 Vacation Ownership Units	Hotel Units - 203 Units	Vacation Ownership Units - 48 Units	Per Vacation Point
Capital Reserves	\$393,769	\$225,011	\$799,386	\$0.7031
Interest Income	(8,577)	(4,901)	(3,676)	(0.0032)
TOTAL CAPITAL RESERVES BUDGET	\$385,191	\$220,109	\$795,710	\$0.6999

Capital Reserve Analysis For The Year Ended December 31, 2017

Replacement Fund Components	Estimated Fund Balance as of December 31, 2017	Estimated Useful Lives (Years)	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs (48 Vacation Ownership Units)	Estimated Current Replacement Costs (203 Hotel Units and 48 Vacation Ownership Units)
Roof Replacement/Repair		25	16	\$277,828	\$646,112
Interior Refurbishment		2 - 28	1 - 19	8,407,098	-
External Building Painting		3 - 12	2 - 8	937,304	2,179,777
Common Element Renovation		6 - 36	1 - 27	2,713,929	6,311,463
Pavement Resurfacing		7	5	4,173	9,705
Capital Reserves	\$3,263,160				
TOTAL	\$3,263,160			\$12,340,332	\$9,147,056

Estimated Capital Reserves Budget Notes

All capitalized terms not defined in these budget notes will have the same meanings ascribed to such terms in the Declaration of Covenants, Conditions and Restrictions and Condominium and Vacation Plan of The Villas at Disney's Grand Californian Hotel, a Leasehold Condominium. See also Additional Budget Notes.

- Funds Covered** - All costs are stated in 2018 dollars unless otherwise indicated.
- Shared Facilities** - The use of certain facilities, including without limitation, hotel check-in facility, back office facilities, telephone equipment rooms, etc., are being provided to the Resort pursuant to the terms of either the Property Management Agreement or the Master Declaration as a shared area, the cost of operating and maintaining such facilities being apportioned among its users including Owners. If the Resort was required to provide such facilities within the Condominium Property and solely for the use and benefit of the Owners, the cost of operating the Condominium Property would increase.
- Books and Records** - The books and records for the Association are maintained at: 1390 Celebration Boulevard, Celebration, Florida 34747. The person responsible for the upkeep and custodianship of the books and records of the Association is the Treasurer of the Association, (407) 566-3000.

4. Related Party Transactions - DVD is a Florida corporation and a related entity of The Walt Disney Company ("TWDC"), a Delaware corporation. DVD acquired a term-for-years interest in certain property, located in Anaheim, California. DVD developed the Condominium on the property, and sells ownership interests in Condominium units, as part of the vacation ownership plan. DVD developed the Condominium under the terms of a ground lease by and between Walt Disney Parks and Resorts U.S., Inc. ("WDPR"), a Florida corporation (formerly Walt Disney World Co.), its successors and assigns, as successor by merger to Walt Disney World Hospitality & Recreation Corporation, ("WDWHRC"), and DVD. WDPR is also a subsidiary of TWDC. The terms of the ground lease permit DVD to develop certain real property in Orange County, California, for the purpose of offering prospective purchasers ownership interests in Condominium units as part of the vacation ownership plan. Unless otherwise extended, the ground lease will expire on January 31, 2060 and vest to the benefit of WDPR.

Certain directors or officers of DVD or DVCMC serve on the Board or as officers of the Association. Certain directors or officers of the Association are also employees of TWDC or its affiliates.

DVD retains no less than 2 percent of the total ownership interests in each unit declared in the Condominium and is responsible for annual dues with respect to its retained or unsold ownership interests. DVD has retained ownership interests equivalent to approximately 22,756 vacation points. In addition, DVD also had unsold ownership interests equivalent to approximately 2,287 vacation points as of December 31, 2016. During the year ended December 31, 2016, DVD annual dues paid to the Association were \$101,164.

During the year ended December 31, 2016, DVD voluntarily subsidized the operations of the Association of the common expenses incurred in the amount of \$10,344.

As of December 31, 2016, the amount due from DVD of \$198,162 is primarily related to the voluntary subsidy and DVD's portion of allocated hotel unit expense.

DVCMC, a Florida corporation, is the manager of the Association and is also a subsidiary of TWDC.

Management fees payable to DVCMC are 12 percent of the total operating and reserve budget exclusive of real estate taxes, transportation fees, and the management fee, itself. Management fees incurred during the year ended December 31, 2016, were \$541,523.

DVCMC has entered into an agreement with the Association whereby DVCMC may operate a resort hotel operation with respect to the rental of unreserved accommodations in the Condominium. Proceeds, resulting from the rental of unreserved accommodations, are retained by the Association up to an amount equal to 2.5 percent of the adjusted operating and reserve budget, as defined, in each calendar year, as breakage revenue. During the year ended December 31, 2016, the Association received \$141,244 in breakage revenue.

Substantially all operating expenses have been allocated to the Association from DVCMC, and certain operating expenses have been rendered by or incurred through other TWDC entities.

Amounts due to or from DVCMC are payable in full and due on demand. As of December 31, 2016, the amount due to DVCMC of \$509,046 related to allocable expenses, net of annual dues collected but not yet remitted to the Association.

5. Management Agreement - The Association currently has a three-year management agreement ending on December 15, 2019 with DVCMC. The management agreement automatically renews for successive periods of three (3) years each, upon its scheduled expiration, unless either party gives the other written notice of nonrenewal, as stipulated in the agreement. DVCMC provides on-site management and maintenance services, and off-site administrative and accounting services.

Pursuant to the management agreement, DVCMC has been delegated the authority by the Association to provide all services, through employees and experts retained by it, incidental to the management

and operation of the Condominium. In connection therewith, substantially all operating expenses have been allocated to the Association from DVCMC. However, certain operating expenses may be incurred through other TWDC entities.

6. Vacation Homes - Wherever used throughout this budget, the term Vacation Home does not include studio or one bedroom accommodations that comprise part of a two bedroom lockoff Vacation Home.

Estimated Ad Valorem Taxes for January 1, 2018 through December 31, 2018

The amount of ad valorem taxes assessed against the Condominium as a whole will be determined by the Orange County Assessor. The estimated ad valorem tax assessments to be included on your 2018 Annual Dues billing statement will be \$1.0095 per Vacation Point. This is DVCMC's best estimate of the actual taxes, which will be assessed for the tax year 2018. DVCMC does not certify this ad valorem tax estimate. Each Owner is responsible for his or her per Vacation Point share of the actual tax bill received each year from the tax collector's office. Any difference between the tax estimate and actual taxes paid on the Owner's behalf will be applied towards the Owner's subsequent year's tax assessment. Section 2 of Article XIII A of the California Constitution (enacted by Proposition 13) establishes an acquisition-value assessment system. It provides that real property is to be assessed at its value when acquired through a change of ownership or by new construction. Thereafter, increases in the taxable value of property are limited. As a result, similar properties may have different taxable values. However, the Condominium Documents permit the Association to allocate Ad Valorem Taxes in any equitable manner, including in the same manner in which Common Expenses are allocated. For tax year 2018, the ad valorem taxes are allocated in the same manner as Common Expenses are allocated (on a per Vacation Point basis). In the future, ad valorem tax assessments may be specifically assessed against each Ownership Interests which would result in Owners paying different amounts of taxes depending on when Owners purchased their Ownership Interest.

2018 Estimated Annual Dues Assessment

The estimated Annual Dues for the year January 1, 2018 through December 31, 2018 are \$5.8828 per Vacation Point, which is comprised of the estimated Annual Operating Budget (\$4.1734 per Vacation Point), the estimated Annual Capital Reserves Budget (\$0.6999 per Vacation Point) and the estimated ad valorem taxes (\$1.0095 per Vacation Point). The total amount of Annual Dues paid by a Purchaser or Owner is determined by multiplying the total number of Vacation Points represented by the Ownership Interest purchased by \$5.8828. For example, if the Ownership Interest is represented by 230 Vacation Points, the estimated Annual Dues would be \$1,353.04.