

**CONDOMINIO VILLAS AT CLUB,
INTRAWEST ZIHUATANEJO, A.C.**

Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

(Translation from Spanish Language Original)



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Independent Auditors' Report

(Translation from Spanish Language Original)

The Board of Members
Condominio Villas At Club Intrawest Zihuatanejo, A.C.:


We have audited the accompanying balance sheets of Condominio Villas At Club Intrawest Zihuatanejo, A.C. (The Association) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are prepared in accordance with accounting Mexican Financial Reporting Standards (FRS). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As mention in note 3(f) to the financial statements, most of the transactions in 2009 and 2008 were carried out with related companies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Condominio Villas At Club Intrawest Zihuatanejo, A.C., as of December 31, 2009 and 2008, and the results of its activities and cash flows, for the years then ended, in conformity with Mexican Financial Reporting Standards.

KPMG CARDENAS DOSAL, S. C.


Guillermo Teran Mares

February 24, 2010.

CONDOMINIO VILLAS AT CLUB INTRAWEST ZIHUATANEJO, A.C.

Balance Sheets

December 31, 2009 and 2008

(Pesos)

Assets	2009	2008
Current assets:		
Cash and cash equivalents	\$ 1,767,381	3,822,190
Accounts receivable	-	460,421
Related parties (note 5)	3,229,509	2,228,035
Prepaid expenses	240,714	167,725
	<u>\$ 5,237,604</u>	<u>6,678,371</u>
Liabilities and Net assets		
Current liabilities:		
Accrued liabilities	\$ 195,331	245,307
Related parties (note 5)	613,005	3,080,391
	<u>808,336</u>	<u>3,325,698</u>
Total current liabilities	808,336	3,325,698
Commitments and contingencies (note 6)		
Net assets	<u>4,429,268</u>	<u>3,352,673</u>
	<u>\$ 5,237,604</u>	<u>6,678,371</u>

See accompanying notes to financial statements.

CONDOMINIO VILLAS AT CLUB INTRAWEST ZIHUATANEJO, A.C.

Statements of Activities

Years ended December 31, 2009 and 2008

(Pesos)

	<u>2009</u>	<u>2008</u>
Changes in net assets:		
Fees paid by members	\$ <u>8,060,514</u>	<u>7,735,510</u>
Operating expenses:		
Utilities	1,695,257	1,189,432
Maintenance	1,071,187	894,983
Accounting	239,068	209,981
Front desk and concierge	214,153	287,396
Cleaning and security	488,038	483,435
Insurance	649,153	561,799
Property taxes	118,314	194,381
Management fees	971,150	813,333
Trust fees	183,661	124,207
Owner services	289,133	385,289
General and administration	801,159	717,738
Contingencies	464,463	-
Other	<u>823,735</u>	<u>845,072</u>
Total operating expenses	<u>8,008,471</u>	<u>6,707,046</u>
Operating income	52,043	1,028,464
Foreign exchange gain, net	<u>1,024,552</u>	<u>614,370</u>
Increase in net assets	1,076,595	1,642,834
Net assets at the beginning of the year	<u>3,352,673</u>	<u>1,709,839</u>
Net assets at the end of the year	\$ <u><u>4,429,268</u></u>	<u><u>3,352,673</u></u>

See accompanying notes to financial statements.

CONDOMINIO VILLAS AT CLUB INTRAWEST ZIHUATANEJO, A.C.

Statements of Cash Flows

Years ended December 31, 2009 and 2008

(Pesos)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,076,595	1,642,834
Accounts receivable	460,421	(460,421)
Related parties, net	(3,468,860)	(202,307)
Prepaid expenses	(72,989)	57,310
Accrued liabilities	<u>(49,976)</u>	<u>163,525</u>
Net cash (used in) provided by operating activities	(2,054,809)	1,200,941
Cash and cash equivalents:		
At beginning of year	<u>3,822,190</u>	<u>2,621,249</u>
At end of the year	<u>\$ 1,767,381</u>	<u>3,822,190</u>

See accompanying notes to financial statements.

CONDOMINIO VILLAS AT CLUB INTRAWEST ZIHUATANEJO, A.C.

Notes to Financial Statements

December 31, 2009 and 2008

(Pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers only.

(1) Financial Statement authorization and presentation -

On February 24, 2010, Enrique Vazquez Romero, Controller – Mexican Operations, authorized the issuance of the accompanying statements and related notes thereto.

In accordance with the Association bylaws, the members are empowered to modify the financial statements after issuance. The accompanying financial statements will be submitted to the Members' Meeting for approval.

The accompanying financial statements have been prepared in accordance with Mexican Financial Reporting Standards (FRS) in effect as of the balance sheet date.

(2) Description of business and significant transaction –

a) Description of business -

Condominio Villas at Club Intrawest Zihuatanejo, A.C. (The Association), was constituted and started operations on December 14, 2005. The association is organized as a non-for-profit, civil association for the purpose of managing luxury residences and resort fractional interest project, consisting of 14 Villas (some of them divided into 1/9 (one ninth) interests) as well as common areas located in a development known as “Condominio Villas at Club Intrawest Zihuatanejo” (hereinafter referred to as “the Villas”).

The character of member of the association is entirely related to the acquisition of beneficiary rights on the Villas. Under Mexican law, an especial property trust is required so foreign individuals or companies hold coastal property in Mexico. Provided full payment, a member acquire trust beneficiary rights over certain property as well as rights to use common areas.

(Continued)

CONDOMINIO VILLAS AT CLUB INTRAWEST ZIHUATANEJO, A.C.

Notes to Financial Statements

(Pesos)

In order to guarantee that the property is adequately maintained in accordance with established standards, the operation, maintenance, management and general administration of the Villas are carried out by an administrative agent appointed by the Association. The mentioned property manager will charge a management fee of 12% of all operating costs incurred.

All these costs are charged to an operating fund formed with collections from members of the Association.

The association has no employees therefore it is not subject to labor obligations. Administrative services which include the staff required to operate the property, are provided by Club Intrawest Management, S. de R.L. de C.V., through Extraordinary Escapes - Mexican branch and Lodging Ovations Corporation-Mexican Branch (from January to June 2008), related parties whose services are allocated among other entities of the group.

b) Significant transaction –

On June 1st, 2008, the Association's management accepted the resignation of Lodging Ovations Corp, Sucursal México (Lodging) as administrative agent and appointed Extraordinary Escapes Corporation, Sucursal México (EE) as its a new administrative agent. In line with the foregoing, management also approved the assignment agreement made on June 1st, 2008 between Lodging (the assignor) and EE (the assignee). Under such agreement, the assignee assumes all rights and obligations arising from the following agreements:

- Management agreement made by and between Lodging and the Association,
- Fractional interest maintenance agreement made by and between Lodging and the Association's partners, and
- Rental management agreement made by and between Lodging and the Association's partners.

(Continued)

CONDOMINIO VILLAS AT CLUB INTRAWEST ZIHUATANEJO, A.C.

Notes to Financial Statements

(Pesos)

(3) Summary of significant accounting policies -

The preparation of financial statements requires management of the Association to make a number of estimates and assumptions that affect to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

For purposes of disclosure, “pesos” or “\$” means Mexican pesos, and “dollars” or “US\$” means U.S. dollars.

Significant accounting policies applied in the preparation of the accompanying financial statements follow:

(a) Cash equivalents -

Cash equivalents consist of checking accounts and, foreign currency. At the date of the financial statements, foreign exchange gains and losses are included in the results of operations.

(b) Income Tax (IT)-

According to Mexican tax law, non-for-profit entities will consider distributable, among others, all payments that are not deductible in accordance to income tax law.

The Association is also liable with tax authorities of withhold and pay certain withholding taxes in accordance to IT law.

(c) Net assets-

Net assets represent fees collected from members decreased by incurred expenses. The associates have agreed on using this excess as follows:

Total net assets as of December 31, 2009	\$ 4,429,268
Contingency resolve	(1,362,775)
Capital replacement reserve	<u>(1,511,882)</u>
Net assets pending to assign	<u>\$ 1,554,611</u>

(Continued)

CONDOMINIO VILLAS AT CLUB INTRAWEST ZIHUATANEJO, A.C.

Notes to Financial Statements

(Pesos)

(d) Revenue-

Revenue from fees is recognized when the maintenance services are rendered.

(e) Business concentration -

Most of Association's revenues in 2009 and 2008 were obtained from affiliated companies. Furthermore, majority of expenses incurred during 2009 and 2008 were paid to affiliated companies.

(f) Contingencies-

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the notes to the financial statements. Contingent revenues, earnings or assets are not recognized until their realization is assured.

(4) Foreign currency exposure -

Monetary assets denominated in dollars translated into pesos, as of December 31, 2009 and 2008, were as follows:

	Mexican pesos	
	2009	2008
Current assets:	<u>1,042,607</u>	<u>3,167,448</u>

The exchange rates used in the various translation processes to the reporting currency at December 31, 2009 and 2008 were \$13.0587 and \$13.5383, respectively. At February 24, 2010, the exchange rate was \$12.8584.

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CONDOMINIO VILLAS AT CLUB INTRAWEST ZIHUATANEJO, A.C.

Notes to Financial Statements

(Pesos)

(5) Related-party transactions and balances-

Transactions carried out with related parties during the years ended December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Maintenance fees received:		
Intrawest Resorts Ownwership US Corporation – Mexican Branch	\$ 4,271,298	4,208,653
Club Intrawest México, S. de R.L. de C.V.	1,398,326	1,110,339
Services received:		
Extraordinary Escapes Corporation – Mexican Branch	\$ 6,744,249	4,126,799
Intrawest Resort Ownership US Corporation	108,864	-
Lodging Ovations – Mexican Branch	<u>-</u>	<u>2,661,605</u>

Balances receivable from and payable to related parties as of December 31, 2009 and 2008 are as follows:

<u>Receivables</u>	<u>2009</u>	<u>2008</u>
Extraordinary Escapes – Mexican Branch	\$ 3,229,509	-
Lodging Ovations - Mexican Branch	-	1,455,057
Intrawest Resort Ownership Us Corporation-Mexican Branch	-	592,613
Club Intrawest Mexico, S. de R.L. de C.V.	<u>-</u>	<u>180,365</u>
	\$ <u>3,229,509</u>	<u>2,228,035</u>
<u>Payables</u>	<u>2009</u>	<u>2008</u>
Club Intrawest Mexico, S. de R.L. de C.V.	\$ 517,923	-
Intrawest Resort Ownership US Corporation – Mexican Branch	95,082	-
Extraordinary Escapes-Mexican Branch	<u>-</u>	<u>3,080,391</u>
	\$ <u>613,005</u>	<u>3,080,391</u>

Due from and to related parties relates to services and non-interest-bearing loans with no specific maturity.

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CONDOMINIO VILLAS AT CLUB INTRAWEST ZIHUATANEJO, A.C.

Notes to Financial Statements

(Pesos)

The Association has entered into an administrative service agreement with Extraordinary Escapes Corporation, Mexican Branch, related party, under which, this company commits to managing the villas. The agreed consideration amounts to 12% of expenses incurred by the property manager. This agreement is for an initial 5- year period and will be automatically renewed for subsequent periods of three years.

On June 1st, 2008, the Association's management accepted the resignation of Lodging Ovations Corp, Sucursal México (Lodging) as administrative agent and appointed Extraordinary Escapes Corporation, Mexican Branch (EE) as its new administrative agent. In line with the foregoing, management also approved the assignment agreement made on June 1st, 2008 between Lodging (the assignor) and EE (the assignee). Under such agreement, the assignee assumes all rights and obligations arising from the following agreements:

- Management agreement made by and between Lodging and the Association,
- Fractional interest maintenance agreement made by and between Lodging and the Association's partners, and
- Rental management agreement made by and between Lodging and the Association's partners.

(6) Commitments and contingencies-

- (a) The Association has entered into service and management agreements with related parties, under which these companies provide financing and administrative services necessary for the Association's operations. These agreements are for undefined terms.
- (b) The five-year period prior to the most recent income tax return filed is open to governmental tax examination.
- (c) In accordance with the Income Tax Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, since such prices must be similar to those that would be used in arm's-length transactions.

Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.