

IMPORTANT NOTICE

You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum (the "Offering Memorandum") accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE SECURITIES ARE BEING OFFERED AND WILL BE ISSUED, ONLY TO PERSONS (I) THAT ARE "QUALIFIED INSTITUTIONAL BUYERS", AS THAT TERM IS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, IN A PRIVATE TRANSACTION IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (II) THAT ARE PERSONS OTHER THAN "U.S. PERSONS", AS THAT TERM IS DEFINED IN RULE 902 UNDER THE SECURITIES ACT, IN OFFSHORE TRANSACTIONS IN RELIANCE UPON REGULATIONS UNDER THE SECURITIES ACT. THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

CONFIRMATION OF YOUR REPRESENTATION: You have been sent the attached Offering Memorandum on the basis that you have confirmed to the institution that sent it to you that you (a) either (i) are a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act who is also a "qualified purchaser" within the meaning of the U.S. Investment Company Act of 1940, as amended or (ii) are not a "U.S. Person" within the meaning of Regulation S under the Securities Act and (b) consent to delivery by electronic transmission.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission, and consequently, neither the initial purchaser, nor any person who controls the initial purchaser or any of its directors, officers, employees or agents, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchaser.

You are reminded that the attached Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person. You will not transmit the attached Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the initial purchasers.

IRISH STOCK EXCHANGE LISTING OFFERING MEMORANDUM

**THE BANK OF NEW YORK MELLON, S. A., INSTITUCIÓN DE BANCA MÚLTIPLE, ACTING EXCLUSIVELY AS
TRUSTEE OF THE IRREVOCABLE TRUST AGREEMENT NO. F/00762
ACTING AS THE ISSUER
U.S.\$160,000,000 9.625% NOTES DUE 2021**

The U.S.\$160,000,000 9.625% notes due 2021 (the "Notes") offered hereby will evidence limited recourse indebtedness of The Bank of New York Mellon, S.A. Institución de Banca Múltiple, acting exclusively as trustee of that certain irrevocable trust agreement No. F/00762, dated April 20, 2011 (the "Trust Agreement") (the "Issuer") and the trust created thereby (the "Trust"), between Maquinaria Especializada MXO, S.A. de C.V., a limited liability corporation (*a sociedad anónima de capital variable*) organized under the laws of the United Mexican States ("Mexico") ("GEO Maquinaria"), and The Bank of New York Mellon, S.A., Institución de Banca Múltiple (the "Trustee"). The Trust Agreement and the Trust Estate are governed by the laws of Mexico. The Trustee will act to satisfy the purposes of the Trust. The Issuer will issue the Notes on or about the closing date of May 2, 2011 (the "Closing Date").

The Notes will be payable solely from the assets in the Trust Estate, consisting of, among others, (1) title to a pool of transportation, heavy construction, grading, paving and cement mixing machinery and equipment, cranes and ancillary construction equipment (the "Machinery"); (2) all rights under the insurance policies that cover the Machinery (the "Insurance"); (3) all rights and obligations of GEO Maquinaria under the Service Agreement; (4) all rights and obligations of the Issuer under the Transaction Documents and any other agreement, contract, instrument or document entered into by the Issuer; (5) any instruments resulting from the investment of funds maintained by the Trust in Permitted Investments and related proceeds; (6) all Collections and any other amounts received from any person with respect to any assets that form the Trust Estate, including with respect to Services Payment and the Termination Fees; (7) any sums received as the Reacquisition Price, if any; and (8) any cash amounts and other assets held in Trust Accounts. A complete description of the Trust Estate, which includes, among other things, items (1) through (8) above, is included in the section entitled "The Trust Estate" of this Offering Memorandum. The Notes represent limited-recourse obligations of the Issuer, the repayment of which is backed by and limited to, substantially all of the Trust Estate, and do not represent interests in, or obligations of Corporación GEO S.A.B de CV., a limited liability corporation (*a sociedad anónima bursátil de capital variable*) organized under the laws of Mexico ("Corporación GEO"), the GEO Subsidiaries, GEO Maquinaria, GEO Importex or any other person; although Corporación GEO, the GEO Subsidiaries, GEO Maquinaria and GEO Importex may have certain payment obligations in respect of some of the Trust Estate.

Initial Note Principal Balance:	U.S.\$160,000,000
Issue Price:	99.154138%
Interest Rate:	9.625%
Payment Dates:	February 2, May 2, August 2, November 2
First Payment Date:	August 2, 2011
Expected Final Maturity Date:	May 2, 2021
Expected Ratings (S&P/Fitch)	BB-(sf)/BB-

Interest will accrue on the Notes from the Closing Date at a fixed rate of 9.625% and quarterly interest payments will be paid on the 2nd day of each month of February, May, August and November of each year beginning on August 2, 2011, or if such date is not a Business Day on the next succeeding Business Day (without any additional interest being payable as a result of such delay (each, a "Payment Date")). Principal of the Notes will be distributed in quarterly installments on each Payment Date but may be paid earlier or later under certain circumstances as described herein. The final Payment Date with respect to the Notes will be May 2, 2021. The Notes initially will be sold to investors at a price equal to 99.154138% of the aggregate note principal balance thereof.

It is expected that the Notes will be rated "BB-(sf)" by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any of its affiliates ("S&P") and "BB-" by Fitch, Inc. or any of its affiliates ("Fitch"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. As of the date of this Offering Memorandum both S&P and Fitch are established in the European Union and have applied to be registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 37 of this offering memorandum (the "Offering Memorandum").

The Notes are being offered (a) for sale (the "U.S. Offering") in the United States of America ("United States" or "U.S.") in reliance upon, Rule 144A ("Rule 144A") to investors who are both qualified institutional buyers (each, a "QIB") as defined in the United States Securities Act of 1933, as amended (the "Securities Act") and qualified purchasers (each a "QP") as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act") and (b) for sale (the "International Offering") and, together with the U.S. Offering, the "Offering") outside the United States as defined in, and in reliance upon, Regulation S ("Regulation S") under the Securities Act. The Notes will be ready for delivery in book-entry form only through The Depository Trust Company (the "DTC"), Euroclear Bank, S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme Luxembourg ("Clearstream") on or about May 2, 2011. See "Plan of Distribution."

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, AND MAY ONLY BE OFFERED OR SOLD WITHIN THE UNITED STATES TO QIBS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A OR OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY REGULATION S. ALL U.S. INVESTORS ARE REQUIRED TO BE QPS FOR PURPOSES OF THE INVESTMENT COMPANY ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A OR REGULATION S. FOR CERTAIN RESTRICTIONS ON RESALES, SEE "TRANSFER RESTRICTIONS."

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. There can be no assurance that such application will be granted as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS EXCLUSIVELY THE RESPONSIBILITY OF THE ISSUER AND GEO MAQUINARIA, AND WITH RESPECT TO THE INFORMATION IN ANNEX A ONLY, CORPORACIÓN GEO, AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY, NOR REQUIRES THE AUTHORIZATION OF, OR REGISTRATION WITH, THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (COMISIÓN NACIONAL BANCARIA Y DE VALORES, OR "CNBV"). UPON ISSUANCE OF THE NOTES, THE ISSUER WILL PROVIDE THE CNBV WITH NOTICE OF THE TERMS OF THE PUBLIC OFFERING FOR INFORMATION PURPOSES ONLY. SUCH NOTICE DOES NOT CONSTITUTE A CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES OR OF THE ISSUER'S SOLVENCY OR SUFFICIENCY OF THE TRUST ESTATE OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION INCLUDED HEREIN. THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE NATIONAL REGISTRY OF SECURITIES (REGISTRO NACIONAL DE VALORES) AND, THEREFORE, THE NOTES MAY NOT BE PUBLICLY OFFERED OR SOLD IN MEXICO. THE NOTES MAY ONLY BE OFFERED OR SOLD IN MEXICO PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS MUST RELY ON THEIR OWN REVIEW AND EXAMINATION OF THE ISSUER AND THE TRUST ESTATE. THIS OFFERING MEMORANDUM MAY NOT BE PUBLICLY DISTRIBUTED IN MEXICO.

Santander

April 28, 2011.

TABLE OF CONTENTS

Notice to Investors.....	ii
Available Information.....	vii
Enforcement of Judgments and Service of Process	viii
Forward-Looking Statements	ix
Presentation of Financial and other Information.....	x
Diagrams of the Transaction	1
Summary of Terms	6
Summary of the Business of GEO Maquinaria, GEO Importex and Corporación GEO	31
Summary Consolidated Financial and Other Information.....	34
Risk Factors.....	37
Use of Proceeds	54
Exchange Rates	55
The Issuer.....	56
GEO Maquinaria	57
GEO Importex	58
The Trust Estate.....	59
Expected Sources and Uses of Cash Flow.....	66
Description of the Notes and the Indenture.....	68
Book-Entry Registration and Transfer of the Notes.....	73
Description of the Mexican Transaction Documents.....	78
Taxation	91
Certain ERISA Considerations.....	97
Transfer Restrictions.....	99
Plan of Distribution.....	103
Legal Matters	105
Independent Auditors.....	106
General Information.....	107
Defined Terms.....	109
Description of Certain Differences between Mexican FRS, U.S. GAAP and IFRS	119
ANNEX A Corporación GEO	A-1
Corporación GEO's Business.....	A-1
Capitalization of Corporación GEO.....	A-18
Selected Consolidated Financial and Other Information of Corporación GEO	A-19
Management's Discussion and Analysis of Financial Condition and Results of Operations of Corporación GEO	A-22
Management of Corporación GEO	A-33
Capital Structure of Corporación GEO	A-38
Related Party Transactions.....	A-38
The Mexican Housing Industry	A-39
Index to Consolidated Financial Statements of Corporación GEO.....	F-1

NOTICE TO INVESTORS

The Notes offered and sold in the United States to QIBs (which are also QPs within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended) pursuant to Rule 144A will be represented by beneficial interests in a single, permanent global note in fully registered form without interest coupons (the "Rule 144A Notes"). The Notes offered and sold outside the United States to non-U.S. Persons pursuant to Regulation S will be represented by beneficial interests in a single, temporary global note in fully registered form without interest coupons (the "Temporary Regulation S Notes"). After the expiration of the period that ends on the 40th day after the later of the commencement of the offering and the Closing Date (such period, the "Distribution Compliance Period"), holders of beneficial interests in a Temporary Regulation S Note may transfer such interests to interests in a single, permanent global note in fully registered form without interest coupons (each, a "Permanent Regulation S Note" and, with the Temporary Regulation S Notes and the Rule 144A Notes, the "Global Notes") upon certification by the investor as described under "Transfer Restrictions—Investors in the International Offering." No payments (including payments of interest) will be made on a Temporary Regulation S Note until exchanged for an interest in the corresponding Permanent Regulation S Note or the corresponding Rule 144A Note.

Each of the Rule 144A Notes will initially be registered in the name of The Depository Trust Company, or its nominee, and held by the Indenture Trustee on behalf of such nominee. Beneficial interests in the Rule 144A Notes will be shown on, and transfers thereof will be effected only through, the book entry records maintained by the Depository Trust Company. Each of the Temporary Regulation S Notes or Permanent Regulation S Notes will initially be registered in the name of the Common Depository or its nominee and held by the Indenture Trustee on behalf of such nominee. "Common Depository" means The Bank of New York Depository (Nominees) Limited, CEDE & Co. and their successors. Beneficial interests in the Temporary Regulation S Notes or Permanent Regulation S Notes will be shown on, and transfers thereof will be effected only through, the book entry records maintained by the Common Depository.

The distribution of this Offering Memorandum and the offering of the Notes (and beneficial interests therein) in certain jurisdictions may be restricted by law. Persons that come into possession of this Offering Memorandum are required by the Issuer, the Indenture Trustee and the Initial Purchaser to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or beneficial interests therein) in any jurisdiction in which such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer and sale of the Notes (or beneficial interests therein) in Mexico, the European Economic Area, the United Kingdom and the United States.

NOTICE TO RESIDENTS OF MEXICO

The information contained in this Offering Memorandum is exclusively the responsibility of the Issuer and GEO Maquinaria, and with respect to the information in Annex A only, Corporación GEO, and has not been reviewed or authorized by, nor requires the authorization of, or registration with, the CNBV. Upon issuance of the Notes, the Issuer will provide the CNBV with notice of the terms of the public offering for information purposes only. Such notice does not constitute a certification as to the investment quality of the Notes or of the Issuer's solvency or sufficiency of the Trust Estate or the accuracy or completeness of the information included herein. The Notes have not been and will not be registered with the National Registry of Securities (*Registro Nacional de Valores*) and, therefore, the Notes may not be publicly offered or sold in Mexico. The Notes may only be offered or sold in Mexico pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law. In making an investment decision, all investors, including any Mexican citizen who may acquire Notes from time to time, must rely on their own review and examination of the Issuer and the Trust Estate. This Offering Memorandum may not be publicly distributed in Mexico.

NOTICES TO RESIDENTS OF THE EUROPEAN ECONOMIC AREA

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, as defined below, (each, a "Relevant Member State"), the Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in that Relevant Member State: (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been

approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication; (b) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of any other purchaser nominated by the Issuer for any such offer; or (e) at any time in any other circumstances falling within Article 3 of the Prospectus Directive. For the purposes of this paragraph, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

NOTICES TO RESIDENTS OF THE UNITED KINGDOM

The Initial Purchaser has represented and agreed that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA, received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A NOTE IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A NOTE OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, NOTE, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

In this Offering Memorandum, references to (a) the "Issuer," "we," "us," and "our" refers to The Bank of New York Mellon, S.A., Institución de Banca Múltiple, acting exclusively as trustee of the Trust Agreement; (b) "Corporación GEO," refers to Corporación GEO, and its consolidated subsidiaries, unless the context otherwise requires or unless specified otherwise; (c) "GEO Subsidiaries" means, collectively GEO Baja California, S.A. de C.V., GEO del Noroeste, S.A. de C.V., GEO D.F., S.A. de C.V., GEO Edificaciones, S.A. de C.V., GEO Urbanizadora Valle de las Palmas, S.A. de C.V., GEO Guerrero, S.A. de C.V., GEO Hogares Ideales, S.A. de C.V.,

GEO Jalisco, S.A. de C.V., GEO Noreste, S.A. de C.V., GEO Monterrey, S.A. de C.V., GEO Morelos, S.A. de C.V., GEO Puebla, S.A. de C.V., GEO Casas del Bajío, S.A. de C.V., GEO Tamaulipas, S.A. de C.V., GEO Veracruz, S.A. de C.V., and Promotora Turística Playa Vela, S.A. de C.V. (together with any entity which in the future may act as joint and several obligor under the Service Agreement); (d) "GEO Maquinaria" refers to Maquinaria Especializada MXO, S.A. de C.V.; and (e) "GEO Importex" refers to GEO Importex, S.A. de C.V.

This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in the Issuer's affairs or that the information set forth in this Offering Memorandum is correct as of any date subsequent to the date of this Offering Memorandum.

The Notes have not been, and will not be, registered under the Securities Act or under the securities or "blue sky" laws of any state of the United States, Mexico or any other jurisdiction. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission or any other United States, Mexican or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

Other than the approval by the Central Bank of Ireland (the "Central Bank") of this Offering Memorandum as a prospectus in accordance with the requirements of the Prospectus Directive, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Offering Memorandum in any jurisdiction. The Offering Memorandum has been approved by the Central Bank as competent authority under the Prospectus Directive. The Central Bank only approves this Offering Memorandum as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of the Markets in Financial Instruments Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum (or any part of it) comes are required by the Issuer and the Initial Purchaser to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Offering Memorandum, see "Notice to Investors" and "Transfer Restrictions" herein.

This Offering Memorandum constitutes a prospectus for the purposes of the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. There can be no assurance that such application will be approved as of the settlement date for the Notes or at any time thereafter, and the settlement of the Notes is not conditioned on obtaining this listing.

The language of the Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Each investor, by purchasing a Note (or beneficial interests therein), agrees that the Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions therefrom described under "Transfer Restrictions—Investors in the U.S. Offering" or "Transfer Restrictions—Investors in the International Offering," as applicable. Each investor also will be deemed to have made certain representations and agreements as described herein. Any resale or other transfer, or attempted resale or other attempted transfer, which is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

It is expected that delivery of the Notes will be made against payment therefor on or about the Closing Date, which will be the 5th business day in New York, Ireland and Mexico following the date of pricing of the Notes (such settlement cycle being herein referred to as ("T+5")). Investors should note that

trading of the Notes (or beneficial interests therein) on the date of pricing and the next Business Day may be affected by the T+5 settlement.

This Offering Memorandum has been prepared by the Issuer solely for use in connection with the proposed offering of the Notes. The Issuer reserves the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered by this Offering Memorandum. Santander Investment Securities Inc. will act as the initial purchaser (the "Initial Purchaser") with respect to the offering of the Notes. This Offering Memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes.

This Offering Memorandum contains summaries, including summaries of certain provisions of the Indenture, the Notes, the Trust Agreement, the Service Agreement, the Operation, Administration and Maintenance Agreement, the Designated Engineer Agreement and the Assignment and Transfer Agreement (together, and with the Certificate the "Transaction Documents"). This Offering Memorandum does not purport to contain complete descriptions of the terms of such documents, and all information herein about such documents is qualified in its entirety by reference to such documents.

Each of the Issuer and GEO Maquinaria accepts responsibility for the information contained in this Offering Memorandum, and with respect to the information in Annex A only, Corporación GEO accepts responsibility for the information contained therein. To the best of the knowledge and belief of each of the Issuer, GEO Maquinaria and Corporación GEO, as applicable, (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. However, each of the representations, statements, undertakings and agreements made herein by the Issuer are (other than where expressly stated to the contrary) representations, statements, undertakings and agreements made solely by the Issuer in its fiduciary capacity under the Trust Agreement, in the exercise of the powers and authority granted to the Trustee pursuant to the Trust Agreement. Therefore, the Issuer shall not be personally liable and no holder of the Notes or potential investor shall have a claim against the individual assets of the Trustee, other than the Trust Estate, with respect to the content, completeness, accuracy, enforcement or execution of the information contained in this Offering Memorandum or in connection with any omission of any relevant information related to it or that without being provided herein, could affect the Notes or any of the transactions referred hereunder.

Distribution of this Offering Memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this Offering Memorandum without the Issuer's prior written consent is prohibited. By accepting delivery of this Offering Memorandum, you agree to the foregoing and to make no photocopies of this Offering Memorandum, and, if you do not purchase the Notes or the offering is terminated for any reason, to return this Offering Memorandum to: Santander Investment Securities Inc., 45 East 53rd Street, New York, NY 10022.

You must (a) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Offering Memorandum and the purchase, offer or sale of the Notes and (b) obtain any required consent, approval or permission for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither the Issuer, GEO Maquinaria, Corporación GEO, nor the Initial Purchaser or their agents have any responsibility therefor. See "Transfer Restrictions" for information concerning some of the transfer restrictions applicable to the Notes.

You acknowledge that:

- (a) you have been afforded an opportunity to request from the Issuer, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this Offering Memorandum;
- (b) you have not relied on the Initial Purchaser or its agents or any person affiliated with the Initial Purchaser or its agents in connection with your investigation of the accuracy of such information or your investment decision;

- (c) no person has been authorized to give any information or to make any representation concerning the Issuer or the Notes other than those as set forth in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Initial Purchaser or their agents;
- (d) you have sufficient financial resources and liquidity to bear all the risks of an investment in the Notes, including where the currency for principal and interest payments differs from the potential investor's home currency; and
- (e) you understand thoroughly the terms of the Notes and the Transaction Documents and are familiar with the behavior of any relevant indices and financial markets.

In making an investment decision, you must rely on your own examination of the Issuer, the Trust Estate and the terms of this offering, including the merits and risks involved. The Notes have not been recommended by the SEC, the CNBV or any state or foreign securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

The Notes may not be transferred or resold except as permitted under the Securities Act, and related regulations and applicable state securities laws. In making your purchase, you will be deemed to have made certain acknowledgements, representations and agreements set forth in this Offering Memorandum under the section "Transfer Restrictions." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This Offering Memorandum may only be used for the purpose for which it has been published. Neither the Initial Purchaser nor its agents is making any representation or warranty as to the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the Initial Purchaser nor its agents has independently verified any of such information and assumes no responsibility for the accuracy or completeness of the information contained in this Offering Memorandum.

See "Risk Factors" for a description of certain factors relating to an investment in the Notes, including information about the Issuer and the Trust. The Issuer, the Initial Purchaser or any of its representatives makes no representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

Notwithstanding anything in this Offering Memorandum to the contrary, each prospective investor (and each employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of any offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

To ensure compliance with Treasury Department Circular 230, holders of the Notes are hereby notified that: (a) any discussion of federal tax issues in this document is not intended or written to be relied upon, and cannot be relied upon, by holders of the Notes for the purpose of avoiding penalties that may be imposed on holders of the Notes under the Internal Revenue Code; (b) such discussion is included herein by the Issuer in connection with the promotion or marketing (within the meaning of Circular 230) of the transactions addressed herein; and (c) holders of the Notes should seek advice based on their particular circumstances from an independent tax advisor.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with resales of Notes, the Issuer will be required under the Indenture upon the request of a holder of Rule 144A Notes or Regulation S Notes (during the Distribution Compliance Period, as defined in the legend included under "Transfer Restrictions"), to furnish to such holder and any prospective purchaser who is a QIB designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Issuer is neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act ("Rule 12g3-2(b)"). As long as the Issuer maintains this exemption, the Issuer will not be required under the Indenture to deliver information otherwise required to be delivered under Rule 144A(d)(4) under the Securities Act.

We will make available to the holders of the Notes at the corporate trust office of the Indenture Trustee at no cost, copies of the Transaction Documents as well as of this Offering Memorandum.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

We have been advised by Santamarina y Steta, S.C. that no treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. However, Mexican courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, consisting of the review in Mexico of the United States judgment in order to ascertain whether Mexican legal principles of due process and public policy (*orden público*) have been complied with without reviewing the merits of the subject matter of the case.

The Issuer is acting exclusively as trustee under the terms of the Trust Agreement. The Trust Agreement is a contractual arrangement governed by the laws of Mexico. Neither the Trust Agreement, the Trust nor the Trust Estate are separate legal entities. The Trustee is a limited liability corporation (*sociedad anónima*) organized under the laws of Mexico and headquartered and managed and operated in Mexico. A substantial portion of the Trust Estate is located in Mexico. As a result, the Issuer is subject to political, economic, legal and regulatory risks specific to Mexico. As a result, it may not be possible for investors to effect service of process within the United States upon its directors, executive officers and controlling persons. In addition, we have been advised by Santamarina y Steta, S.C. that there is doubt as to the enforceability, in original actions in Mexican courts, of liabilities predicated solely on the U.S. federal securities laws and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws.

The courts in Mexico may recognize any final and conclusive judgment against the Issuer acting exclusively as trustee of the Trust obtained in a United States court arising out of or in relation to the obligations of the Issuers under the Notes and the Indenture provided that, *inter alia*:

- (a) such judgment is obtained in compliance with legal requirements of the jurisdiction of the court rendering such judgment and in compliance with the terms set forth in the Notes and the Indenture;
- (b) such judgment is strictly for the payment of a certain sum of money and has been rendered in an *in personam* action as opposed to an *in rem* action;
- (c) process was served personally on the Issuer acting exclusively as trustee under the terms of the Trust or on the appropriate process agent;
- (d) such judgment does not contravene Mexican law, Mexican public policy, international treaties or agreements binding upon Mexico or generally accepted principles of international law;
- (e) the applicable procedure under the laws of Mexico with respect to the enforcement of foreign judgments (including but not limited to the issuance of a rogatory letter by the competent authority of such jurisdiction, requesting enforcement of such judgment as authentic by the corresponding authorities of such jurisdictions in accordance with the laws thereof) is complied with;
- (f) such judgment is final in the jurisdiction in which it is obtained;
- (g) the action in respect of which such judgment is rendered is not the subject matter of a lawsuit among the same parties pending before a Mexican court and has not been resolved by any such court; and
- (h) any such foreign court would enforce final judgments rendered by the federal or state courts of Mexico as a matter of reciprocity.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. Words such as "believe," "anticipate," "plan," "expect," "target," "estimate," "project," "predict," "forecast," "guideline," "should," "aim," "continue," "could," "guidance," "may," "potential," "will," as well as similar expressions and the negative of such expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Examples of forward-looking statements include:

- projections of revenues, net income (loss), earnings per share, capital expenditures, dividends, capital structure, other financial items or ratios, taxes, and projections related to a business and results of operations;
- statements of plans, objectives or goals, including those relating to anticipated trends, competition, regulation (including building and zoning regulations and environmental laws), financing, warranties, labor and construction materials, key management personnel, subsidiaries and subcontractors, government housing policy, land availability and rates;
- statements about anticipated changes to accounting policies;
- statements about exchange controls and fluctuations in interest rates;
- statements about the risks associated with the Notes, the Issuer, the Indenture, payments of any judgments against the Issuer, and any bankruptcy;
- explanations about the transferability of the Notes and any trading market for the Notes;
- operation of the Transaction Documents in an Event of Default under the Trust Agreement or the Service Agreement;
- statements about changes in tax law and the impact on the Noteholders and the Trust Estate;
- performance of the Trust Estate;
- pro forma information, or "as if," performance of Corporación GEO or the Trust Estate under a set of hypothetical assumptions;
- statements about the future economic performance of the Issuer, Corporación GEO, GEO Maquinaria, or that of Mexico (including any depreciation or appreciation of the peso) or other countries;
- statements about anticipated political events in Mexico;
- statements about changes in Mexican federal governmental policies, legislation or regulation;
- statements of assumptions underlying these statements; and
- cash flow projections about the Trust Estate.

You should not place undue reliance on forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results and values are beyond the Issuer's ability to control or predict. All forward-looking statements and risk factors included in this Offering Memorandum are made as of the date on the front cover of this Offering Memorandum, based on information available to the Issuer as of such date, and the Issuer assumes no obligation to update any forward-looking statement or risk factor.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

Certain financial information contained in this Offering Memorandum has been derived from Corporación GEO's audited consolidated financial statements and related auditors' reports and notes as of and for the years ended December 31, 2008, 2009 and 2010 (collectively, the "Consolidated Financial Statements").

The limited financial and other information about Corporación GEO contained in this Offering Memorandum is provided for general background information purposes to assist prospective investors in analyzing the businesses of Corporación GEO. Corporación GEO is the main obligor under the Service Agreement and the GEO Subsidiaries guarantee the obligations of Corporación GEO thereunder. Noteholders will not have any rights against Corporación GEO, the GEO Subsidiaries, GEO Maquinaria or GEO Importex or any of their respective affiliates and will only have rights against the Issuer and only in respect of the Trust Estate as described herein under "Trust Estate." Therefore, no presentation of financial or other information about Corporación GEO hereunder should be interpreted to lessen the investor's reliance on the performance of the Trust Estate as the primary source of payment of the Notes or for the investors to otherwise consider that Corporación GEO, the GEO Subsidiaries, GEO Maquinaria, GEO Importex or any of their respective affiliates are in any way obligated under the Notes.

Corporación GEO's Consolidated Financial Statements have been prepared in accordance with Mexican Financial Reporting Standards ("Mexican FRS"), issued by the Mexican Board for Research and Development of Financial Reporting Standards (*Consejo Mexicano para la Investigación de Normas de Información Financiera*, or "CINIF"), which differs in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP") and the International Financial Reporting Standards ("IFRS"). See "Description of Certain Differences between Mexican FRS, U.S. GAAP and IFRS." **No reconciliation to U.S. GAAP or IFRS of the Consolidated Financial Statements or of any other financial information presented herein has been prepared. There can be no assurance that a reconciliation would not identify material quantitative differences between such financial statements or information prepared on the basis of Mexican FRS and as prepared on the basis of U.S. GAAP or IFRS.**

Through December 31, 2007, Mexican FRS required that the effects of inflation be recorded in the financial statements, as well as the restatement of financial information from prior periods to constant pesos as of the end of the most recent period. In order to recognize the effects of inflation, Corporación GEO applied Bulletin B-10, "Recognition of Effects of Inflation on Financial Information," and Bulletin B-15, "Foreign Currency Transactions and the Translation of Financial Statements of Foreign Operations." whereby non-monetary assets were restated at current replacement cost, stockholders' equity was restated using the NCPI and gains and losses in purchasing power from holding monetary liabilities and assets were recognized in results.

Beginning January 1, 2008, Corporación GEO adopted new financial reporting standard ("NIF") B-10, "Effects of Inflation," whereby the effects of inflation are not recognized unless the economic environment in which the entity operates is considered inflationary, as established within the standard. An environment is considered inflationary when cumulative inflation over the preceding three-year period is 26% or more. Given the low level of inflation in Mexico in the three-year period preceding December 31, 2008, Corporación GEO discontinued the recognition of the effects of inflation on its financial information. The cumulative inflation rates for the three fiscal years preceding December 31, 2008, 2009 and 2010, were 11.13%, 14.32% and 13.86%, respectively, and consequently those periods are considered non-inflationary. The inflation rates for the years ended December 31, 2008, 2009 and 2010, were 6.5%, 3.6% and 4.4%, respectively. Corporación GEO's financial statements as of and for the years ended December 31, 2008, 2009 and 2010, report information in nominal pesos.

As disclosed in its Consolidated Financial Statements effective January 1, 2010, Corporación GEO adopted the provisions established by INIF 14, "Construction Contracts, Sale of Real Estate and Rendering of Related Services," an interpretation of NIF D-7, "Construction and Manufacturing Contracts for Certain Capital Assets." INIF 14 changed the method according to which Corporación GEO recognizes its revenues from the "percentage-of-completion" method to recognizing revenues when the contract for sale of a housing unit is notarized and actual, legal title passes to the buyer.

INIF 14 requires separating the different components of contractual agreements in order to identify whether the components pertain to construction of real estate, sale of real estate or the rendering of related services and

establishes the rules for recognizing revenue and related costs and expenses in each instance. For real estate sales agreements, according to the criterion established by INIF 14, revenues are recognized when the entity has transferred ownership to the buyer, which generally occurs when the sale contract is notarized and legal title has passed to the buyer.

INIF 14 is effective for all entities that enter into construction and related real estate sale agreements beginning January 1, 2010. The accounting changes from the adoption of INIF 14 are required to be recognized retrospectively. During June 2010, the Company placed debt securities in the international markets. The offering document in connection with the sales of securities included the annual 2009 and 2008 consolidated financial statements alongside interim condensed consolidated financial statements for the three months ended March 31, 2010. Accordingly, at the time of the offering, the annual 2009 and 2008 consolidated financial statements were reissued to reflect the retrospective change from adopting INIF 14. Those restated amounts are reflected in the consolidated financial information for 2009 and 2008 included within this Offering Memorandum.

Effective January 1, 2012, Corporación GEO will be required under applicable CNBV regulations to adopt IFRS in place of Mexican FRS, which may result in different accounting and presentation with respect to Corporación GEO's consolidated financial position, results of operations and cash flows.

Currency Information

Unless otherwise indicated, financial information appearing in this Offering Memorandum is presented in Mexican pesos. In this Offering Memorandum, references to "pesos" or "Ps." are to Mexican pesos and references to "U.S. dollars," "dollars," "U.S.\$" or "\$" are to United States dollars. References to "UDI" in this Offering Memorandum mean the account unit denominated *Unidad de Inversión*, units of account whose value in pesos is indexed to inflation on a daily basis by Banco de Mexico and is published periodically by Banco de Mexico in the Official Gazette, as referred to in the "Decree which Sets Forth the Obligations That May Be Denominated in Unidades de Inversión and Amends Several Provisions of the Mexican Federal Tax Code and the Mexican Income Tax Law" (*Decreto por el que se Establecen las Obligaciones que Podrán Denominarse en Unidades de Inversión y Reforma y Adiciona Diversas Disposiciones del Código Fiscal de la Federación y de la Ley del Impuesto Sobre la Renta*), published in the Official Gazette on April 4 and April 5, 1995.

This Offering Memorandum contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, U.S. dollar amounts have been translated from pesos at an exchange rate of Ps.12.3496 per U.S. dollar, the rate calculated by Banco de Mexico on December 31, 2010, and published in the Official Gazette on January 3, 2011, for the payment of obligations denominated in currencies other than pesos and payable within Mexico. As of December 30, 2010, the noon buying rate in New York City for cable transfers in pesos per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York was Ps. 12.3825 per U.S. dollar. See "Exchange Rates" for information regarding the rates of exchange between the peso and the U.S. dollar for the periods specified therein.

Certain percentages and amounts in this Offering Memorandum may not sum due to rounding.

Industry and Market Data

Market data and other statistical information used throughout this Offering Memorandum are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on estimates made by Corporación GEO or the Issuer, which are derived from reviews of internal surveys, as well as independent sources. Although each of the Issuer and Corporación GEO believe these sources are reliable, and that such information is accurately reproduced in this Offering Memorandum and that no necessary facts have been omitted that render such information inaccurate neither the Issuer nor Corporación GEO have independently verified the information and cannot guarantee its accuracy or completeness.

In addition, in many cases, each of the Issuer and Corporación GEO has based certain statements contained in this Offering Memorandum regarding the Mexican Housing industry and Corporación GEO's position in the industry on certain assumptions concerning Corporación GEO's customers and competitors. These assumptions are based on Corporación GEO's experience in the industry, conversations with its principal vendors and its own

investigation of market conditions. Neither the Issuer nor Corporación GEO can assure you as to the accuracy of any such assumptions, and such assumptions may not be indicative of Corporación GEO's position in its industry.

Other Information Presented

The standard measure of area in the real estate market in Mexico is the square meter (m²), while in the United States the standard measure is the square foot (sq. ft.). Unless otherwise specified, all units of area shown in this Offering Memorandum are expressed in terms of square meters, acres or hectares. One square meter is equal to approximately 10.764 square feet, one acre is equal to approximately 4,047 square meters (or 43,560 square feet) and one hectare is equal to 10,000 square meters (or approximately 2.5 acres).

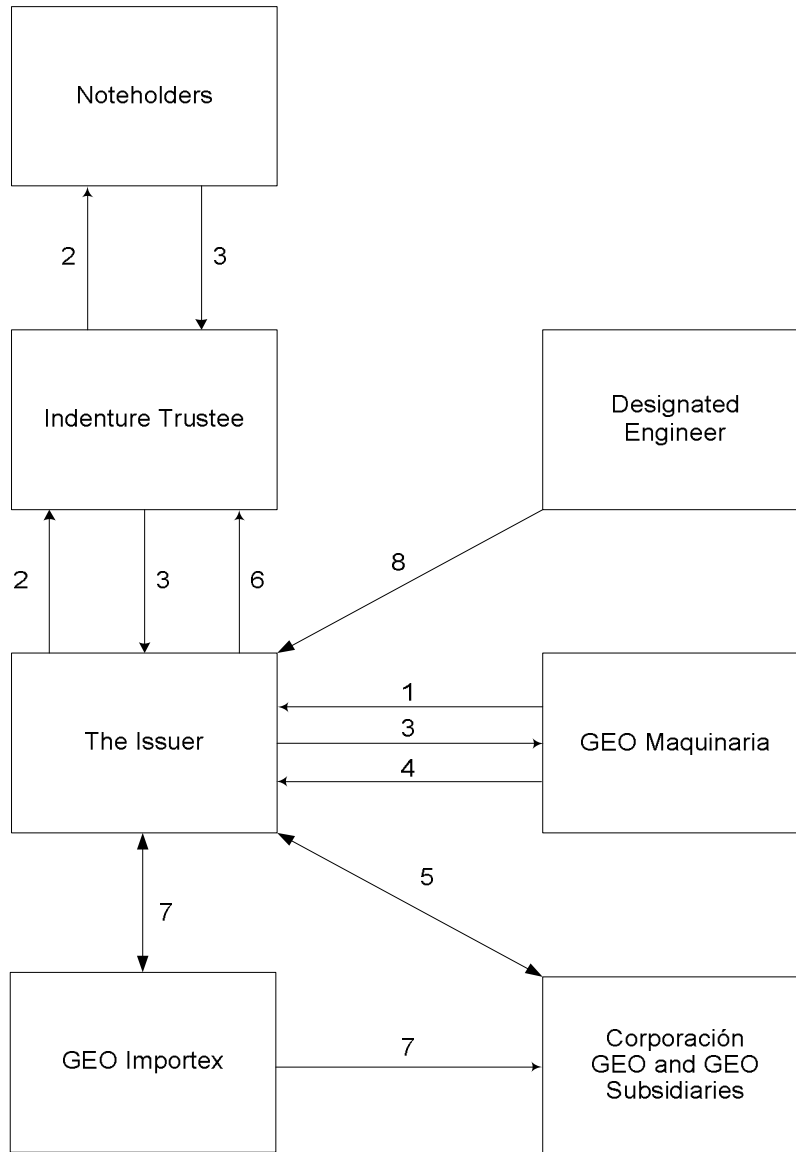
Certain terms used in this Offering Memorandum, if not already defined, are defined in "Defined Terms."

DIAGRAMS OF THE TRANSACTION

The diagrams below illustrate and summarize the transactions effected under the Transaction Documents. Investors should refer to the sections in this Offering Memorandum titled "Summary of Terms," "Description of the Notes and the Indenture" and "Description of the Mexican Transaction Documents" for a more complete description of the transactions summarized hereinafter.

Diagram of the Transaction Parties and the Transaction Documents

The following is a diagram of the structure of the transaction at the Closing Date.

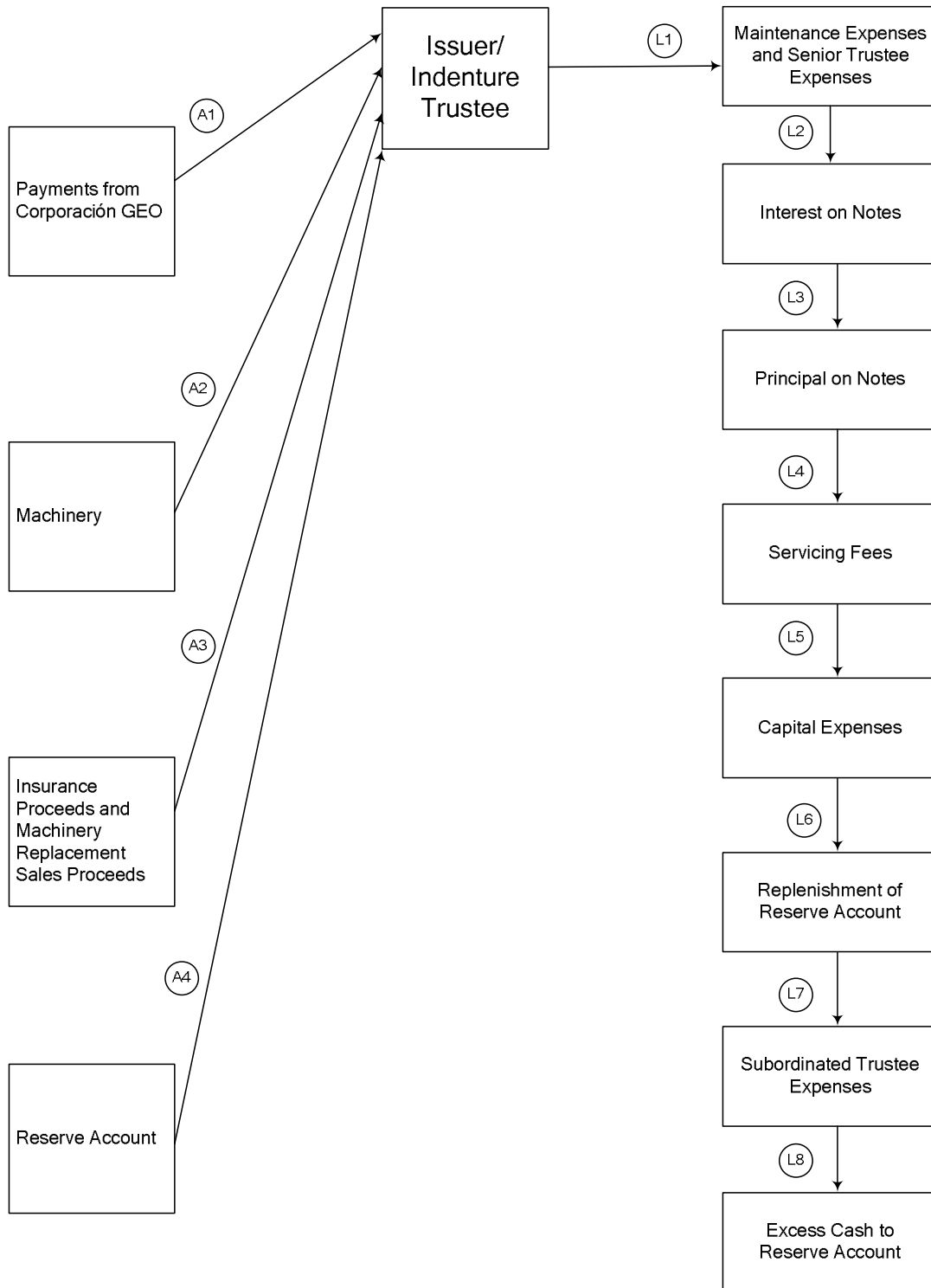


1. Pursuant to the Trust Agreement, GEO Maquinaria forms a trust under the laws of Mexico.
2. The Issuer issues and the Indenture Trustee authenticates the Notes pursuant to the Indenture, which are sold to the Noteholders.
3. The proceeds of the purchase price paid by Noteholders are sent via the Indenture Trustee to the Issuer. The Issuer uses the proceeds of the purchase price to acquire certain assets comprising the Trust Estate, to fund the Reserve Account and the Capital Expenses Account, and to pay certain transaction expenses.

4. Pursuant to the Assignment and Transfer Agreement, GEO Maquinaria sells, assigns and transfers to the Issuer the Machinery and all rights and obligations of GEO Maquinaria pursuant to the Service Agreement and the Insurance.
5. Pursuant to the Assignment and Transfer Agreement, the Issuer (as assignee of GEO Maquinaria, the initial signatory to the Service Agreement) assumes all rights and obligations as service provider under the Service Agreement, including the obligation to provide Machinery availability services to Corporación GEO and the GEO Subsidiaries. Corporación GEO and the GEO Subsidiaries are obligated jointly and severally to pay for the services described in the Service Agreement. Upon the execution of the Assignment and Transfer Agreement, all payments made by Corporación GEO and the GEO Subsidiaries under the Service Agreement are paid to the Issuer.
6. Pursuant to the Indenture, on each Transfer Date, the Issuer transfers to the Indenture Trustee for deposit into the Indenture Trustee Payment Account the amounts payable in respect of interest, principal and premium, if any, on the Notes, and any Additional Amounts. Such amounts deposited into the Indenture Trustee Payment Account are used by the Indenture Trustee to pay the Noteholders on each Payment Date.
7. Pursuant to the Operation, Administration and Maintenance Agreement, GEO Importex, as Operator, will perform the duties and responsibilities identified therein to operate, manage and maintain the Machinery in order to comply with the Issuer's obligations (i) under the Service Agreement (including the obligation to provide Machinery availability services to Corporación GEO and the GEO Subsidiaries and to manage and maintain the Insurance) and, (ii) under the Designated Engineer Agreement. In consideration of the foregoing, the Issuer will pay the Operator the Servicing Fee.
8. Pursuant to the Designated Engineer Agreement, the Designated Engineer supervises the Annual Utilization Program, approves the acquisition of Additional and Replacement Machinery and performs on-site inspections of Machinery and its utilization and certain other oversight and administrative functions, such as validating hours of utilization if a termination event is triggered, to ensure compliance with the Transaction Documents. Under certain circumstances, the Designated Engineer must validate whether the Machinery availability services were provided to Corporación GEO under the Service Agreement.

Diagram of Ongoing Transaction

The following is a diagram of how the transactions contemplated in the Transaction Documents will operate as of the Closing Date:



Principal Assets of the Issuer

- A1. Corporación GEO is obligated to pay the Quarterly Payment, every Quarter in advance, to the Issuer for the services provided under the Service Agreement every 10th day of February, May, August and November, provided that:
- (a) in the event that the total number of hours of Machinery availability services in the corresponding Quarter were less than 720,000, Corporación GEO would only have the obligation to pay the proportional amount of the Quarterly Payment corresponding to the number of hours the Machinery was actually made available to Corporación GEO by the Issuer (including the Maintenance Hours). For example, if the Machinery were available for 700,000 hours including the Maintenance Hours (that is, 664,000 of availability services actually provided plus 36,000 that correspond to the Maintenance Hours), then the Quarterly Payment would be reduced to a percentage equal to a fraction, the numerator of which is 700,000 and the denominator of which is 720,000. Additionally, if the example above were 700,000 availability services actually provided plus the 36,000 that correspond to the Maintenance Hours, then the Quarterly Payment would not be reduced at all because the numerator would be assumed to be the maximum of 720,000 hours;
 - (b) in the event of a Corporación GEO Termination Event, the Issuer will have the right to terminate the Service Agreement and Corporación GEO will have the obligation to pay in a lump sum the Corporación GEO Termination Event Termination Fee; and
 - (c) in the event of an Issuer Termination Event, Corporación GEO will have the right to terminate the Service Agreement, subject to the payment in a lump sum of the Issuer Termination Event Termination Fee.

In the event that Corporación GEO pays the full amount of the Quarterly Payment on any Payment Date, such amount is anticipated to be sufficient to pay principal and interest on the Notes in full on such Payment Date. In the event that the Quarterly Payment is reduced pro rata as provided in paragraph (a) above, or Corporación GEO pays the Issuer Termination Event Termination Fee as provided in paragraph (c) above, whether the Issuer will have sufficient resources to pay principal and interest due on the related Payment Date will depend primarily on whether amounts on deposit and available in the Reserve Account plus the remaining Quarterly Payment or the Issuer Termination Event Termination Fee (as applicable) are sufficient to cover the principal and interest owing on the Notes at such time. In the event that Corporación GEO pays the Corporación GEO Termination Event Termination Fee as described in paragraph (b) above, it is anticipated that such amount will be sufficient to pay all outstanding amounts on the Notes at such time.

- A2. GEO Maquinaria will transfer and assign the title of the Machinery to the Issuer on or before the Closing Date pursuant to the Assignment and Transfer Agreement. If a Declared Event of Default occurs and the Principal Balance of the Notes is declared immediately due and payable, the Issuer, at the direction of the Indenture Trustee (at the written direction of the Controlling Party), shall exercise any of the remedies available under the Trust Agreement including the sale of the Machinery. Proceeds obtained as a result of such sale will be applied by the Issuer to pay the outstanding Principal Balance of the Notes.
- A3. Pursuant to the Assignment and Transfer Agreement, GEO Maquinaria will assign and transfer to the Issuer the Machinery and all rights and obligations of GEO Maquinaria under the Insurance including the right to receive Insurance Proceeds and Machinery Sales Proceeds. Amounts payable in U.S. dollars under the Insurance will be deposited into the General Dollar Account and amounts payable in pesos will be deposited in the General Peso Account. During the normal course of the transaction, Insurance Proceeds and Machinery Sales Proceeds will be transferred to the Capital Expenses Account and be used to purchase Additional or Replacement Machinery. Upon the occurrence of a Declared Event of Default and acceleration of the Notes, the Issuer will apply such amounts in the Capital Expenses Account to pay the outstanding Principal Balance of the Notes.

- A4. The Issuer will deposit U.S.\$20,000,000 in the Reserve Account from the proceeds of the Offering. On each Transfer Date, the Issuer will deposit in the Reserve Account amounts necessary to maintain such U.S.\$20,000,000. The Issuer will transfer amounts from the Reserve Account to the Payment Account on each Distribution Date to the extent the Issuer determines that they are necessary to make payments of Maintenance Expenses, Interest Amounts, Additional Amounts, Principal Amounts or any outstanding Indemnity Amounts.

Principal Liabilities of the Issuer

On each Transfer Date, the Issuer will use the amounts in the Payment Account to make the following payments with respect to such Payment Date in the order specified below and only to the extent that payments with greater priority are made in full.

- L1. Maintenance Expenses and, to the Trustee and the Indenture Trustee, any indemnity applicable under the Trust Agreement and the Indenture, respectively; provided, that such indemnity payments will be limited to U.S.\$100,000 for the Trustee and U.S.\$100,000 for the Indenture Trustee, from the Closing Date and for each year thereafter, such limit will increase by an additional U.S.\$100,000 for the Trustee and U.S.\$100,000 for the Indenture Trustee until and including the fourth anniversary of the Closing Date, and for every year after the fourth anniversary the amount for each of the Trustee and the Indenture Trustee will be limited to the amount accumulated during such four year period; provided, further, that no such cap at this priority level exists following a Declared Event of Default.
- L2. The Interest Amount together with any Additional Amounts to the Indenture Trustee for the benefit of the Noteholders.
- L3. The Scheduled Principal Amount to the Indenture Trustee for the benefit of the Noteholders (and, following a Declared Event of Default, thereafter the entire Principal Balance of the Notes).
- L4. The Servicing Fee due to the Operator or any Substitute Operator.
- L5. The Capital Expenses Amount to the Capital Expenses Account.
- L6. Any Reserve Account Shortfall to the Reserve Account.
- L7. To the Trustee and the Indenture Trustee, any payments to which any of them is entitled in respect of indemnities under the Trust Agreement and the Indenture, respectively, that were not paid under L1.
- L8. Any excess cash to the Reserve Account.

SUMMARY OF TERMS

I. The Offering

Securities Offered:	Notes in the aggregate principal amount of U.S.\$160,000,000, having a fixed interest rate of 9.625% per annum, and due 2021 (the "Notes"). All payments on the Notes will be made in U.S. dollars. Notes represent limited-recourse obligations of the Issuer, the repayment of which is backed by and limited to, the Trust Estate, and do not represent interest in, or direct obligations of Corporación GEO, the GEO Subsidiaries, GEO Maquinaria, GEO Importex, or any other subsidiary of Corporación GEO.
Denominations:	The Notes will be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Ranking:	The Notes will rank <i>pari passu</i> among themselves. Pursuant to the Indenture, the Issuer cannot create, assume or otherwise incur any indebtedness (including contingent obligations) other than the Notes and other obligations under the Transaction Documents.
Closing Date:	"Closing Date" with respect to the Indenture and the Notes means on or about May 2, 2011.
Offering of the Notes:	<p>The Notes will be offered in the United States to QIBs in reliance upon Rule 144A under the Securities Act who are also QPs, and outside the U.S. to non U.S. persons in reliance upon Regulation S under the Securities Act.</p> <p>The Notes will not be offered or sold publicly in Mexico.</p>
Initial Purchaser:	Santander Investment Securities Inc. (the "Initial Purchaser").
Issuer:	The Bank of New York Mellon, S.A., Institución de Banca Múltiple, acting exclusively in its capacity as trustee of the Irrevocable Trust Agreement No. F/00762, acting as the Issuer, and its successors in such capacity.
GEO Maquinaria:	Maquinaria Especializada MXO, S.A. de C.V., a wholly owned subsidiary of Corporación GEO.
GEO Importex:	GEO Importex, S.A. de C.V., a wholly owned subsidiary of Corporación GEO.
Trustee:	The Bank of New York Mellon, S.A., Institución de Banca Múltiple, as trustee of the Trust Agreement and any successor thereto.
Corporación GEO:	Corporación GEO, S.A.B. de C.V. and its consolidated subsidiaries unless the context otherwise requires or unless specified otherwise.
Operator:	GEO Importex, S.A. de C.V. under the Operation, Administration and Maintenance Agreement and any successor thereto.
Service Provider:	Initially GEO Maquinaria, then, after giving effect to the Assignment and Transfer Agreement, the Issuer as assignee.
Indenture Trustee:	The Bank of New York Mellon, a New York banking corporation, not in its individual capacity but solely as the Indenture Trustee under the Indenture, and its successors in such capacity.
Designated Engineer:	Initially Ramón Brambila Ayala, and any successors thereof in accordance with the Designated Engineer Agreement (the "Designated Engineer").

Trust Estate:

The Trust Estate will include the following assets, among others:

1. an initial cash contribution in the amount of Ps.10,000 made by GEO Maquinaria;
2. all rights and obligations of GEO Maquinaria under the Service Agreement;
3. title to the Machinery;
4. all rights under the Insurance;
5. all rights and obligations of the Issuer under the Transaction Documents and any other agreement, contract, instrument or document entered into by the Issuer;
6. the unapplied proceeds received from the issuance of the Notes and from the sale of the Certificate in accordance with the Trust Agreement;
7. Collections and any other amounts received from any person with respect to any of the assets that form the Trust Estate, including with respect to the Services Payment and the Termination Fees;
8. any sums received as the Reacquisition Price, if any;
9. any instruments resulting from the investment of funds maintained by the Trust in Permitted Investments and the related proceeds;
10. any cash amounts and other assets held at any time in Trust Accounts; and
11. any cash amounts and other assets and rights received by the Issuer related to the Trust Agreement.

Payments received with respect to the Trust Estate will be applied in accordance with the provisions and priorities of the Waterfall contained in the Trust Agreement and the provisions of the Indenture to make payments with respect to the Notes on Payment Dates until the Notes are fully paid or the assets comprising the Trust Estate are depleted.

Following the declaration of an Event of Default (a "Declared Event of Default"), the Indenture Trustee, upon instructions from the Controlling Party, will have the full legal right to instruct the Issuer how to dispose of or allocate the Trust Estate as provided for in the section entitled "Summary of Terms—Events of Default and Substitution Events" below. Any proceeds resulting from the exercise of such remedies will be applied by the Issuer in accordance with the provisions and priorities of the Waterfall and, upon receipt by the Indenture Trustee will be applied to make payments on the Notes as provided under the Indenture.

"Collections" means any amounts received pursuant to or in respect of the Service Agreement, the Machinery and other assets comprising the Trust Estate, except for any Insurance Proceeds and Machinery Sale Proceeds.

"Insurance" means any insurance including damage and civil liability insurance obtained in respect of the Machinery. See "The Trust Estate—Insurance."

"Permitted Investments" means (a) in respect of amounts in U.S. dollars, any repurchase obligations regarding debt securities in U.S. dollars (i) issued by the federal government of the United States of America; (ii) which are fully and unconditionally guaranteed as to payment of interest and principal by the federal government of the United States of

America; and (b) with regard to the amounts in pesos, any repurchase agreements regarding debt securities in pesos or investment units (*unidades de inversión*) (i) issued by the Mexican federal government; (ii) which are fully and unconditionally guaranteed as to payment of interest and principal by the Mexican federal government or any governmental agency or entity the liabilities of which are in turn guaranteed by the Mexican federal government.

"Reacquisition Price" means such amount offered by GEO Maquinaria to repurchase the Trust Estate in its entirety (including the Service Agreement and the Machinery) at the market price thereof on such date and as set forth in the Trust Agreement.

Use of Proceeds:

The issuance of the Notes is U.S.\$160,000,000 and the sale of the certificate (*Constancia*) to be issued pursuant to the Trust Agreement (the "Certificate") on the Closing Date will be in an amount equal to U.S.\$10,000. The Issuer will use such proceeds (a) to pay offering and transaction expenses in an amount equal to approximately U.S.\$4,500,000, (b) to fund the (i) Reserve Account in an amount equal to U.S.\$20,000,000, and (ii) the Capital Expenses Account in an amount equal to U.S.\$16,000,000, and (c) the remainder of proceeds will be applied by the Issuer as a payment to GEO Maquinaria in accordance with the Trust Agreement and the Assignment and Transfer Agreement to acquire (1) all of GEO Maquinaria's rights and obligations under the Service Agreement, (2) the Machinery, and (3) the Insurance. The Certificate will be held by CYM Bicentenario, S.A. de C.V.

GEO Maquinaria, in turn, will use (a) approximately U.S.\$44,500,000 for the acquisition of land; and (b) approximately U.S.\$75,000,000 to pay certain subsidiaries of Corporación GEO the purchase price for the acquisition of the Machinery and the Insurance transferred by such subsidiaries to GEO Maquinaria, and ultimately transferred by GEO Maquinaria to the Issuer. Such subsidiaries of Corporación GEO will use such amount (a) to pay the purchase price of approximately U.S.\$28,000,000 for acquiring leased Machinery that will ultimately be transferred to the Issuer and (b) approximately U.S.\$47,000,000 for the acquisition of land for new projects and for general corporate purposes.

Ratings:

It is expected that the Notes be rated "BB-(sf)" by S&P and "BB-" by Fitch (each, a "Rating Agency" and together, the "Rating Agencies"). The ratings address the likelihood of timely payment of interest and principal on each Payment Date. The ratings do not address the likelihood of payment of any overdue interest, Additional Amounts or any other amounts or any accelerated principal payments for the Notes coming due as the result of the occurrence of an Event of Default. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency.

Expected Final Maturity Date:

Unless repaid prior thereto, the final payment on the Notes is expected to be made on the Payment Date in May 2, 2021.

Payment Dates:

"Payment Date" means the 2nd of each month of February, May, August and November, or if such day is not a Business Day, the next succeeding Business Day (without any additional interest being payable as a result of such delay) of each year beginning on August 2, 2011.

Calculation of Interest Amount:

Interest on the Notes will be paid with respect to the related Interest Period at the rate per annum specified below as the Interest Rate with respect to such Interest Period, as follows:

Interest on the Notes will be paid to the holders of the Notes, (the "Noteholders") of record as of the close of business on the last business day in the month immediately preceding the month in which such Payment Date occurs (the "Record Date").

"Interest Period" means (a) initially, the period from and including the Closing Date to, but excluding, the first Payment Date thereafter and (b) thereafter, with respect to any Payment Date, the period from and including the immediately preceding Payment Date to, but excluding, such Payment Date or the Expected Final Maturity Date.

"Interest Amount" means, with respect to any Payment Date, the interest amount equal to the sum of:

- (a) the Current Interest Due for the Interest Period relating to such Payment Date;
- (b) the Overdue Interest for such Payment Date; and
- (c) the Capitalized Interest for the Interest Period relating to such Payment Date.

"Current Interest Due" means, with respect to any period of determination, the sum of, for each day in such period (not to exceed ninety (90) calendar days), the product of (a) the Interest Rate, (b) 1/360th and (c) the Principal Balance as of the end of such day.

"Overdue Interest" means, with respect to any date of determination, the sum of the Current Interest Due on all prior Payment Dates which were not previously paid on any prior Payment Dates in respect of the Notes.

"Capitalized Interest" means, with respect to any period of determination, the sum of (a) the Current Capitalized Interest for such period of determination, and (b) the Overdue Capitalized Interest as of the end of such period of determination.

"Current Capitalized Interest" means, with respect to any period of determination, for each day in such period (though not to exceed ninety (90) calendar days), the sum of (a) the product of (i) the sum of (A) the Interest Rate and (B) 2.0% per annum, (ii) 1/360th, and (iii) the sum of (A) the Overdue Interest as of such day and (B) the Overdue Capitalized Interest as of such day, and (b) the product of (i) 2.0% per annum, (ii) 1/360th, and (iii) the Overdue Principal as of such day.

"Overdue Capitalized Interest" means, with respect to any date of determination, the sum of the amounts of Current Capitalized Interest on all prior Payment Dates which were not previously paid on any prior Payment Date in respect of the Notes.

"Overdue Principal" means, with respect to any date of determination, the sum of the Scheduled Principal Amounts which were due on all prior Payment Dates and which were not previously paid on any prior Payment Dates in respect of the Notes.

**Calculation of
Principal Amount:**

"Principal Amount" means, with respect to any Payment Date, an amount equal to the sum of (a) the Scheduled Principal Amount for such Payment Date, and (b) any unpaid Scheduled Principal Amounts from prior Payment Dates.

**Scheduled Principal
Amount:**

The "Scheduled Principal Amount" means, with respect to any Payment Date, the amount set forth in the table below associated with such Payment Date:

<u>Payment Date</u>	<u>Scheduled Principal Amount</u>
August 2, 2011	U.S.\$600,000.00
November 2, 2011	U.S.\$600,000.00
February 2, 2012	U.S.\$600,000.00
May 2, 2012	U.S.\$600,000.00
August 2, 2012	U.S.\$600,000.00
November 2, 2012	U.S.\$600,000.00
February 2, 2013	U.S.\$600,000.00
May 2, 2013	U.S.\$600,000.00
August 2, 2013	U.S.\$900,000.00
November 2, 2013	U.S.\$900,000.00
February 2, 2014	U.S.\$900,000.00
May 2, 2014	U.S.\$900,000.00
August 2, 2014	U.S.\$1,600,000.00
November 2, 2014	U.S.\$1,600,000.00
February 2, 2015	U.S.\$1,600,000.00
May 2, 2015	U.S.\$1,600,000.00
August 2, 2015	U.S.\$2,500,000.00
November 2, 2015	U.S.\$2,500,000.00
February 2, 2016	U.S.\$2,500,000.00
May 2, 2016	U.S.\$2,500,000.00
August 2, 2016	U.S.\$3,400,000.00
November 2, 2016	U.S.\$3,400,000.00
February 2, 2017	U.S.\$3,400,000.00
May 2, 2017	U.S.\$3,400,000.00
August 2, 2017	U.S.\$4,600,000.00
November 2, 2017	U.S.\$4,600,000.00
February 2, 2018	U.S.\$4,600,000.00
May 2, 2018	U.S.\$4,600,000.00
August 2, 2018	U.S.\$6,900,000.00
November 2, 2018	U.S.\$6,900,000.00
February 2, 2019	U.S.\$6,900,000.00
May 2, 2019	U.S.\$6,900,000.00
August 2, 2019	U.S.\$8,700,000.00
November 2, 2019	U.S.\$8,700,000.00
February 2, 2020	U.S.\$8,700,000.00
May 2, 2020	U.S.\$8,700,000.00
August 2, 2020	U.S.\$10,200,000.00
November 2, 2020	U.S.\$10,200,000.00
February 2, 2021	U.S.\$10,200,000.00
May 2, 2021	U.S.\$10,200,000.00

In the event any such Payment Date is not a Business Day, such Payment Date will be on the next succeeding Business Day (without any additional interest being payable as a result of such delay).

Calculation of Accelerated Principal Amount:

"Accelerated Principal Amount" means, with respect to any Payment Date, the outstanding Principal Balance of Notes on such Payment Date, after giving effect to the payment of all prior principal payments.

"Principal Balance" means, as of any date of determination, the aggregate outstanding principal balance of the Notes on such date after the giving effect to: (a) any payments previously made on or before such date for all or any portion of the principal of the Notes and (b) the cancellation of all or any portion of the principal of the Notes previously made as a result of the Issuer acquiring any interest therein and electing to have such principal amount cancelled.

"Initial Principal Balance" means the aggregate outstanding principal amount of the Notes on the Closing Date.

Calculation of Prepayment Premium:

"Prepayment Premium" means, with respect to any Payment Date, the amount set forth in the following chart next to the period on which such prepayment is made:

<u>Period</u>	<u>Prepayment Premium</u>
Between May 3, 2018 and August 2, 2018	U.S.\$4,967,016
Between August 3, 2018 and November 2, 2018	U.S.\$4,634,919
Between November 3, 2018 and February 2, 2019	U.S.\$4,302,822
Between February 3, 2019 and May 2, 2019	U.S.\$3,970,725
Between May 3, 2019 and August 2, 2019	U.S.\$2,425,248
Between August 3, 2019 and November 2, 2019	U.S.\$2,146,152
Between November 3, 2019 and February 2, 2020	U.S.\$1,867,056
Between February 3, 2020 and May 2, 2020	U.S.\$1,587,960
Between May 3, 2020 and August 2, 2020	U.S.\$654,432
Between August 3, 2020 and November 2, 2020	U.S.\$490,824
Between November 3, 2020 and February 2, 2021	U.S.\$327,216
Between February 3, 2021 and May 2, 2021	U.S.\$163,608

Taxes and Other Deductions:

All payments to be made in respect of the Notes will be made in U.S. dollars as described above and will be made free and clear of, and without any deduction or withholding for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any taxing authority unless such amounts are required by any such taxing authority to be withheld or deducted, in which case Additional Amounts for such Payment Date will be paid by the Issuer.

Reacquisition and Prepayment:

GEO Maquinaria may make an offer to repurchase the Trust Estate (including the Service Agreement and the Machinery), (a) on any Payment Date after the seventh anniversary of the Closing Date, and/or (b) on any Payment Date if, as a result of certain changes to Mexican tax law or the interpretation thereof occurring after the Closing Date, the Issuer (i) would be obligated to pay Additional Amounts in respect of interest or premium payments in excess of those attributable to a Mexican withholding tax rate of 10%, (ii) would be obligated to pay Additional Amounts in respect of principal or other payments other than interest or premium payments, or (iii) becomes a taxable entity under Mexican law. GEO Maquinaria's offer to purchase the Trust Estate will be analyzed by the Designated Engineer who will confirm, among other things, that the Reacquisition Price meets the requirements to be deemed the "Sale Price." If the offer to purchase the Trust Estate is accepted, GEO Maquinaria will pay the Reacquisition Price and such amounts will be used to pay the Notes as set forth in the Trust Agreement and the Indenture.

GEO Maquinaria may not repurchase the Trust Estate unless the Reacquisition Price is equal to or greater than the Sale Price. The Issuer will only transfer the Trust Estate to GEO Maquinaria once GEO Maquinaria pays the Reacquisition Price.

"Sale Price" means the minimum amount that the Issuer must receive to transfer the Trust Estate (including the Service Agreement and the Machinery) to GEO Maquinaria, which in any case will be equal to or greater than the sum of (a) the Principal Balance of the Notes, (b) interest due but unpaid under the Notes, (c) the Prepayment Premium, (d) any Additional Amounts and (e) any other amounts due under the Notes and other Transaction Documents.

Prepayment Amount:

The Reacquisition Price will be paid to the Issuer and, as a consequence, the Issuer will pay to the Noteholders an amount equal to (i) the accrued but unpaid interest plus (ii) the outstanding principal amount of the Notes multiplied by:

- 100% if on or before May 2, 2018 (only in case if as a result of changes to certain Mexican tax law);
- if after May 2, 2018 and on or before May 2, 2019, 104.813%;
- if after May 2, 2019 and on or before May 2, 2020, 103.208%; or
- if after May 2, 2020 and on or before May 2, 2021, 101.604%.

II. Principal Transaction Documents

Transaction Documents: "Transaction Documents" means, collectively, the Indenture, the Notes, the Trust Agreement, the Assignment and Transfer Agreement, the Service Agreement, the Operation, Administration and Maintenance Agreement, the Designated Engineer Agreement and the Certificate. See "Description of the Notes and the Indenture" and "Description of the Mexican Transaction Documents."

Indenture: "Indenture" means the Indenture, dated as of the Closing Date, among the Issuer, The Bank of New York Mellon, as the Indenture Trustee and the Irish Paying Agent, pursuant to which the Issuer will issue the Notes backed by the Trust Estate.

"Irish Paying Agent" means The Bank of New York Mellon (Ireland) Limited and any successor thereof.

Trust Agreement: "Trust Agreement" means that certain irrevocable Trust Agreement No. F/00762, dated as of or prior to the Closing Date, executed between the Issuer and GEO Maquinaria which designate the Noteholders represented by the Indenture Trustee as first beneficiaries. See "Description of the Mexican Transaction Documents—The Trust Agreement."

Assignment and Transfer Agreement: "Assignment and Transfer Agreement" means that certain assignment and transfer agreement, dated as of the Closing Date, between the Issuer and GEO Maquinaria. See "Description of the Mexican Transaction Documents—The Assignment and Transfer Agreement."

Service Agreement: "Service Agreement" means that certain service agreement, dated on or before the Closing Date, between Corporación GEO, the GEO Subsidiaries and GEO Maquinaria.

Under the Service Agreement, the Issuer, as assignee of GEO Maquinaria, either directly or indirectly (through subcontractors) will:

- (a) provide to Corporación GEO and the GEO Subsidiaries, Machinery availability services, for use by Corporación GEO and the GEO Subsidiaries in their home construction operations in Mexico in the ordinary course, for a minimum of 720,000 hours per Quarter (which includes the Maintenance Hours), provided, that Additional Hours of Machinery availability services may be provided subject to limitations set forth in such agreement;
- (b) obtain and maintain in full force and effect all permits and licenses required for the use and operation of the Machinery;
- (c) provide the GEO Subsidiaries preventive and corrective maintenance services to the Machinery;
- (d) operate the Machinery for Corporación GEO's or the GEO Subsidiaries' home construction operations; and
- (e) obtain and maintain, in full force and effect, the Insurance.

All services provided under the Service Agreement will be provided by the Issuer (either directly or indirectly) based on an annual utilization program (the "Annual Utilization Program"). Such Annual Utilization Program must adhere to the guidelines and limitations set forth in the Service Agreement and will provide, for the respective annual periods, (a) the type of Machinery to be used in rendering the services for such period, (b) estimates of the number of hours of Machinery to be used per Quarter, and (c) the location for the rendering of the services, among other operative items relating to such services.

For purposes of monitoring the compliance with the Service Agreement, Corporación GEO and the Issuer (either directly or through subcontractors) will carry out weekly statements regarding, among other things, actual hours of Machinery availability services provided during the previous week. In the case that there is a disagreement between Corporación GEO's records and the Issuer's records, then such difference will be resolved by a Person appointed by the Issuer to resolve such differences. Such Person should fulfill the following standards:

- (a) any entity that is not a shareholder and does not otherwise control a company under the control of Corporación GEO ("GEO Entities"), that is not a subsidiary or affiliate of a GEO Entity, that is not controlled by a shareholder, director, officer or employee of a GEO Entity, and that is not a significant provider, client, creditor or debtor of a GEO Entity; and
- (b) with respect to natural persons, any person that is not a shareholder or does not in any way control or have a relevant participation in a GEO Entity, that is not a director, officer or employee of a GEO Entity, that is not a significant supplier, client, creditor of a GEO Entity or a director, officer or employee thereof, or debtor or that is not a spouse or a relative (up to the fourth degree) to any of the above mentioned persons.

A supplier, client, creditor or debtor is considered significant when (i) in case of suppliers or clients, the sales of or to the GEO Entity represent more than 10% of the total sales of such supplier or client during the previous twelve (12) months, and (ii) with respect to a creditor or debtor, when the credit involved is more than 15% of the assets of the GEO Entity or such creditor or debtor.

"Quarter" means each of the following calendar quarters until the end of the Service Agreement: (i) from and including May 2 to and including August 1 (ii) from and including August 2 to and including November 1, (iii) from and including November 2 to and including February 1, and (iv) from and including February 2 to and including May 1.

Quarterly Payment:

Corporación GEO will pay the Issuer, as assignee, for the services rendered, on a quarterly basis and in advance, every 10th day of February, May, August and November, beginning on May 10, 2011, the amount that corresponds to each period, as set forth in the following table, plus the applicable value-added tax (the "Quarterly Payment"):

Period	Quarterly Payment
From May 2, 2011 to May 1, 2012	U.S.\$9,540,000
From May 2, 2012 to May 1, 2013	U.S.\$10,350,900
From May 2, 2013 to May 1, 2014	U.S.\$11,230,727
From May 2, 2014 to May 1, 2015	U.S.\$12,185,338
From May 2, 2015 to May 1, 2016	U.S.\$13,221,092
From May 2, 2016 to May 1, 2017	U.S.\$14,344,885
From May 2, 2017 to May 1, 2018	U.S.\$15,564,200
From May 2, 2018 to May 1, 2019	U.S.\$17,120,620
From May 2, 2019 to May 1, 2020	U.S.\$18,832,682
From May 2, 2020 to May 1, 2021	U.S.\$20,715,950

The Quarterly Payment amounts provided herein are estimates and subject to change upon the pricing of the Notes.

The Quarterly Payments are paid as consideration for the availability of the Machinery for 720,000 hours of Machinery per Quarter. The Issuer may use up to 36,000 hours per Quarter of such 720,000 hours of Machinery availability services to perform maintenance services, to comply with administrative and managerial procedures with respect to the Machinery, to obtain permits, to transport Machinery to work sites and to resolve any incidents with respect to the Machinery (the "Maintenance Hours"). Corporación GEO will have the obligation to pay at all times such amount of the Quarterly Payments that corresponds to all of the Maintenance Hours.

Notwithstanding the above, if the Issuer does not make the Machinery available to Corporación GEO for at least the 720,000 hours per Quarter, Corporación GEO would only have the obligation to pay the proportional amount of the Quarterly Payment corresponding to the number of hours the Machinery was actually made available to Corporación GEO by the Issuer (including the Maintenance Hours). For example, if the Machinery were available for 700,000 hours including the Maintenance Hours (that is, 664,000 of availability services actually provided plus 36,000 that correspond to the Maintenance Hours), then the Quarterly Payment would be reduced to a percentage equal to a fraction, the numerator of which is 700,000 and the denominator of which is 720,000. Additionally, if the example above were 700,000 availability services actually provided plus the 36,000 that correspond to the Maintenance Hours, then the Quarterly Payment would not be reduced at all because the numerator would be assumed to be the maximum of 720,000 hours. Any excess paid by Corporación GEO in a Quarter may be set off from the Quarterly Payments to be paid with respect to the immediately following Quarter. Pursuant to the terms of the Operation, Administration and Maintenance Agreement, the Operator will provide the Issuer and the Designated Engineer with a report, on a quarterly basis, providing the number of hours the Issuer actually made the Machinery available to Corporación GEO during the preceding Quarter.

In addition to the Quarterly Payment, Corporación GEO is required to make payments for each additional hour of Machinery availability services provided in excess of 720,000 hours of Machinery availability services per Quarter (the "Additional Hours") at a rate of U.S.\$ 19.88 per hour.

If at the end of any calendar year, including 2011, and until the Service Agreement is terminated, the increase in the consumer price index as published by the Bureau of Labor Statistics of the United States Department of Labor ("U.S. Inflation") exceeds 3.5% on that same calendar year, the Quarterly Payment will be subject to an increase in an amount equal to the U.S. Inflation minus 3.5 %.

In addition, the hourly rate for Additional Hours described above will be adjusted annually in an amount equal to U.S. Inflation.

Under the Service Agreement, a portion of the Quarterly Payment will be paid in pesos to cover certain peso denominated costs of the Issuer with the objective of avoiding exchange rate losses (the "Peso Portion of the Quarterly Payment"). The Peso Portion of the Quarterly Payment is a fixed amount which increases proportionately to the Quarterly Payment and is also adjusted based on movements in U.S. Inflation in the same manner as the Quarterly Payment. In addition, the applicable value-added tax will be paid in pesos.

***Corporación GEO
Termination Event
Termination Fee:***

The Issuer, at any time, will have the right to terminate the Service Agreement upon the occurrence of any Corporación GEO Termination Event (as defined below). In addition, Corporación GEO will have the obligation to pay the Corporación GEO Termination Event Termination Fee (as defined below) to the Issuer upon the occurrence of a Corporación GEO Termination Event. Events which give rise to the Issuer's right to

terminate the Service Agreement include (each, a "Corporación GEO Termination Event"):

- (a) the failure by Corporación GEO to comply with its obligation to make available to the Issuer an area suitable to provide services under the Service Agreement, with the characteristics specified by the Issuer within a construction development, and such failure is not cured within ten (10) business days;
- (b) the failure by Corporación GEO to pay any amounts due under the Service Agreement, including the Quarterly Payment, and such failure is not cured within ten (10) business days;
- (c) the failure by Corporación GEO to comply with certain of its obligations contained in the Service Agreement relating to the authorized use of the Machinery, and such failure is not cured within thirty (30) calendar days;
- (d) the failure by Corporación GEO to cause certain significant subsidiaries to become joint and severally liable with Corporación GEO under the Service Agreement;
- (e) a default on any debt obligation by Corporación GEO or the GEO Subsidiaries with principal amounts in excess of U.S.\$10,000,000 or its equivalent in Mexican pesos, subject to applicable grace periods for such debt obligation;
- (f) Corporación GEO ceases to have the control interest of any of its subsidiaries appointed by the Issuer as Operator; or
- (g) the Issuer is incapable of providing the services under the Service Agreement as a result of the occurrence of an Operator Deficiency Event (as defined below).

Notwithstanding the foregoing, the occurrence of a Corporación GEO Termination Event may be disputed by Corporación GEO pursuant to the terms of the Service Agreement.

"Operator Deficiency Event" means that the Operator (when such Operator is majority owned, directly or indirectly, by Corporación GEO) has failed to perform any of the necessary acts (including obtaining the permits, providing machinery maintenance, etc.) that result in the underperformance of Machinery availability services in any of the following scenarios, provided that a Justified Cause (as defined below) has not occurred:

- (a) failure by the Operator to provide between 1 and 205,199 hours of Machinery availability services below the Minimum Hours Required in any Quarter; provided, that such failure is validated by a third party appointed by the Issuer for such purposes as provided in the Service Agreement;
- (b) failure by the Operator to provide between 136,800 and 205,199 hours of Machinery availability services below the Minimum Hours Required in any Quarter; provided, that such breach continues for two (2) consecutive quarters;
- (c) failure by the Operator to provide 205,200 hours or more of Machinery availability services below the Minimum Hours Required in any Quarter; or
- (d) failure by the Operator to provide between 136,800 and 205,199 hours of Machinery availability services below the Minimum Hours Required in a Quarter; provided, that such breach occurs in six (6) non-consecutive quarters.

"Minimum Hours Required" means 684,000 hours of Machinery availability services in

any quarterly period; provided, that, it will not include the Maintenance Hours.

The termination fee, following the occurrence of a Corporación GEO Termination Event, will be payable by Corporación GEO in a lump sum and in the amounts set forth below ("Corporación GEO Termination Event Termination Fee").

Period	Corporación GEO Termination Event Termination Fee
From May 2, 2011 to August 1, 2011	U.S.\$160,000,000.00
From August 2, 2011 to November 1, 2011	U.S.\$159,400,000.00
From November 2, 2011 to February 1, 2012	U.S.\$158,800,000.00
From February 2, 2012 to May 1, 2012	U.S.\$158,200,000.00
From May 2, 2012 to August 1, 2012	U.S.\$157,600,000.00
From August 2, 2012 to November 1, 2012	U.S.\$157,000,000.00
From November 2, 2012 to February 1, 2013	U.S.\$156,400,000.00
From February 2, 2013 to May 1, 2013	U.S.\$155,800,000.00
From May 2, 2013 to August 1, 2013	U.S.\$155,200,000.00
From August 2, 2013 to November 1, 2013	U.S.\$154,300,000.00
From November 2, 2013 to February 1, 2014	U.S.\$153,400,000.00
From February 2, 2014 to May 1, 2014	U.S.\$152,500,000.00
From May 2, 2014 to August 1, 2014	U.S.\$151,600,000.00
From August 2, 2014 to November 1, 2014	U.S.\$150,000,000.00
From November 2, 2014 to February 1, 2015	U.S.\$148,400,000.00
From February 2, 2015 to May 1, 2015	U.S.\$146,800,000.00
From May 2, 2015 to August 1, 2015	U.S.\$145,200,000.00
From August 2, 2015 to November 1, 2015	U.S.\$142,700,000.00
From November 2, 2015 to February 1, 2016	U.S.\$140,200,000.00
From February 2, 2016 to May 1, 2016	U.S.\$137,700,000.00
From May 2, 2016 to August 1, 2016	U.S.\$135,200,000.00
From August 2, 2016 to November 1, 2016	U.S.\$131,800,000.00
From November 2, 2016 to February 1, 2017	U.S.\$128,400,000.00
From February 2, 2017 to May 1, 2017	U.S.\$125,000,000.00
From May 2, 2017 to August 1, 2017	U.S.\$121,600,000.00
From August 2, 2017 to November 1, 2017	U.S.\$117,000,000.00
From November 2, 2017 to February 1, 2018	U.S.\$112,400,000.00
From February 2, 2018 to May 1, 2018	U.S.\$107,800,000.00
From May 2, 2018 to August 1, 2018	U.S.\$103,200,000.00
From August 2, 2018 to November 1, 2018	U.S.\$96,300,000.00
From November 2, 2018 to February 1, 2019	U.S.\$89,400,000.00
From February 2, 2019 to May 1, 2019	U.S.\$82,500,000.00
From May 2, 2019 to August 1, 2019	U.S.\$75,600,000.00
From August 2, 2019 to November 1, 2019	U.S.\$66,900,000.00
From November 2, 2019 to February 1, 2020	U.S.\$58,200,000.00
From February 2, 2020 to May 1, 2020	U.S.\$49,500,000.00
From May 2, 2020 to August 1, 2020	U.S.\$40,800,000.00
From August 2, 2020 to November 1, 2020	U.S.\$30,600,000.00
From November 2, 2020 to February 1, 2021	U.S.\$20,400,000.00
From February 2, 2021 to May 1, 2021	U.S.\$10,200,000.00

Once determined, Corporación GEO's obligation to pay the Corporación GEO Termination Event Termination Fee is unconditional and irrevocable and is also a joint and several obligation of the GEO Subsidiaries. The amount of the Corporación GEO Termination Event Termination Fee will depend on the period during which the Service Agreement is actually terminated as illustrated above. Until the Corporación GEO Termination Event Termination Fee is paid in full, the obligation of Corporación GEO to pay the Quarterly Payments in proportion with the number of hours the Issuer actually makes the Machinery available, if any, will continue and this payment obligation will continue being an unconditional and irrevocable obligation of Corporación GEO. In addition to the payment of the Corporación GEO Termination

Event Termination Fee, prior to termination of the Service Agreement Corporación GEO must pay all outstanding Quarterly Payments and any other amounts due, including amounts owed in respect of Additional Hours. See "Risk Factors—The determination whether a Corporación GEO Termination Event or an Issuer Termination Event (and the existence of a Justified Cause) has occurred may be subject to interpretation by a Mexican Court".

In the event of a *concurso mercantil* of Corporación GEO, if the administrator decides to terminate the Service Agreement pursuant to Mexican bankruptcy law, Corporación GEO will remain obligated to pay the Corporación GEO Termination Event Termination Fee.

The Service Agreement includes certain other provisions relating to indemnification by the Issuer and Corporación GEO which are described in section entitled "Description of the Mexican Transaction Documents—The Service Agreement—Civil Liability" of this Offering Memorandum.

"Services Payment" means the payments Corporación GEO must make under the terms of the Service Agreement on a periodic basis or upon termination, including without duplication, the Quarterly Payment, any amounts owed for Additional Hours and the Termination Fees.

***Issuer Termination
Event Termination Fee:***

Corporación GEO, at any time, will have the right to terminate the Service Agreement only in the event of an Issuer Termination Event by paying the Issuer Termination Event Termination Fee to the Issuer, in the amounts and as set forth below.

"Issuer Termination Event" means, as of any date of determination, that each of the following have occurred:

- (a) a Justified Cause has occurred; and
- (b) the Issuer has failed to perform any of the necessary acts that result in the underperformance by at least 72,000 hours of Machinery availability services below the Minimum Hours Required for four (4) consecutive quarters.

"Justified Cause" means the occurrence of any of the following scenarios:

- (a) failure to provide Machinery availability services because of theft of Machinery or loss suffered by the Machinery provided that such Machinery was covered by the Insurance and the insurance company refused to pay any amounts to cover any such theft or loss;
- (b) failure to provide Machinery availability services because of delays in preventive and corrective maintenance services to the Machinery caused by the lack of availability of spare parts provided that such lack of spare parts was not caused by the Issuer;
- (c) failure to provide Machinery availability services because of shortages on fuel supply provided that such shortage was not caused by the Issuer;
- (d) failure to provide Machinery availability services due to the non-existence of Replacement Machinery and/or unavailability of Replacement Machinery within the time limits required under the Service Agreement and/or extensive delay in the delivery of Replacement Machinery and/or Replacement Machinery not complying with the applicable technical specifications required, provided that such failure is attributable to the applicable manufacturer or distributor;
- (e) not being able to transport enough Machinery to the work sites due to natural

disasters, accidents or other events that affect public infrastructure preventing access to any work site;

- (f) not being able to operate the Machinery because of changes in the law that restrict the operation of the Machinery or require the replacement of Machinery; provided that such changes must be approved after the date of the Service Agreement;
- (g) failure to provide Machinery availability services because of recall of Machinery by the manufacturer, as a result of manufacturing defects; or
- (h) any labor strike by operators of Machinery (other than Corporación GEO's operators) on a regional, state or national level in Mexico.

The termination fee following the occurrence of an Issuer Termination Event, will be payable by Corporación GEO in a lump sum and in the amounts set forth below ("Issuer Termination Event Termination Fee" and together with the Corporación GEO Termination Event Termination Fee, the "Termination Fees").

Period	Issuer Termination Event Termination Fee
From May 2, 2011 to August 1, 2011	U.S.\$78,400,000
From August 2, 2011 to November 1, 2011	U.S.\$78,106,000
From November 2, 2011 to February 1, 2012	U.S.\$77,812,000
From February 2, 2012 to May 1, 2012	U.S.\$ 77,518,000
From May 2, 2012 to August 1, 2012	U.S.\$77,224,000
From August 2, 2012 to November 1, 2012	U.S.\$76,930,000
From November 2, 2012 to February 1, 2013	U.S.\$76,636,000
From February 2, 2013 to May 1, 2013	U.S.\$76,342,000
From May 2, 2013 to August 1, 2013	U.S.\$76,048,000
From August 2, 2013 to November 1, 2013	U.S.\$75,607,000
From November 2, 2013 to February 1, 2014	U.S.\$75,166,000
From February 2, 2014 to May 1, 2014	U.S.\$74,725,000
From May 2, 2014 to August 1, 2014	U.S.\$74,284,000
From August 2, 2014 to November 1, 2014	U.S.\$73,500,000
From November 2, 2014 to February 1, 2015	U.S.\$72,716,000
From February 2, 2015 to May 1, 2015	U.S.\$71,932,000
From May 2, 2015 to August 1, 2015	U.S.\$71,148,000
From August 2, 2015 to November 1, 2015	U.S.\$69,923,000
From November 2, 2015 to February 1, 2016	U.S.\$68,698,000
From February 2, 2016 to May 1, 2016	U.S.\$67,473,000
From May 2, 2016 to August 1, 2016	U.S.\$66,248,000
From August 2, 2016 to November 1, 2016	U.S.\$64,582,000
From November 2, 2016 to February 1, 2017	U.S.\$62,916,000
From February 2, 2017 to May 1, 2017	U.S.\$61,250,000
From May 2, 2017 to August 1, 2017	U.S.\$59,584,000
From August 2, 2017 to November 1, 2017	U.S.\$57,330,000
From November 2, 2017 to February 1, 2018	U.S.\$55,076,000
From February 2, 2018 to May 1, 2018	U.S.\$52,822,000
From May 2, 2018 to August 1, 2018	U.S.\$50,568,000
From August 2, 2018 to November 1, 2018	U.S.\$47,187,000
From November 2, 2018 to February 1, 2019	U.S.\$43,806,000
From February 2, 2019 to May 1, 2019	U.S.\$40,425,000
From May 2, 2019 to August 1, 2019	U.S.\$37,044,000
From August 2, 2019 to November 1, 2019	U.S.\$32,781,000
From November 2, 2019 to February 1, 2020	U.S.\$28,518,000
From February 2, 2020 to May 1, 2020	U.S.\$24,255,000
From May 2, 2020 to August 1, 2020	U.S.\$19,992,000
From August 2, 2020 to November 1, 2020	U.S.\$14,994,000
From November 2, 2020 to February 1, 2021	U.S.\$9,996,000
From February 2, 2021 to May 1, 2021	U.S.\$4,998,000

Once determined, Corporación GEO's obligation to pay the Issuer Termination Event Termination Fee is unconditional and irrevocable and is also a joint and several obligation of the GEO Subsidiaries. The amount of the Issuer Termination Event Termination Fee will depend on the period during which the Service Agreement is actually terminated as illustrated above. Until Issuer Termination Event Termination Fee is paid in full, the obligation of Corporación GEO to pay the Quarterly Payments in proportion with the number of hours the Issuer actually makes the Machinery available, if any, will continue and this payment obligation will continue being an unconditional and irrevocable obligation of Corporación GEO. In addition to the payment of the Issuer Termination Event Termination Fee, prior to termination of the Service Agreement Corporación GEO must pay all outstanding Quarterly Payments and any other amounts due, including amounts owed in respect of Additional Hours. See "Risk Factors—The determination whether a Corporación GEO Termination Event or an Issuer Termination Event (and the existence of a Justified Cause) has occurred may be subject to interpretation by a Mexican Court".

If the Service Agreement is terminated by any reason not provided in the Service Agreement, Corporación GEO will remain obligated to pay the Issuer Termination Event Termination Fee.

**Operation,
Administration and
Maintenance
Agreement:**

"Operation, Administration and Maintenance Agreement" means that certain operation, administration and maintenance agreement, dated as of the Closing Date, between GEO Importex, as Operator, and the Issuer. See "Description of the Mexican Transaction Documents—The Operation, Administration and Maintenance Agreement."

Pursuant to the Operation, Administration and Maintenance Agreement, GEO Importex, as Operator, will agree, for the benefit of the Issuer, to:

- (a) procure performance of the obligations of the Issuer under the Service Agreement, as assignee (including the obligation to provide Machinery availability and other ancillary services to Corporación GEO and the GEO Subsidiaries), and the Designated Engineer Agreement;
- (b) manage the release and transfer of Machinery from the Trust Estate, pursuant to the terms of the Transaction Documents, and manage the purchase of Additional and Replacement Machinery, pursuant to the guidelines set forth in such Operation, Administration and Maintenance Agreement;
- (c) supervise the Machinery availability services, the maintenance of the Machinery and other ancillary activities in respect of the Machinery, as required pursuant to the Service Agreement;
- (d) obtain and supervise maintenance of the Insurance on the Machinery;
- (e) procure receipt of all Collections, Insurance Proceeds and Machinery Sale Proceeds and allocation of such amounts;
- (f) manage the release and transfer of Machinery from the Trust Estate, pursuant to the terms of the Transaction Documents, for purposes of procuring funds to pay any Indemnity Amount; and
- (g) coordinate its activities with the Designated Engineer so as to enable the Designated Engineer to perform under the Designated Engineer Agreement.

GEO Importex may subcontract all or part of its obligations under the Operation, Administration and Maintenance Agreement but will not be released from any such obligations as a result of such subcontracting.

Servicing Fee:

In consideration of the foregoing, the Issuer will agree to pay the Operator the Servicing Fee when due in accordance with the Waterfall.

If GEO Importex does not perform all of its duties as Operator under the Operation, Administration and Maintenance Agreement, and as a consequence of such breach the Issuer does not provide the Minimum Hours Required in any Quarter, the Servicing Fee to be paid in the following Quarter will be reduced in proportion with the hours of Machinery availability services actually provided.

"Servicing Fee" means, with respect to any Transfer Date, the amount corresponding to such Transfer Date, as set forth in the following table:

Period	Amount
From May 2, 2011 to May 1, 2012	U.S.\$4,225,000
From May 2, 2012 to May 1, 2013	U.S.\$4,372,875
From May 2, 2013 to May 1, 2014	U.S.\$4,525,926
From May 2, 2014 to May 1, 2015	U.S.\$4,684,333
From May 2, 2015 to May 1, 2016	U.S.\$4,848,285
From May 2, 2016 to May 1, 2017	U.S.\$5,017,975
From May 2, 2017 to May 1, 2018	U.S.\$5,193,604
From May 2, 2018 to May 1, 2019	U.S.\$7,256,763
From May 2, 2019 to May 1, 2020	U.S.\$7,510,750
From May 2, 2020 to May 1, 2021	U.S.\$7,773,626

If at the end of each calendar year, including 2011, until the Trust Agreement is terminated, U.S. Inflation exceeds 3.5% in the same calendar year, the Servicing Fee will be increased by an amount equal to U.S. Inflation minus 3.5%.

If GEO Importex is replaced by a Substitute Operator, the Servicing Fee will be deemed to be such consideration payable to the Substitute Operator as agreed with such Substitute Operator.

Certain events described in this Offering Memorandum will constitute Substitution Events and will allow the Indenture Trustee (upon instructions from the Controlling Party) to replace the Operator with a qualified entity to act as "Substitute Operator"). See "Summary of Terms—Events of Default and Substitution Events." See also "Description of the Mexican Transaction Documents—The Operation, Administration and Maintenance Agreement."

Designated Engineer Agreement:

"Designated Engineer Agreement" means that certain designated engineer services agreement dated as of the Closing Date, between the Designated Engineer and the Issuer.

The Person appointed as Designated Engineer must comply with the requirements set forth in the Service Agreement with respect to the third party appointed by the Issuer to resolve any differences with respect to weekly statements. See "Summary of Terms – Principal Transaction Documents – Service Agreement".

The Designated Engineer is an individual that has been selected by the Issuer considering his expertise and background. As an individual, the resources available to the Designated Engineer may be limited. The Designated Engineer is also dependent on certain third parties (including Corporación GEO and GEO Importex in respect of, among others, information relating to the number of hours of Machinery availability services actually rendered under the Service Agreement) providing necessary information to perform his duties.

The Designated Engineer Agreement provides for third-party oversight of the transaction, which includes supervising the Annual Utilization Program, approving the acquisition of Additional and Replacement Machinery, performing on-site inspections

of Machinery and its utilization and certain other oversight and administrative functions to ensure compliance with the Transaction Documents. See "Description of the Mexican Transaction Documents—The Designated Engineer Agreement."

Controlling Party:

The Noteholders (or any person(s) to whom a controlling or beneficial interest therein has been assigned) representing a majority of the Principal Balance of the Notes.

See "Description of the Notes and the Indenture—Amendments" for a description of the amendments to the Indenture, the Notes and the Transaction Documents with the prior consent of the Controlling Party.

Notwithstanding anything to the contrary contained herein or in the Transaction Documents to the contrary, should any Notes (or beneficial interests therein) be owned by the Issuer or Corporación GEO, or any of their Affiliates, then any vote to be taken by Noteholders will exclude from such vote any vote relating to (and principal amount of) the Notes (or beneficial interests therein) of any such person.

"Affiliate" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person. In this context, "control" means the power to direct the management and policies of a Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise and "controlling" and "controlled" will have meanings correlative to the foregoing.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

III. Allocation of Receipts and Payments

Trust Accounts:

On or prior to the Closing Date, the Issuer will establish and maintain the following accounts: (a) the General Dollar Account; (b) the General Peso Account; (c) the Reserve Account; (d) the Capital Expenses Account; (e) the Payment Account; (f) the Tax Account; and (g) such other accounts necessary to properly administer the funds of the Trust Estate (collectively, (a) through (g), the "Trust Accounts"). Each of the Trust Accounts, other than the General Peso Account and the Tax Account will be dollar-denominated interest bearing accounts set up with an Eligible Financial Institution. The General Peso Account and the Tax Account will be a peso-denominated interest bearing account set up with an Eligible Financial Institution. One or more of the Trust Accounts need not be created as distinct accounts and instead may be maintained as ledger balances with the bank holding such account if proper control of related funds is maintained. The Issuer will only make transfers from the Trust Accounts as expressly set forth in the Trust Agreement or as otherwise instructed by the Indenture Trustee, as expressly set forth in the Trust Agreement or in the Indenture.

Pending application in accordance with the Trust Agreement, amounts in the Trust Accounts will be invested in Permitted Investments.

"Eligible Financial Institution" means (a) in respect of amounts or Trust Accounts, as the context may require, denominated in U.S. dollars, a banking or financial institution duly authorized to act as such in the United States of America that has senior unsecured short-term credit ratings of at least A-1 by S&P, if rated by S&P, and at least F-2 by Fitch, if rated by Fitch, and (b) in respect of amounts or Trust Accounts denominated in pesos, as the context may require a banking or financial institution duly authorized to act as such in Mexico that has either long-term credit ratings of MX.AAA issued by Standard & Poor's, S.A. de C.V., and AAA(mex) issued by Fitch México, S.A. de C.V., if rated by Fitch México, S.A. de C.V. or short-term credit ratings of at least MXA-1 issued by Standard & Poor's, S.A. de C.V., and at least F1+(mex) issued by Fitch México, S.A. de C.V., if rated by Fitch México, S.A. de C.V.

General Dollar Account:

The Issuer will receive the following U.S. dollar amounts through the General Dollar Account: (a) the proceeds obtained from issuance of the Notes and sale of the Certificate; (b) the Services Payment, except for any portion thereof payable in pesos; (c) any Collections payable in U.S. dollars; (d) any Insurance Proceeds or Machinery Sale Proceeds, except for any such amounts payable in pesos; (e) any amounts paid by GEO Maquinaria as the Reacquisition Price; (f) any amounts to be reimbursed to the Issuer by the Indenture Trustee pursuant to the terms of the Indenture; and (g) any amounts to be paid through the General Dollar Account in accordance with the terms of the Trust Agreement and the other Transaction Documents.

Unless a Declared Event of Default has occurred, any Insurance Proceeds and Machinery Sale Proceeds deposited to the General Dollar Account will be transferred to the Capital Expenses Account and be used as described below.

Indemnity Amounts received through the General Dollar Account will be used by the Trustee to pay any such Indemnity Amounts to the Persons entitled thereto.

All other amounts maintained in the General Dollar Account, and such Insurance Proceeds and Machinery Sale Proceeds (to the extent a Declared Event of Default has occurred) on each Calculation Date will be transferred on the applicable Distribution Date to the Payment Account to be applied as set forth in the Waterfall.

"Calculation Date" means, with respect to any Transfer Date, the third Business Day immediately preceding such Transfer Date.

"Distribution Date" means, with respect to any Transfer Date, the Business Day immediately preceding such Transfer Date.

"Transfer Date" means, with respect to each Payment Date, the Business Day immediately preceding such Payment Date.

General Peso Account:

The Issuer will receive the following peso amounts through the General Peso Account: (a) any part of the Services Payment payable in pesos; (b) any Collections in pesos; (c) any Insurance Proceeds or Machinery Sale Proceeds payable in pesos; and (d) any other amount to be paid through the General Peso Account in accordance with the terms of the Transaction Documents.

Unless a Declared Event of Default has occurred, amounts deposited to the General Peso Account as Insurance Proceeds and Machinery Sale Proceeds will be transferred to the Capital Expenses Account and be applied as described below.

Indemnity Amounts received through the General Peso Account will be used by the Trustee to pay any such Indemnity Amounts to the Persons entitled thereto.

All other amounts maintained in the General Peso Account, and such Insurance Proceeds and Machinery Sale Proceeds (to the extent a Declared Event of Default has occurred), on each Calculation Date will be applied in accordance with the Waterfall described below.

The Trust Agreement allows the Issuer to conduct currency exchange transactions to the extent necessary to make any payments denominated in U.S. dollars under the Waterfall described below. Such converted amounts will be transferred to the Payment Account as necessary to make such U.S. dollars denominated payments.

Available Amounts:

The Issuer, on each Distribution Date, will transfer to the Payment Account from the General Dollar Account, the General Peso Account (after conversion of any peso amounts to U.S. dollars as described above) and, to the extent applicable, the Reserve Account, such amounts as are described herein.

Dollar amounts held in the Payment Account and any peso amounts maintained in the General Peso Account on the Calculation Date immediately preceding the Distribution Date are referred to as "Available Amounts."

Payment Account:

- (a) Except as established in paragraph (b) below, the Issuer will use the Available Amounts in the Payment Account on each Transfer Date to make the following payments or transfers in accordance with the Payment Report, exactly in the order specified below and only to the extent that payments with greater priority are made in full:
 - (i) first: (A) to pay the Maintenance Expenses and (B) to pay the Trustee and the Indenture Trustee any indemnity applicable under the Trust Agreement and the Indenture, respectively; provided, that such indemnity payments will be limited to U.S.\$100,000 for the Trustee and U.S.\$100,000 for the Indenture Trustee, from the Closing Date and for each year thereafter, such limit will increase by an additional U.S.\$100,000 for the Trustee and U.S.\$100,000 for the Indenture Trustee until and including the fourth anniversary of the Closing Date and for every year after the fourth anniversary the amount for each of the Trustee and the Indenture Trustee will be limited to the amount accumulated during such four year period;
 - (ii) second: to pay to the Indenture Trustee for the benefit of the Noteholders, the Interest Amount payable on such Payment Date, together with any Additional Amounts to be paid with regard to such Interest Amount;
 - (iii) third: to pay to the Indenture Trustee for the benefit of the Noteholders, the scheduled Principal Amount payable on such Payment Date;
 - (iv) fourth: to pay the Operator, or any Substitute Operator, the Servicing Fee due and payable on such Payment Date;
 - (v) fifth: to transfer the Capital Expenses Amount to the Capital Expenses Account;
 - (vi) sixth: to transfer any Reserve Account Shortfall to the Reserve Account;
 - (vii) seventh: to pay to the Trustee and the Indenture Trustee any payments to which any of them is entitled in respect of unpaid indemnities under the Trust Agreement and the Indenture, respectively; and
 - (viii) eighth: to transfer to the Reserve Account any remainder of the Available Amounts.
- (b) On each Transfer Date on which a Declared Event of Default exists and the Notes have been accelerated, the Issuer shall use the Available Amounts to make the following payments or transfers according to the Payment Reports, exactly in the order shown below and only to the extent that payments with greater priority are made in full:
 - (i) first: (A) to pay the Maintenance Expenses and (B) to pay the Trustee and the Indenture Trustee any indemnity applicable under the Trust Agreement and the Indenture, respectively;

- (ii) second: to pay to the Indenture Trustee for the benefit of the Noteholders, the Interest Amount payable on such Payment Date together with any Additional Amounts to be paid with regard to such Interest Amount;
- (iii) third: to pay to the Indenture Trustee for the benefit of the Noteholders the Principal Amount for such Payment Date;
- (iv) fourth: to pay to the Indenture Trustee for the benefit of the Noteholders any remainder of the Available Amounts in order to fully amortize the Principal Balance of the Notes; and
- (v) fifth: to pay the Operator, or any Substitute Operator, the Servicing Fee due and payable on such Payment Date.

Under the terms of the Trust Agreement, if GEO Maquinaria exercises its option to make an offer to purchase the Trust Estate as provided in such Trust Agreement and as described in the section entitled "Summary of Terms—The Offering—Reacquisition and Prepayment" above, the Reacquisition Price will be applied by the Issuer as provided in paragraph (b) above, and will also pay to the Indenture Trustee, for the benefit of the Noteholders the applicable Prepayment Premium and any Additional Amounts thereon.

In the event that the Trust Estate is totally or partially liquidated upon a Declared Event of Default, as described in section entitled "Summary of Terms—Events of Default and Substitution Events" below, the proceeds from such liquidation will be applied as provided in paragraph (b) above.

Collectively, paragraphs (a) and (b) in this section "Payment Account" are referred to as the "Waterfall."

"Payment Report" means the report that the Issuer must prepare under the terms of the Trust Agreement on each Calculation Date setting out as a minimum transfers and/or payments to be made on the immediately succeeding Distribution Date, Transfer Date and Payment Date hereof.

"Maintenance Expenses" shall mean the following amounts and expenses (plus value-added tax): (a) the periodic fees and expenses of the Issuer and of the Indenture Trustee under the terms of the Transaction Documents; (b) the fees of legal and tax advisors for services rendered from time to time in relation to the Trust previously approved by GEO Maquinaria, provided that if an Event of Default has occurred, said approval shall not be required; (c) the periodic fees of Rating Agencies; (d) the fees and expenses of the Designated Engineer under the terms of the Designated Engineer Agreement; (e) maintenance expenses for registering, listing or depositing the Notes; (f) any expenses, costs or fees to be incurred to replace GEO Importex as Operator, under the terms of the Operation, Administration and Maintenance Agreement and the Designated Engineer under the Designated Engineer Agreement; (g) any expenses, costs or fees to be incurred for amending the Trust Agreement, and any other Transaction Documents; and (h) any expenses, costs or fees to be incurred in order to terminate the Trust Agreement and liquidate the Trust.

***The Indenture Trustee
Payment Account:***

The "Indenture Trustee Payment Account" means the U.S. dollar-denominated segregated Eligible Account established outside of Mexico, which account is held by and in the name of the Indenture Trustee for the benefit of the Indenture Beneficiaries, and over which the Indenture Trustee has exclusive dominion and control and exclusive right of withdrawal.

Pending application in accordance with the Indenture, amounts in the Indenture Trustee

Payment Account will not be invested by the Indenture Trustee in Permitted Investments.

Collectively, the Trust Accounts and the Indenture Trustee Payment Account shall be referred to herein as the "Transaction Accounts."

"Eligible Account" means a non-interest bearing segregated trust account that with respect to a U.S. dollar-denominated account is either: (a) maintained with a depository institution or trust company (or branch thereof) (including the Indenture Trustee and its Affiliates) located in the United States whose senior unsecured short-term debt obligations are rated at least A-1 by S&P and at least F-1 by Fitch if rated by Fitch or (b) maintained with a United States federally or state chartered depository institution subject to regulations regarding fiduciary funds on deposit substantially similar to 12 C.F.R. §9.10(b).

"Indenture Beneficiaries" means the Noteholders, the Indenture Trustee, and any other Person entitled to any payment from the Trust Estate pursuant to and as provided in the Indenture or the Trust Agreement.

No later than noon (New York City time) on each Payment Date, amounts on deposit in the subaccounts of the Indenture Trustee Payment Account shall be allocated and/or paid by the Indenture Trustee as follows:

- (a) on a *pro rata* basis to pay to the Noteholders of record as of the most recent Record Date, the amount necessary to pay the Interest Amount for such Payment Date from the Interest Subaccount of the Indenture Trustee Payment Account on such Payment Date;
- (b) on a *pro rata* basis to pay the Noteholders of record as of the most recent Record Date, the amount necessary to pay, first, the Principal Amount and, second, any Accelerated Principal Amount, if any, payable in respect of such Payment Date from the Principal Subaccount of the Indenture Trustee Payment Account on such Payment Date;
- (c) on a *pro rata* basis to pay the Noteholders of record as of the most recent Record Date, the amount necessary to pay the Prepayment Premium amounts, if any, for such Payment Date from the Premium Subaccount of the Indenture Trustee Payment Account on such Payment Date; and
- (d) on a *pro rata* basis to pay the Noteholders of record as of the most recent Record Date, the amount necessary to pay the Additional Amounts for such Payment Date from the Additional Amounts Subaccount of the Indenture Trustee Payment Account on such Payment Date.

"Interest Subaccount" means the interest subaccount of the Indenture Trustee Payment Account where the Trustee shall transfer the Interest Amount on each Transfer Date.

"Principal Subaccount" means the principal subaccount of the Indenture Trustee Payment Account where the Trustee shall transfer the Principal Amount on each Transfer Date.

"Premium Subaccount" means the premium subaccount of the Indenture Trustee Payment Account where the Trustee shall transfer the Prepayment Premium on each Transfer Date.

"Additional Amounts Subaccount" means the subaccount of the Indenture Trustee Payment Account where the Trustee shall transfer the Additional Amounts on each Transfer Date.

Reserve Account:

The Issuer shall deposit within one Business Day of the Closing Date U.S.\$20,000,000 into the Reserve Account from the proceeds of the Offering and on each Transfer Date, any Reserve Account Shortfall and other amounts set forth in accordance with the Waterfall.

Reserve Account Draw Amounts will be transferred by the Issuer to the Payment Account on each Distribution Date to the extent the Issuer determines that they are necessary to make payments of Maintenance Expenses, Interest Amounts, Additional Amounts and Principal Amounts (the "Required Payments"), or if a Declared Event of Default has occurred and the Notes have been accelerated. Reserve Account Draw Amounts will be used as provided in the Waterfall.

Furthermore, the Issuer may use any amounts held in the Reserve Account to pay any outstanding Indemnity Amounts.

Any amounts maintained in the Reserve Account in excess of Reserve Account Required Balance will be transferred to the General Dollar Account to be applied as set forth in the Trust Agreement.

"Reserve Account Draw Amount" means (a) for any Transfer Date the amount by which the Required Payments exceed the Available Amounts (excluding the Reserve Account Draw Amount), or the Reserve Account Balance, whichever is less, and (b) for any Transfer Date occurring after a Declared Event of Default and acceleration of the Notes, the amounts deposited in the Reserve Account.

"Reserve Account Balance" means, with respect to any time of determination, the amount on deposit in the Reserve Account as of such time of determination.

"Reserve Account Required Balance" means, with respect to any Transfer Date, U.S.\$20,000,000.00.

"Reserve Account Shortfall" means, with respect to any Transfer Date, the amount necessary for the Reserve Account to hold the Reserve Account Required Balance.

"Indemnity Amounts" means any amounts payable to third parties (other than the parties to the Transaction Documents) as civil liability indemnities resulting from final judgments issued against the Trust which have not been paid with Insurance Proceeds or by any party to the Transaction Documents responsible for paying such amounts.

Capital Expenses Account:

The Issuer shall deposit within one (1) Business Day of the Closing Date U.S.\$16,000,000 into the Capital Expenses Account from the proceeds of the Offering; and on each Transfer Date the amount set forth in accordance with the Waterfall; and prior to the occurrence of a Declared Event of Default, any Insurance Proceeds and/or any Machinery Sale Proceeds deposited to the General Dollar Account or General Peso Account.

Amounts held in the Capital Expenses Account may be used to purchase Additional or Replacement Machinery.

"Capital Expenses Amount" means, with respect to any Transfer Date: (a) from the Closing Date and up to (and including) the Transfer Date occurring in May 2012, U.S.\$0; (b) from (and including) the Transfer Date occurring in August, 2012, an amount equivalent to 14.0% of the immediately preceding Services Payment received by the Issuer under the Service Agreement (excluding any of the Termination Fees due and payable under the Service Agreement); and (c) from (and including) the Transfer Date occurring in August, 2018, U.S.\$0.

After the occurrence of a Declared Event of Default Event and acceleration of the Notes, the Issuer shall transfer or cause to be transferred all amounts standing to the credit of the Capital Expenses Account to the Payment Account and shall apply such amounts in accordance with the Waterfall.

"Insurance Proceeds" means any indemnity paid by an insurance company under the Insurance, except for indemnities resulting from civil liability Insurance that, in accordance with the instructions from the Designated Engineer, at the request of GEO Importex pursuant to terms of the Designated Engineer Agreement and the Operation, Administration and Maintenance Agreement, must be used to repair damages suffered by third parties, which will be delivered by the Issuer to GEO Importex to pay for such damages.

"Machinery Sale Proceeds" means the proceeds from the sale of any Machinery conducted in the terms of the Operation, Administration and Maintenance Agreement, but excluding amounts to be used to pay Indemnity Amounts.

IV. Events of Default and Substitution Events

Events of Default:

The following are "Events of Default":

- (a) with regard to any Payment Date, a default on payment of any Interest Amount, Additional Amounts, Principal Amount or Prepayment Premium exists and provided that if the Trustee has sufficient funds to make such payments under the terms of the Trust Agreement such default has not been cured within the three (3) Business Days following such default;
- (b) if any Transaction Document is no longer a valid and fully enforceable document against any party thereto;
- (c) if the Issuer at any time is no longer the owner of any asset that is part of the Trust Estate; except as otherwise permitted under the Transaction Documents;
- (d) if the Issuer or any of the parties fails to meet any of its obligations under the Transaction Documents, provided that said breach remains unremedied for more than fifteen (15) Business Days after any such party is notified of the existence of such breach;
- (e) if any legal, arbitration or administrative proceedings are filed against the Issuer, GEO Maquinaria or GEO Importex that affects or may affect, adversely and substantially, the Trust Estate, or the ability of the Issuer, GEO Maquinaria or GEO Importex to meet its obligations under the Transaction Documents;
- (f) if there is an Insolvency Event with regard to the Issuer, GEO Maquinaria or GEO Importex;
- (g) if GEO Maquinaria attempts to transfer, establish a lien upon or otherwise convey any item or portion of the Trust Estate, except as otherwise permitted under the Transaction Documents (including the Service Agreement, the Machinery or the Insurance Policies);
- (h) if Corporación GEO or any GEO Subsidiary fails to pay any Services Payment, when due;
- (i) if Corporación GEO breaches any of its obligations under the Service Agreement, provided that such breach remains unremedied for more than thirty (30) calendar days after it is notified of the existence of such breach, or

- (j) the early termination of the Service Agreement or if any party to the Service Agreement has notified the other party of such early termination.

"Insolvency Event" means, with regard to any Person, (a) the general assignment of all of its assets or the majority thereof to its creditors; (b) being declared in *concurso mercantil*, bankrupt or insolvent by the competent governmental authority; (c) the appointment by the competent governmental authority of a *visitador, conciliador, síndico, liquidador* or any similar officer with regard to such Person or its assets with regard to a *concurso mercantil*, bankruptcy or insolvency proceeding; (d) the filing by such Person of proceedings for declaration of *concurso mercantil*, bankruptcy or insolvency or the appointment of a *visitador, conciliador, síndico, liquidador* or any similar officer with regard to such Person or its assets with regard to a *concurso mercantil*, bankruptcy or insolvency proceeding; or (e) the consent or acceptance by such Person of any petition made by any third party requesting *concurso mercantil*, bankruptcy or insolvency, or the appointment by the competent governmental authority, a *visitador, conciliador, síndico, liquidador* or any similar officer with regard to such Person or its assets with regard to a *concurso mercantil*, bankruptcy or insolvency proceeding.

An Event of Default will become a Declared Event of Default (a) automatically in the case of Event of Default under (f) above of the definition of Event of Default or (b) if otherwise, upon the Indenture Trustee declaring an Event of Default at the direction of the Controlling Party.

Upon a Declared Event of Default, the Indenture Trustee, by notice in writing to the Issuer with a copy to each Rating Agency and GEO Maquinaria will declare the Principal Balance of the Notes immediately due and payable.

If a Declared Event of Default has occurred and its consequences have not been rescinded and annulled, the Issuer, at the direction of the Indenture Trustee, in accordance with the written direction of the Controlling Party, as required, shall exercise any of the remedies under the Trust Agreement including the bringing of claims under the Transaction Documents and the sale of the Trust Estate. Any proceeds obtained as a result of such remedies will be applied as set forth in Section (b) of the Waterfall.

Substitution Events:

The following events shall be deemed "Substitution Events" for the purposes hereof:

- (a) the failure of the Operator to transfer to the Issuer any Collections, Insurance Proceeds or Machinery Sale Proceeds that GEO Importex received under the terms established under the Operation, Administration and Maintenance Agreement and if such breach remains in place for more than two Business Days as from the date on which such transfer should have been made under the terms of the Operation, Administration and Maintenance Agreement;
- (b) if, in connection with the activities entrusted to the Operator under the Operation, Administration and Maintenance Agreement, the Operator acts or fails to act, in bad faith or in a fraudulent manner, including an Operator Deficiency Event;
- (c) if the Operator fails to satisfy any significant obligation under the Operation, Administration and Maintenance Agreement or under the other Transaction Documents and such breach remains uncured for a period of fifteen (15) Business Days or more from when the Operator first became aware of such circumstance (either by notification from the Issuer or the Indenture Trustee or any third party);
- (d) any event that is considered as an Event of Default under the Trust Agreement occurs; or

- (e) if the Operator fails to perform any of the necessary acts that result in a failure to provide to Corporación GEO or the GEO Subsidiaries during two (2) consecutive quarters, between 1 and 136,799 hours of Machinery availability services below the Minimum Hours Required, as set forth in the Service Agreement.

Upon the occurrence of a Substitution Event, the Issuer at the direction of the Indenture Trustee (in accordance with the written direction of the Controlling Party) may elect to remove the Operator and replace the Operator with the Substitute Operator. The removal of the Operator shall terminate all of its rights as Operator and all of the rights and obligations of the Operator shall be transferred expeditiously to the Substitute Operator, as provided under the Operation, Administration and Maintenance Agreement. No such transfer shall take effect until the Substitute Operator is able to assume its obligations, as provided under the Operation, Administration and Maintenance Agreement.

GEO Importex has assumed certain obligations to cooperate with the Issuer and the Substitute Operator to effect an efficient transfer of the duties of GEO Importex to such Substitute Operator.

V. Legal Investment and Tax Matters

Registration; Listing: The Notes have not been and will not be registered under the Securities Act or the other securities laws of any jurisdiction, including those in Mexico. The Notes have not been listed for trading on any securities exchange, however, an application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

Form and Delivery: The Notes will be issued initially in fully registered form, without coupons. The Notes will be sold to QIBs who are also QPs in reliance upon Rule 144A and will initially be represented by the Rule 144A Note. The Notes issued pursuant to Regulation S will initially be represented by the Temporary Regulation S Note and, after the expiration of the Distribution Compliance Period, beneficial interests therein may be exchanged for beneficial interests in a Permanent Regulation S Note. Each of the Rule 144A Notes will initially be registered in the name of The Depository Trust Company, or its nominee, and held by the Indenture Trustee on behalf of such nominee. Beneficial interests in the Rule 144A Notes will be shown on, and transfers thereof will be effected only through, the book entry records maintained by the Depository Trust Company. Each of the Temporary Regulation S Notes or Permanent Regulation S Notes will initially be registered in the name of The Bank of New York Depository (Nominees) Limited, CEDE & Co. and their successors, as Common Depository, or its nominee and held by the Indenture Trustee on behalf of such nominee. Beneficial interests in the Temporary Regulation S Notes or Permanent Regulation S Notes will be shown on, and transfers thereof will be effected only through, the book entry records maintained by the Common Depository.

ERISA Considerations: By its purchase and holding of a Note (or a beneficial interest therein), each Noteholder, and each transferee will be deemed to have represented and warranted that one or more of the following is true as to all of the funds to be used by such Noteholder, or transferee to acquire such Note (or a beneficial interest therein): (a) such funds do not constitute the assets of any "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Title I of ERISA, any "plan" or other arrangement within the meaning of and subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"), any entity whose underlying assets include "plan assets" of any such plan or arrangement pursuant to regulations promulgated by the United States Department of Labor ("DOL") at 29 C.F.R. Sec. 2510.3-101, as modified by Section 3(42) of ERISA (the "Plan Assets Regulation") or otherwise (each such entity, a "Benefit Plan") or a governmental plan (as defined in Section 3(32) of ERISA), church plan (as defined in

Section 3(33) of ERISA) or foreign plan (as described in Section 4(b) of ERISA) (each, a "Non-ERISA Plan") that is subject to Applicable Law that is substantially similar to the fiduciary responsibility provisions of ERISA or Section 4975 of the Code ("Similar Law"); (b) such funds constitute the assets of an insurance company general account, insurance company pooled separate account or bank collective investment fund, as defined in the DOL Prohibited Transaction Class Exemptions 95-60, 90-1 or 91-38, respectively, and the acquisition and holding of any Note (or any beneficial interest therein) by such account or fund satisfies the requirements of, and is entitled to full relief under, each such applicable exemption; (c) such funds are managed by a "qualified professional asset manager" or an "in-house asset manager," as defined in the DOL Prohibited Transaction Class Exemption 84-14 or 96-23, respectively, and the acquisition and holding of any Note (or a beneficial interest therein) satisfies the requirements of, and is entitled to full relief under, each such applicable exemption; (d) such funds constitute the assets of one or more Benefit Plans and acquisition and holding of any Note (or a beneficial interest therein) does not constitute a non-exempt prohibited transaction or otherwise satisfies the requirements of, and is entitled to full relief under, a statutory or administrative prohibited transaction exemption; (e) the Noteholder is purchasing a Note and such funds constitute the assets of one or more Benefit Plans and the acquisition and holding of any such Note (or a beneficial interest therein) satisfies the requirements of, and is entitled to full relief under, the statutory exemption under Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code for certain prohibited transactions between a plan and a person or entity that is a party in interest to such plan solely by reason of providing services to the plan (other than a party in interest that is a fiduciary with respect to the assets of the plan involved in the transaction, or an affiliate of such fiduciary), provided that there is adequate consideration for the transaction; or (f) such funds constitute the assets of one or more Non-ERISA Plans subject to Similar Law, and the acquisition and holding of any Note (or a beneficial interest therein) will not result in a violation of such Similar Law.

United States Tax Treatment:

Based upon, among other things, the structure and terms of the Notes and the related underlying transactions, the Notes should be treated as debt for U.S. federal income tax purposes and each holder, by purchasing the Notes agrees to treat, in the absence of an administrative determination or judicial ruling to the contrary, such Notes as indebtedness for U.S. federal income tax purposes. See "Taxation—U.S. Federal Income Taxation."

Mexican Tax Treatment:

No stamp or other issuance or transfer taxes or duties and no capital gains, income, or other taxes are payable to any Governmental Authority thereof by or on behalf of the Initial Purchaser or any subsequent purchasers: (a) in connection with the execution and/or delivery of the Transaction Documents or the enforcement of any thereof, except for certain court costs and deposits to guarantee the judgment; (b) in connection with the assignment and conveyance of the Trust Estate to the Issuer in accordance with the terms of the Assignment and Transfer Agreement, other than certain registration and notary costs; (c) in connection with the offering, sale and/or delivery; or (d) with respect to any amounts paid by the Issuer under the Transaction Documents, except that Mexican withholding tax will be applicable to payments of interest and premiums on the Notes.

Governing Law:

The Notes and the Indenture will be governed by the laws of the state of New York. The Issuer and GEO Maquinaria will each consent to the exclusive jurisdiction of the United States Federal court for the Southern District of New York and any New York state court sitting in Manhattan, New York City, and will agree that all disputes under the Notes and the Indenture may be submitted to the jurisdiction of such courts.

The Trust Agreement, the Assignment and Transfer Agreement, the Service Agreement, the Operation, Administration and Maintenance Agreement and the Designated Engineer Agreement (the "Mexican Transaction Documents") will be governed by the laws of Mexico.

SUMMARY OF THE BUSINESS OF GEO MAQUINARIA, GEO IMPORTEX AND CORPORACIÓN GEO

GEO Maquinaria's Business

In connection with the transaction contemplated by the Transaction Documents, GEO Maquinaria (a) established the Trust under the Trust Agreement entered into between GEO Maquinaria and the Trustee; (b) will enter into the Service Agreement with Corporación GEO and the GEO Subsidiaries prior to the Closing Date; and (c) will execute the Assignment and Transfer Agreement on the Closing Date, pursuant to which the Issuer will acquire (i) all of GEO Maquinaria's rights and obligations under the Service Agreement, (ii) the Machinery, and (iii) the Insurance. See "Description of the Mexican Transaction Documents." Noteholders will not have any rights against GEO Maquinaria or any of its Affiliates. Noteholders will only have rights to instruct the Indenture Trustee to enforce certain direct rights and remedies against the Issuer and only in respect of the Trust Estate. See "Description of the Mexican Transaction Documents."

Since its incorporation, the main purpose of GEO Maquinaria has been to capitalize on the growth of the Mexican housing and infrastructure industry by providing Corporación GEO specialized equipment and machinery used in the housing construction industry. Over the last 37 years, Corporación GEO has developed significant innovations and efficiencies in connection with the operation, management, selection and maintenance of heavy construction equipment and machinery used to develop residential housing. GEO Maquinaria aims to utilize such knowledge and experience in connection with the transaction described herein.

GEO Importex's Business

In connection with the transactions contemplated by the Transaction Documents, GEO Importex will enter into an Operation, Administration and Maintenance Agreement with the Issuer, pursuant to which GEO Importex agrees to perform certain duties and responsibilities identified therein to operate, manage and maintain the Machinery in order to comply with the Issuer's obligations (a) under the Service Agreement (including the obligation to provide Machinery availability services to Corporación GEO and the GEO Subsidiaries), (b) under the Designated Engineer Agreement, and (c) to manage and maintain the Insurance. See "GEO Importex." See also "Description of the Mexican Transaction Documents—The Operation, Administration and Maintenance Agreement." Noteholders will not have any rights against GEO Importex or any of its Affiliates. Noteholders will only have rights to instruct the Indenture Trustee to enforce certain direct rights and remedies against the Issuer and only in respect of the Trust Estate. See "Description of the Mexican Transaction Documents."

GEO Importex was established for the purpose, among other things, of purchasing, servicing and coordinating the heavy construction equipment and machinery used by Corporación GEO in connection with its ordinary business operations. Corporación GEO and GEO Importex have been providing, servicing and operating heavy construction equipment and machinery for the core business of Corporación GEO for 37 years.

Corporación GEO's Business

Corporación GEO is the main obligor under the Service Agreement and the GEO Subsidiaries guarantee the obligations of Corporación GEO thereof. Noteholders will not have any direct rights against Corporación GEO, the GEO Subsidiaries, GEO Maquinaria or GEO Importex or any of their respective Affiliates. Noteholders will only have rights to instruct the Indenture Trustee to enforce certain direct rights and remedies against the Issuer and only in respect of the Trust Estate. See "Description of the Mexican Transaction Documents."

Founded in 1973, Corporación GEO is one of the largest homebuilders in Mexico based on revenues for the year ended December 31, 2010. Corporación GEO believes it is the leader in the Affordable Housing market segment, based on the number of its clients who receive INFONAVIT mortgages, according to publicly available information and internal estimates. To a lesser extent, Corporación GEO also participates in the Middle Income Housing and Residential Housing segments. Corporación GEO is a vertically integrated homebuilder engaged in the design, development, construction and marketing of single-family housing. Since its founding, it has built and sold more than 560,000 homes, and estimates that approximately 2.0 million people currently live in houses built by Corporación GEO. In 1994, Corporación GEO became the first Mexican homebuilding company to be publicly listed in Mexico (under the ticker GEOB-MX). As of December 31, 2010, Corporación GEO had a market capitalization value of Ps.24,878.8 million (approximately U.S.\$2,014.5 million).

Despite the 6.5% contraction of the Mexican economy in 2009, a 29% decrease in housing starts in 2009 compared to 2008, as well as the economic disruption caused by the A-H1N1 influenza virus, Corporación GEO's sales during 2009 and 2010 continued to grow. Corporación GEO believes this growth was primarily a result of its continued focus on affordable housing. Its total number of homes sold and revenues grew by 9.6% and 8.1%, respectively, in 2010 compared to 2009. Similarly, Corporación GEO's EBITDA and net income attributed to controlling interests increased by 8.9% and 9.2%, respectively, in 2010 compared to 2009. Corporación GEO believes this growth was facilitated by its ability to gain market share from smaller competitors, as construction financing for smaller homebuilders was substantially reduced during this time, and by its execution capability, which stems in large part from its experienced management team. In addition, Corporación GEO's scale also affords it greater access to capital and long-term funding opportunities and allows it to build larger blocks of houses at a lower cost.

The following table summarizes Corporación GEO's number of homes sold, revenues, EBITDA and consolidated net income for the periods indicated:

	For the Year Ended December 31,			CAGR ⁽¹⁾
	2008	2009	2010	
	(millions of Ps., except Number of Homes Sold)			
Total Number of Homes Sold	41,811	51,177	56,093	15.8%
Revenues.....	14,613.7	17,713.2	19,154.4	14.5%
EBITDA.....	3,140.8	3,959.9	4,310.5	17.2%
Consolidated Net Income	1,025.5	1,450.8	1,677.9	28.9%

(1) CAGR from December 31, 2008, to December 31, 2010. CAGR is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

Corporación GEO believes it has a prudent financial capital structure, with a total debt to EBITDA ratio of 2.1 as of December 31, 2010, and a net debt (total debt less cash, cash equivalents and restricted cash) to EBITDA ratio of 1.6 as of December 31, 2010. Corporación GEO has maintained 58 consecutive quarters of positive net income. Furthermore, it believes that it has strong operational and financial controls.

The Mexican Housing Industry

The Mexican housing industry is highly fragmented with some 3,000 homebuilders, out of which more than 800 are established developers registered with INFONAVIT. The following table lists Corporación GEO's key competitors that are publicly listed.

Competitor	Revenue for the Year Ended December 31, 2010 (in millions of Ps.) ⁽¹⁾	Number of States with Operations	Sector	Market Share for the Year Ended December 31, 2010 (%) ⁽¹⁾⁽²⁾
GEO	19,154.4	19	A, MI, R	8.2
HOMEX.....	19,689.1	22	A, MI, R	7.08
URBI.....	14,950.7	16	A, MI, R	4.89
ARA	7,367.6	19	A, MI, R	2.67
SARE	2,293.7	10	A, MI, R	0.39

A: Affordable; MI: Middle Income; R: Residential

Source: Based on the Q4 2010 reports of each of the companies listed above.

(1) Data for the year ended December 31, 2009, are not included because INIF 14 was not adopted by all of the companies listed in this table, and therefore such data would not be comparable.

(2) Based on a total of 684,121 houses sold with mortgage financing in Mexico for the year ended December 31, 2010, by INFONAVIT, FOVISSSTE and AHM, according to CONAVI.

Corporación GEO has focused on the Affordable Housing segment in Mexico, which it believes to be the largest and most stable segment of the Mexican housing industry for the following reasons:

Mexico's strong and consistent demand for Affordable Housing. There is a sizable target demographic that remains under-served due to an existing housing deficit in Mexico of approximately 8.9 million houses, according to SHF, which includes both those people who do not own a home and those living in substandard housing. Corporación GEO believes this deficit will continue due to the addition of approximately 530,000 new households each year.

Demand for Affordable Housing is supported by continued mortgage availability. Corporación GEO benefits from a significant supply of government-organized mortgages for its target markets that has been established through mandatory payroll contributions by employers on behalf of their employees. This has allowed industry participants to rely less on capital markets or direct government funding. INFONAVIT and FOVISSSTE provided 475,072 and 91,050 mortgages, respectively, in 2010. INFONAVIT and FOVISSSTE have set mortgage origination goals of 480,000 and 90,000, respectively, for 2011.

Corporación GEO's industry is strategic for Mexico's economic development. The homebuilding industry plays a critical role in Mexico's development due to its size and its political and socio-economic importance. Corporación GEO and its competitors directly employ more than 3.3 million people, according to INEGI, making its sector an important component of Mexico's overall employment. In addition, the Affordable Housing segment is seen as directly addressing one of the key social welfare needs in Mexico: adequate housing.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following table sets forth Corporación GEO's summary consolidated financial data as of and for each of the periods presented. The data as of and for the years ended December 31, 2008, 2009 and 2010, has been derived from its audited consolidated financial statements and notes thereto included elsewhere in this Offering Memorandum. INIF 14 became effective on January 1, 2010. The accounting changes from the adoption of INIF 14 are required to be recognized retrospectively. During June 2010, the Company placed debt securities in the international markets. The offering document in connection with the sales of securities included the annual 2009 and 2008 consolidated financial statements alongside interim condensed consolidated financial statements for the three months ended March 31, 2010. Accordingly, at the time of the offering, the annual 2009 and 2008 consolidated financial statements were reissued to reflect the retrospective change from adopting INIF 14. Those restated amounts are reflected in the consolidated financial information for 2009 and 2008 included within this Offering Memorandum.

Corporación GEO's Consolidated Financial Statements have been prepared in accordance with Mexican FRS, which differs in certain significant respects from U.S. GAAP and IFRS. See "Description of Certain Differences between Mexican FRS, U.S. GAAP and IFRS."

The summary consolidated financial information of Corporación GEO set forth below as of and for the years ended December 31, 2008, 2009 and 2010, should be read in conjunction with, and is qualified in its entirety by reference to, the respective audited condensed consolidated financial statements and the notes thereto included elsewhere in this Offering Memorandum. See "Presentation of Financial and Other Information."

	Audited			
	Year Ended December 31,			
	2008	2009	2010	2010
	(millions of Ps.)			(millions of U.S.\$) ⁽¹⁾
Income Statement Data:				
Revenues from real estate development activities	14,613.7	17,713.2	19,154.4	1,551.0
Costs from real estate development activities	10,799.6	13,083.1	14,212.6	1,150.9
Gross margin	3,814.1	4,630.1	4,941.9	400.2
Selling, general and administrative expenses.....	1,640.8	1,691.3	1,838.8	148.9
Income from operations.....	2,173.3	2,938.8	3,103.0	251.3
Other expenses—net.....	31.3	85.5	59.4	4.8
Comprehensive financing cost	627.8	616.7	624.9	50.6
Income before income tax, equity in income of associated companies, trusts and others and discontinued operations.....	1,514.3	2,236.6	2,418.7	195.9
Income taxes.....	485.7	736.9	662.2	53.6
Equity in income (loss) of associated companies, trusts and others.....	5.8	(2.8)	(64.7)	(5.2)
Consolidated net income	1,025.5	1,450.8	1,677.9	135.9
Controlling interest	982.0	1,364.3	1,490.3	120.7
Noncontrolling interest	43.5	86.5	187.6	15.2

	Audited			
	As of December 31,			
	2008	2009	2010	2010
	(millions of Ps.)			(millions of U.S.\$) ⁽¹⁾
Balance Sheet Data:				
Cash and cash equivalents	2,560.1	3,393.4	2,228.4	180.4
Total current assets	18,611.3	21,931.6	22,295.0	1,805.3
Total assets	24,325.5	28,489.2	32,840.1	2,659.2
Short-term debt ⁽²⁾	4,475.9	2,659.5	2,783.2	225.4
Total current liabilities.....	11,442.9	9,762.6	10,708.4	867.1
Long-term debt.....	2,920.7	5,587.2	6,417.0	519.6
Total liabilities	16,662.1	19,697.4	21,602.1	1,749.2

	Audited As of December 31,			
	2008	2009	2010	2010
	(millions of Ps.)			(millions of U.S.\$) ⁽¹⁾
Equity of controlling interest.....	6,792.7	7,119.3	9,403.1	761.4
Equity of non-controlling interest.....	870.7	1,672.6	1,834.9	148.6
Total stockholders' equity.....	7,663.4	8,791.8	11,238.1	910.0

	Audited Year Ended December 31,			
	2008	2009	2010	2010
	(millions of Ps., except for ratios or percentages)			(millions of U.S.\$, except for ratios or percentages)
Other Financial Information:				
Income from operations.....	2,173.3	2,938.8	3,103.0	251.3
Capitalized interest released to costs ⁽³⁾	804.1	730.8	767.1	62.1
Depreciation and amortization.....	163.4	290.3	440.4	35.7
EBITDA ⁽⁴⁾	3,140.8	3,959.9	4,310.5	349.0
Net interest expense				
Interest expense.....	611.0	667.2	781.9	63.3
Capitalized interest ⁽³⁾	804.1	730.8	767.1	62.1
Interest income.....	(99.8)	(124.0)	(60.0)	(4.9)
Effects of valuation of derivative financial instruments—net.....	—	42.9	(94.9)	(7.7)
Ineffective portion of derivative financial instruments.....	—	3.9	—	—
Net interest expense ⁽⁵⁾	1,315.3	1,316.9	1,489.0	120.6
EBITDA margin ⁽⁶⁾	21.5%	22.4%	22.5%	22.5%
EBITDA/net interest expense ⁽⁵⁾	2.4	3.1	2.9	2.9
Net debt/EBITDA ⁽⁷⁾⁽¹¹⁾	1.5	1.2	1.6	1.6
Total debt/EBITDA ⁽⁸⁾⁽¹¹⁾	2.4	2.1	2.1	2.1
Total debt/total capitalization ⁽⁸⁾⁽⁹⁾	49.1%	48.4%	45.0%	45.0%
Net debt/total capitalization ⁽⁷⁾⁽⁹⁾	32.1%	28.5%	34.1%	34.1%

	Audited Year Ended December 31,		
	2008	2009	2010
	Other Data:		
Homes sold in the Affordable Housing sector.....	34,450	46,570	53,230
Average sales price of homes sold in the Affordable Housing sector (in Ps.) ⁽¹⁰⁾	294,343	307,275	303,556
Total homes sold.....	41,811	51,177	56,093
Average total home sales price (in Ps.) ⁽¹⁰⁾	345,735	342,665	333,033

- (1) Peso amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of 12.3496 pesos per U.S. dollar as of December 31, 2010.
- (2) Includes notes payable to banks, including construction financing, and the current portion of long-term debt.
- (3) Represents interest expense capitalized in inventory and expensed through costs related to real estate development activities upon the sale of such inventory in the respective period.
- (4) EBITDA represents income from operations before income tax, depreciation and amortization, plus the amount of interest expense capitalized in inventory and expensed through costs related to real estate development activities upon the sale of such inventory in the respective period. EBITDA is not a measure of financial performance under Mexican FRS and should not be construed as an alternative measure to (a) net income or income from operations (as defined in accordance with Mexican FRS) as an indicator of operating performance, or (b) cash provided by operating activities (as defined in accordance with Mexican FRS) as a measure of liquidity. EBITDA is included because it is a widely accepted financial indicator used by investors and analysts to analyze and compare companies on the basis of operating performance. EBITDA as presented may not be comparable to similarly titled measures reported by other companies because not all companies necessarily calculate EBITDA in an identical manner and, therefore, EBITDA is not necessarily an accurate means of comparison between companies.

- (5) Net interest expense represents the sum of interest expense and interest capitalized and expensed through costs related to real estate development activities (as defined in footnote three above) less interest income, effects of valuation of derivative financial instruments and ineffective portion of derivative financial instruments recorded through results.
- (6) EBITDA margin is the ratio of EBITDA to total revenue.
- (7) Net debt represents total debt less cash, cash equivalents and restricted cash. Reconciliation of net debt is as follows:

	As of December 31,		
	2008	2009	2010
		(millions of Ps.)	
Long-term debt	2,920.7	5,587.2	6,417.0
Plus: Current portion of long-term debt	956.8	1,124.9	296.7
Total long-term debt	<u>3,877.5</u>	<u>6,712.1</u>	<u>6,713.7</u>
Plus: Notes payable to financial institutions	3,519.1	1,534.6	2,486.6
Less: Cash and cash equivalents	<u>2,560.1</u>	<u>3,393.4</u>	<u>2,228.4</u>
Net debt	<u><u>4,836.5</u></u>	<u><u>4,853.3</u></u>	<u><u>6,971.9</u></u>

- (8) Total debt represents the sum of short-term and long-term debt.
- (9) Total capitalization represents the sum of short-term debt, long-term debt and total stockholders' equity. Reconciliation of capitalization is as follows:

	Audited		
	As of December 31,		
	2008	2009	2010
		(millions of Ps.)	
Stockholders' equity	7,663.4	8,791.8	11,238.1
Plus: Long-term debt	2,920.7	5,587.2	6,417.0
Plus: Current portion of long-term debt	956.8	1,124.9	296.7
Plus: Notes payable to financial institutions	<u>3,519.1</u>	<u>1,534.6</u>	<u>2,486.6</u>
Total capitalization	<u><u>15,060.0</u></u>	<u><u>17,038.5</u></u>	<u><u>20,438.4</u></u>

- (10) Weighted average price of homes Corporación GEO sold in Mexico for the period ended on such date.

RISK FACTORS

The following section does not describe all the risks of an investment in the Notes, but describes the principal perceived risks from an investment in the Notes. Before making any investment decision, prospective investors should carefully read this Offering Memorandum in its entirety, including the risk factors set forth below. The order of presentation of the risk factors below does not indicate the likelihood or the scope of any potential impairment that these risks might cause to the Trust Estate, the Issuer or Corporación GEO's business. These risks could occur individually or cumulatively, if at all.

This Offering Memorandum contains forward-looking statements that involve risks. The actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including risks faced by the Trust Estate, the Issuer or Corporación GEO's business described in this Offering Memorandum.

Risks Relating to the Trust Estate

A bankruptcy proceeding or concurso mercantil in Mexico of Corporación GEO may cause the Noteholders delays or losses in their right to receive payments of principal and interest under the Notes.

If Corporación GEO and the Issuer disagree on the existence of a Corporación GEO Termination Event or an Issuer Termination Event, such determination may be subject to the decision of the courts in Mexico. Delays in such court proceedings in respect to the determination of an early termination of the Service Agreement may result in the Trust Estate not being able to recognize or validate any claims it may have against Corporación GEO should there be a bankruptcy or *concurso mercantil* proceeding affecting Corporación GEO. Failure to participate in any such bankruptcy or *concurso mercantil* proceeding due to potential delays described above could cause losses, even the total loss, of the rights of the Trust Estate to receive payments from Corporación GEO. This would result in the reduction and possibly the termination of payments of principal and interest under the Notes.

Any adverse change in the business, financial position and results of operations of Corporación GEO may adversely affect the cash available in the Trust Estate.

The ability of the Issuer to continue to make payments on the Notes depends primarily upon the payments made under the Service Agreement by Corporación GEO and the GEO Subsidiaries. Any adverse change in the business, financial position and results of operations of Corporación GEO or such GEO Subsidiaries may adversely affect their ability to make such payments. In addition, as in any services arrangement, Corporación GEO and the GEO Subsidiaries may be late in making, or fail to make, the payments due under the Service Agreement. If this occurs, the Issuer may take certain actions to collect the amounts owed under the Service Agreement in accordance with the Service Agreement and the Trust Agreement. There can be no assurance that Corporación GEO or the GEO Subsidiaries will pay their obligations when due, which would have a material adverse effect on the Issuer's ability to make payment on the Notes. Certain risk factors relating to Corporación GEO as principal obligor under the Service Agreement are described in "Risks Relating to Corporación GEO as principal counterparty of the Issuer under the Service Agreement" below.

The Insurance may not cover all casualty losses suffered on the Machinery or all damages caused by the Machinery.

Under the terms of the Service Agreement, the Issuer, as assignee of GEO Maquinaria, will be liable for any damages or losses suffered by third parties resulting from the operation of the Machinery as well as for any damage (total or partial) suffered by the Machinery for causes attributable to the Issuer, any subcontractor or their personnel. Pursuant to the Service Agreement, once the issuer subcontracts GEO Importex as Operator or any Substitute Operator, Corporación GEO may only make claims against GEO Importex or any Substitute Operator in respect of the third party claims and physical damage to the Machinery.

In order to cover any such potential liability, and in accordance with the terms of the Service Agreement and the Operation, Administration and Maintenance Agreement, the Issuer, through GEO Importex, as Operator, is required to purchase the Insurance. Pursuant to the terms of the Transaction Documents, such Insurance will be assigned and conveyed to the Trust and all Insurance Proceeds will flow through the Trust.

If an event (such as a large natural or man-made disaster or an accident involving the Machinery) were to occur, with respect to which the relevant insurance company or the relevant Insurance policy did not cover all losses claimed by the Issuer or any third party or is otherwise excluded from coverage, the value of the Machinery could be adversely affected or the Issuer could be forced to use amounts held in the Trust or to liquidate Machinery to pay for the respective damages, including any Indemnity Amounts. In addition, if the Operator breaches its obligations to maintain the Insurance or an insurance company underwriting the Insurance fails to make payments due thereunder, similar results may occur. Any such circumstances could result in losses to the holders of the Notes.

There is also a risk that such payments could be subject to substantial delays, which would negatively impact payment on the Notes. Costs for delays caused by events may not be covered by Insurance. In addition, there can be no assurance that the insurance companies that currently underwrite the Insurance policies are or will continue to be able to meet their obligations under the relevant Insurance policies. See "Trust Estate—Insurance Policies."

A reduction in the useful life or resale value of the Machinery may adversely affect the Noteholders.

If Corporación GEO and the GEO Subsidiaries default in their payment obligations under the Service Agreement and recovery by the Issuer of any payments thereon are delayed, the Noteholders will have access to the Machinery as collateral in respect of their claims under the Notes.

On the Closing Date, the resale value of the Machinery will be less than the outstanding Principal Balance of the Notes. As of December 31, 2010, the Machinery was appraised to have a Commercial Value of approximately U.S.\$61.9 million. See "The Trust Estate—Estimated Remaining Useful Life". An appraisal is an estimate of the market or resale value of the Machinery as of the date of the appraisal. The estimates of the original useful life, estimated remaining useful life and the Commercial Value of the Machinery as of December 31, 2010, set forth in the respective sections entitled "The Trust Estate—Machinery—Original Useful Life," "—Estimated Remaining Useful Life" and "—Appraised Value of the Machinery" included herein are for information purposes only and should not be considered as a guaranteed value amount with respect to the remaining useful life or any resale or disposition of the Machinery. Actual remaining useful life or prices achieved for resale of the Machinery may vary from such estimate. Resale prices for the Machinery may be influenced by a variety of factors, most of which are outside the control of Corporación GEO, GEO Maquinaria or GEO Importex, including the aggregate level of demand for assets such as the Machinery in the Mexican housing industry (or other industries in which the Machinery may be useful), the composition and remaining useful life of the Machinery that form part of the Trust Estate at the time of liquidation of the Machinery, and the fact that resale of a large pool of Machinery in a short period of time may result in lower prices than would be obtained in the ordinary disposition of similar equipment and machinery in other settings. In addition, if circumstances giving rise to a payment default by Corporación GEO and the GEO Subsidiaries arise from adverse business conditions affecting the housing construction business in Mexico generally rather than circumstances affecting Corporación GEO and the GEO Subsidiaries in particular, then the demand and therefore the price for the Machinery may be reduced when its value is most needed.

The remaining useful life of the Machinery is important because Corporación GEO's payment obligations are dependent on the minimum hours of Machinery availability. For example, an accelerated depreciation of the Machinery could affect the number of pieces of Machinery available, and hence affect the numbers of hours of availability services to be provided under the Service Agreement. A decrease in the hours of availability services may decrease the amount of Quarterly Payments paid under the Service Agreement without necessarily triggering a Corporación GEO Termination Event or an Issuer Termination Event and the corresponding right to receive the payment of the Corporación GEO Termination Event Termination Fee or the Issuer Termination Event Termination Fee, and consequently, may affect the payment of principal and interest of the Notes. See "Summary of Terms—Principal Transaction Documents—Corporación GEO Termination Event Termination Fee" and "—Issuer Termination Event Termination Fee." Decreases in the resale value of the Machinery will affect the proceeds of any liquidation of the Trust Estate and will likely be insufficient to pay Noteholders the full amount of principal and interest due.

Delays or expenses associated within the liquidation of the Trust Estate may adversely affect the Noteholders.

Upon the occurrence of an Event of Default and acceleration of the Notes as provided under the Indenture, the Indenture Trustee may, upon written direction of the Controlling Party, instruct the Issuer to exercise such remedies as are available under the Trust Agreement. Such remedies include the sale of the Trust Estate.

Delays associated with the exercise of any remedies, including procedural delays at the Noteholder level in obtaining the majority necessary to instruct the Indenture Trustee to—in turn—instruct the Issuer as to the remedies to be applied with respect to the Trust Estate, the sale of the Trust Estate and accrued expenses related to such sale may result in a decrease of funds available for the Issuer to make payments on the Notes, and as a result, such proceeds may be insufficient to pay the Notes in their entirety.

A change in the tax regime applicable to the Trust may reduce the Trust Estate.

Based on Mexican tax laws and regulations applicable on the date hereof, tax counsel to GEO Maquinaria has advised GEO Maquinaria that the Trust should not be deemed to be a "business trust" and therefore should not be subject to entity level taxation. If the competent Mexican governmental authorities have a different view in respect of the tax treatment of the Trust (whereby such authorities decide that the Trust is deemed to be a taxable entity), such tax laws and regulations change or the interpretation thereof is modified and as a result the Trust is subject to taxes, the Trust Estate could be used to pay such taxes and costs incurred by the Trustee in respect of such taxes and the amounts available to make payments on the Notes could be reduced.

Deficiencies in the operation of the Trust could adversely affect the Noteholders.

Failure by the Trustee to perform its obligations under the Transaction Documents could result in a reduction of amounts available to the Issuer to be used as set forth in the Trust and could have an adverse effect upon the Issuer's ability to repay the Notes. For example, failure by the Trustee on its reporting obligations or in its ability to transfer monies to different Trust Accounts may affect the Noteholders ability to receive timely payments under the Notes. The Trustee may be removed as trustee of the Trust, subject to the requirements in the Trust Agreement, the Indenture and applicable law. In such circumstances a successor trustee will be appointed pursuant to the terms of the Trust Agreement. No assurance can be given that a suitable successor with requisite experience can be found. Investors should be aware that the removal of the Trustee will result in costs and possible delays and reductions in amounts available to the Issuer, which may result in reductions in payments on the Notes. Certain costs and expenses will be incurred in connection with such removal, which will be paid out of the Trust Estate in priority to amounts due to Noteholders.

Risks Related to the Structure of the Transaction

The interests of Corporación GEO and its affiliates may differ from those of the Issuer.

The controlling shareholders of GEO Importex and Corporación GEO are the same. It is possible that under certain circumstances, the interests of Corporación GEO and its affiliates (including GEO Importex) may conflict with the interests of the Issuer. GEO Importex has assumed significant obligations under the Operation, Administration and Maintenance Agreement. The right of the Issuer to receive the Quarterly Payments under the Service Agreement will depend on GEO Importex complying with such obligations. If GEO Importex breaches its obligations or acts in a manner that adversely affects the Trust, GEO Importex may be replaced as Operator.

For example, Corporación GEO is obligated to perform, together with GEO Importex (on behalf of the Issuer pursuant to the terms of the Operation, Administration and Maintenance Agreement), weekly statements regarding actual hours of Machinery availability services provided during the previous week. If Corporación GEO fails to perform its obligations thereunder, or irreconcilable differences exist with GEO Importex in the actual number of hours of availability services provided in such period, it may make the determination of actual hours of Machinery availability services provided and the amount of actual payment obligations under the Service Agreement more difficult, and therefore, it may affect the Quarterly Payment in any relevant period. However, the Operator is GEO Importex, a wholly-owned subsidiary of Corporación GEO, and thus the assessments of hours of availability services made by Corporación GEO is not being made by an independent entity, unless (i) an Operator Substitution Event occurred and GEO Importex were replaced by an entity unaffiliated with Corporación GEO, and (ii) Corporación GEO failed to perform its obligations under the Service Agreement in a way that could affect the payment of the Quarterly Payment.

Likewise, in the event that Corporación GEO challenges the occurrence of a Corporación GEO Termination Event due to an Operator Deficiency Event, the Issuer may argue, together with other elements (see "Summary of Terms-Principal Transaction Documents-Corporación GEO Termination Event Termination Fee"), that the Operator has failed to perform any necessary acts (including obtaining the permits, providing machinery maintenance, etc.) that result in the underperformance of Machinery availability services in the scenarios described

in "Summary of Terms — Principal Transaction Documents — Service Agreement — Corporación GEO Termination Event Termination Fee". The Operator may argue that, despite the fact that all other components exist in order to configure an Operator Deficiency Event, it has done all necessary acts to avoid any such performance failure. If such disagreement exists, litigation may ensue under the laws of Mexico before a Mexican court in order to determine whether a Corporación GEO Termination Event has occurred. In such case, a Mexican court would determine the respective ruling. In addition, any material delay by a Mexican court in issuing the respective judgment could affect the payment of the Corporación GEO Termination Event Termination Fee and consequently, may affect the payment of principal and interest of the Notes. If the Mexican court determines that a Corporación GEO Termination Event has not occurred, the Service Agreement cannot be terminated and the Issuer will not receive the Corporación GEO Termination Event Termination Fee. Consequently, the Issuer will continue to receive the Quarterly Payments which may be reduced if actual number of Machinery Availability Services hours actually provided is less than the Minimum Hours Required in any Quarter (see "Summary of Terms—Principal Transaction Documents—Quarterly Payment").

In the event an Issuer Termination Event occurs under the Service Agreement, the Issuer Termination Event Termination Fee will not be sufficient to pay all amounts due under the Notes.

If an Issuer Termination Event occurs with respect to the Service Agreement, Corporación GEO and the GEO Subsidiaries, jointly and severally, will be obligated to pay the Issuer Termination Event Termination Fee under the Service Agreement. The Issuer Termination Event Termination Fee will not be sufficient to pay the outstanding Principal Balance of the Notes at any point in time. See "Summary of Terms—Principal Transaction Documents—Issuer Termination Event Termination Fee" for the actual amounts with respect to the Issuer Termination Event Termination Fee. Noteholders will be dependent on the remaining assets in the Trust Estate in addition to the Issuer Termination Event Termination Fee (including amounts on deposit in the Reserve Account and other Trust Accounts and the proceeds of the sale of the Machinery) to receive payment in full of all amounts due under the Notes. In the event that the Issuer Termination Event Termination Fee plus the value of the remaining Trust Estate are less than the amount owed under the Notes, Noteholders will suffer a loss on their investment.

In the event the actual number of hours of Machinery availability is below the Minimum Hours Required in certain circumstances the Issuer may not have sufficient funds to make Note payments

Under the Service Agreement, Corporación GEO is obligated to pay the Quarterly Payment to the Issuer as consideration for Machinery availability services of at least 720,000 hours per Quarter. In the event that the Issuer does not make Machinery available to Corporación GEO for the Minimum Hours Required in any Quarter and such non-availability is neither an Issuer Termination Event or a Corporación GEO Termination Event, then Corporación GEO will only have the obligation to pay the proportional amount of the Quarterly Payment corresponding to the number of hours the Machinery was actually made available to Corporación GEO by the Issuer (including the Maintenance Hours). For example, if the Machinery were available for 700,000 hours including the Maintenance Hours (that is, 664,000 of availability services actually provided plus 36,000 that correspond to the Maintenance Hours), then the Quarterly Payment would be reduced to a percentage equal to a fraction, the numerator of which is 700,000 and the denominator of which is 720,000. Additionally, if the example above were 700,000 availability services actually provided plus the 36,000 that correspond to the Maintenance Hours, then the Quarterly Payment would not be reduced at all because the numerator would be assumed to be the maximum of 720,000 hours. Any increase in the pro rata reductions of the Quarterly Payments occurring in the years of the transaction that are closer to the Expected Final Maturity Date, when the Quarterly Payments under the Service Agreement are scheduled to increase, could result in larger differences between the amount of Quarterly Payments, the amount received by the Trust and therefore potential losses to the Noteholders.

As the Issuer's ability to make payments on the Notes is significantly dependent on receipt of the Quarterly Payments in full, any reduction in the amount of Quarterly Payments is likely to have an adverse effect on the Issuer's ability to make payments on the Notes, especially in those years closer to the Expected Final Maturity Date.

Corporación GEO estimates, based on a review of its records of the historic availability of the Machinery (or similar types of machinery for periods prior to the acquisition of certain items of Machinery) that (a) such machinery of the type comprising the Machinery is available about 95% of the time on average and (b) in order for the Issuer to provide 720,000 hours per Quarter, such availability rate must be maintained during the life of this transaction. In the event that future availability rates are below such historic experience, then it is unlikely that the Issuer will achieve 720,000 hours per Quarter.

There is no obligation under the Transaction Documents to maintain a designated useful life, minimum number of units or market value of the Machinery as of Closing Date and during the life of the Notes.

Pursuant to the Operation, Administration and Maintenance Agreement, GEO Importex, as Operator, will supervise the maintenance of the Machinery, manage the release and transfer of the Machinery in the Trust Estate and manage the purchase of Additional and Replacement Machinery. Pursuant to the Designated Engineer Agreement, the Designated Engineer will analyze and approve requests from the Operator to sell or replace Machinery in the ordinary course and will evaluate the acquisition of Additional and Replacement Machinery to comply with the requirements of Corporación GEO's operations.

The acquisition of Additional and Replacement Machinery is subject to the existence of sufficient funds in the Capital Expenses Account and to general business guidelines to determine that the acquisition of such Machinery is necessary to Corporación GEO's construction operations. Neither the Operator nor the Designated Engineer are obligated to maintain a determined number of pieces of Machinery, buy Additional and Replacement Machinery of pre-determined specifications, quality, brand or useful remaining life, or subject their decisions to the maintenance of a certain minimum value for the initial pool of Machinery. After the Closing Date, Corporación GEO may acquire or lease machinery that will not be transferred to the Trust. There is no obligation to the parties to the Transaction Documents to maintain a pool of Machinery in the Trust of a certain useful life or minimum value at any moment in time. The useful life, value, amount or specifications of the Machinery may vary depending on Corporación GEO's and the GEO Subsidiaries' needs in the ordinary course. Should the useful life, value or amount of Machinery in the Trust decrease over time due to a change in the business model of Corporación GEO or a lower number of active construction projects, the amount obtained from the resale of Machinery or the proceeds obtained from any liquidation of Machinery could be reduced and affect the Noteholders' ability to recover on the Notes.

The projections of Corporación GEO in respect of the appraised value of the Machinery after new capital expenses will be approximately 30% less during the years closer to the Expected Final Maturity Date than the appraised value of the Machinery at Closing.

The Machinery does not constitute all the machinery owned and used by Corporación GEO in its day-to-day operations.

In addition to the Machinery that constitutes the Trust Estate, in its normal course of business Corporación GEO uses (i) machinery leased in order to satisfy short-term needs of its business (the "Leased Machinery") and (ii) approximately 174 pieces of machinery of similar characteristics to the Machinery, owned by Corporación GEO and that have been fully depreciated (the "Depreciated Machinery"). The Leased Machinery, or the leasehold rights thereof, have not been included in the Trust Estate because such machinery is leased pursuant to short-term leases. The Depreciated Machinery has not been included in the Trust Estate because it has been fully depreciated and Corporación GEO expects that the Depreciated Machinery will be sold within the first year of the Closing Date. Corporación GEO expects to continue using the Leased Machinery and the Depreciated Machinery in its normal course of business during the period the Notes remain outstanding, until the applicable lease agreements expire or until the Depreciated Machinery is sold, as applicable. Also, after the Closing Date, in addition to the 197 pieces of Machinery that Corporación GEO expects to purchase and transfer to the Issuer within the first year of the Closing Date, Corporación GEO also expects to acquire machinery to satisfy its own needs and such machinery will not be transferred to the Trust.

Immediately prior to the Closing Date, it is expected that the Machinery will represent 85% of all units of machinery of similar characteristics that are owned and used by Corporación GEO. The remaining 15% consists of the units of the Depreciated Machinery, which is expected to be sold by Corporación GEO within the first year of the Closing Date (See "The Trust Estate"). Nonetheless, Corporación GEO expects the percentage of the machinery it uses comprised of the Machinery gradually will decrease over the life of this transaction. The Transaction Documents do not prohibit or limit Corporación GEO's ability to lease or purchase machinery of similar characteristics to the Machinery however, Corporación GEO's ability to lease or purchase machinery is subject to market conditions, availability and cost.

If Corporación GEO and the GEO Subsidiaries default in their payment obligations under the Service Agreement and recovery by the Issuer of any payments thereon is delayed, the Noteholders will have access to the Machinery as collateral in respect of their claims under the Notes. The Machinery is critical to the business operations of Corporación GEO. The loss of the availability of the Machinery would adversely impact the operations of Corporación GEO and would be a deterrent to default. If Corporación GEO were able to replace the

Machinery in a time frame and at a cost that would not result in a material adverse effect on its operations, such deterrent effect would be less than would be the case if all, or a stable or increasing percentage of, machinery used by Corporación GEO were included in the Trust.

An overestimation in the remaining useful life of the Machinery could affect the payment of the Notes.

An estimation of the remaining useful life of the Machinery that fails to predict its accelerated depreciation could affect the number of pieces of Machinery available, and hence may affect the numbers of hours of availability services to be provided under the Service Agreement. A decrease in the hours of availability services occurring in the years of the transaction that are closer to the Expected Final Maturity Date, when the Quarterly Payments under the Service Agreement are scheduled to increase, could result in larger decreases in the amount of Quarterly Payments paid under the Service Agreement, and consequently, may affect the payment of principal and interest of the Notes causing potential losses to the Noteholders.

Certain transaction enhancements may not be sufficient to pay all amounts due under the Notes.

The Reserve Account is designed to increase the possibility of complete payment on the Notes in the event amounts available in the General Dollar Account, the General Peso Account or the Payment Account or amounts received as payment of any of the Termination Fees or as a result of a sale of Machinery are not sufficient to pay interest and principal on the Notes. However, the amount on deposit in the Reserve Account may be insufficient to cover any principal and interest shortfalls on the Notes and may be used to make payments other than principal and interest on the Notes (such as Maintenance Expenses and Indemnity Amounts). If the amounts maintained in the Reserve Account are not sufficient to cover such shortfalls, the Noteholders may incur losses in respect of their investment in the Notes. See "Risk Factors—In the event an Issuer Termination Event occurs under the Service Agreement, the Issuer Termination Event Termination Fee will not be sufficient to pay all amounts due under the Notes" and "—In the event the number of hours of Machinery availability is below the Minimum Hours Required in certain circumstances the Issuer may not have sufficient funds to make Note payments" with respect to other payments that may be received by the Trust, that together with amounts deposited in the Reserve Account, may not be sufficient to pay all amounts due under the Notes.

The determination of whether a Corporación GEO Termination Event or an Issuer Termination Event (and the existence of a Justified Cause) has occurred may be subject to interpretation by a Mexican court.

Certain elements that are relevant in determining whether either a Corporación GEO Termination Event or an Issuer Termination Event has occurred and if a Corporación GEO Termination Event Termination Fee or a Issuer Termination Event Termination Fee is due, might be difficult to evidence. If a disagreement between the Issuer and Corporación GEO exists, litigation may ensue under the laws of Mexico and before a Mexican court. In such case, a Mexican court would determine the respective ruling. In addition, any material delay by a Mexican court in issuing the respective judgment could affect the timing or the amount of the payment of the Termination Fee and may affect the payment of principal and interest of the Notes. If a Mexican court were to resolve the early termination of the Service Agreement for any other reason that is not a Corporación GEO Termination Event or an Issuer Termination Event, Corporación GEO would only be required to pay the Issuer Termination Event Termination Fee.

The coverage and terms of the current insurance policies may not be available in the future.

The Issuer is required to maintain insurance policies on the Machinery in an amount that the Issuer believes is standard in the housing construction industry throughout the term of the Service Agreement, in the form and substance described in the Service Agreement. In the event that a particular insurance policy required under the Service Agreement is not available in the Mexican market or is not available for a reasonable commercial price, the Issuer must obtain insurance that it believes is as similar as possible to that required under the Service Agreement. The current standards of the insurance policies required under the Service Agreement may not be available in the future, or further, similar insurance policies providing similar coverage as the ones required under the Service Agreement may not exist. Even though the absence of the required insurance will not constitute a default by the Issuer under the Service Agreement, the lack of insurance policies covering damage or loss to the Machinery could affect the Trust Estate, and consequently, the ability of Noteholders to be paid the full amount of principal and interest owed. However, the insurance policies providing the coverage required under the Service Agreement have been available in the Mexican market for the last 30 years.

A Corporación GEO Termination Event caused by an Operator Deficiency Event can only be triggered in the event the Operator is an entity owned, directly or indirectly, by Corporación GEO.

A Corporación GEO Termination Event caused by an Operator Deficiency Event, and the consequential right to receive the Corporación GEO Termination Event Termination Fee, only triggers if the Operator is GEO Importex or another entity owned by Corporación GEO even when other elements that trigger an Operator Deficiency Event may be present. The breach of the obligations of GEO Importex (a 99% owned subsidiary of Corporación GEO) as Operator may give the right to the Issuer to substitute GEO Importex as Operator for a Substitute Operator. In the event a Substitute Operator replaces GEO Importex, and such Substitute Operator is not an entity owned by Corporación GEO, rights and remedies with respect to a Corporación GEO Termination Event (other than caused by an Operator Deficiency Event) and an Issuer Termination Event may be available; however, payments resulting from an Operator Deficiency Event will no longer be available.

Changes in service, collection and administration policies of GEO Importex may adversely affect the Trust Estate.

Pursuant to the terms of the Operation, Administration and Maintenance Agreement, GEO Importex agrees to manage and maintain (and to ensure that any subcontractor will service) the Machinery in accordance with normal practices for maximizing the useful life of the Machinery. Subject to the foregoing restrictions, should GEO Importex change its service, collection and administration policies and such changes prove not to be sufficient or effective, such changes could result in delays in payments, or losses in respect of the Machinery or the Service Agreement, which in turn could result in delays in payments, or losses in respect of the Machinery or other assets comprising the Trust Estate, which could have a material adverse effect on the Issuer's ability to make payments on the Notes.

Lack of a designated substitute service provider under the Service Agreement may adversely affect the performance of Corporación GEO's activities.

Under the Operation, Administration and Maintenance Agreement, GEO Importex may be replaced as Operator in certain circumstances. See "Summary of Terms—Events of Default and Substitution Events—Substitution Events." If a Substitution Event occurs, the Issuer, upon the instructions of the Indenture Trustee, acting at the written direction of the Controlling Party, may name a Substitute Operator. It may be difficult to find a Substitute Operator in a timely manner or at all. The lack of or delay in appointing a Substitute Operator may cause delays or disruptions in the activities related with the Service Agreement, the Machinery, the Insurance, the Designated Engineer Agreement or other assets that are part of the Trust Estate, which delay could adversely affect the Trust Estate (including in respect of Collections received by the Trust).

The transfer of the Service Agreement, the Machinery and the Insurance to the Issuer could be subject to challenge.

GEO Maquinaria and the Issuer will enter into the Assignment and Transfer Agreement and will undertake such further actions provided for thereunder (including the delivery of original documentation, the endorsement of Machinery invoices and acknowledgement of transfer by the Insurance Companies issuing the Insurance) in order to ensure that the rights and obligations of GEO Maquinaria under the Service Agreement, title to the Machinery and GEO Maquinaria's rights under the Insurance are effectively transferred to the Issuer. It is the intention of GEO Maquinaria and the Issuer that such transfers will be valid and effective and that the Trust Estate will be isolated from the estate of GEO Maquinaria for *concurso mercantil*, insolvency and bankruptcy purposes.

GEO Maquinaria and the Issuer have been advised by its local counsel, Santamarina y Steta, S.C., that upon execution and notarization of the Assignment and Transfer Agreement and fulfillment of the other actions described therein, GEO Maquinaria will have validly assigned all right, title and interest in and to the Service Agreement, the Machinery and the Insurance to the Issuer, who will have full ownership rights to such assets and such assignment thereof should not be capable of being set aside by GEO Maquinaria, any creditor thereof or any other person (including any liquidator, trustee, conciliator, receiver or similar official with respect to GEO Maquinaria in *concurso mercantil*, insolvency and bankruptcy proceedings in Mexico).

However, under *concurso mercantil*, insolvency and bankruptcy proceedings in Mexico, subject to certain limitations and conditions, it is possible that creditors of GEO Maquinaria could challenge the validity, sufficiency or effectiveness of the actions described above with the purpose of having the Trust Estate consolidated with the estate of GEO Maquinaria. If any such claims were brought and were successful, the Issuer could be subordinated to such other creditors or lose any rights to the assets comprising the Trust Estate in their entirety.

GEO Maquinaria and the Operator will be named as depositaries of certain assets that are part of the Trust Estate. Separation of such assets may need to be requested.

The Assignment and Transfer Agreement provides that any Collections received by GEO Maquinaria will be held by GEO Maquinaria as depositary of the Issuer and will be transferred by GEO Maquinaria to the Issuer within such terms set forth in the Assignment and Transfer Agreement. GEO Maquinaria will also act as depositary of the documentation relating to the Machinery and the Insurance (such as invoices and Insurance policies). If GEO Maquinaria is subject to *concurso mercantil*, insolvency or bankruptcy proceedings, it is possible that the Issuer, in accordance with the instructions of the Indenture Trustee, will have to seek to have those Collections and documents separated from the estate of GEO Maquinaria.

Under the Operation, Administration and Maintenance Agreement, GEO Importex has been appointed as depositary of the Machinery. It may be necessary for the Issuer to request delivery of the Machinery in certain circumstances (such as removal of GEO Importex as the Operator).

The outcome of any such claims for separation or delivery cannot be predicted.

Failure by the Designated Engineer to perform under the Designated Engineer Agreement could have adverse effects on the Trust and/or the Trust Estate.

The Designated Engineer is an individual who has been selected by GEO Maquinaria considering his expertise and background. As an individual, the resources available to the Designated Engineer may be limited. The Designated Engineer is also dependent on certain third parties, including Corporación GEO and GEO Importex, in respect of providing necessary information to perform his duties, including, among others, information relating to the number of hours of Machinery availability services actually rendered under the Service Agreement. Any failure by the Designated Engineer to adequately perform under the Designated Engineer Agreement could adversely affect the Trust and/or the Trust Estate.

The merger with, or consolidation of Corporación GEO to, another entity that as a result becomes the surviving or successor entity, does not give the Noteholders the right to invoke a Corporación GEO Termination Event, an Issuer Termination Event or the early amortization of the Notes under the Mexican Law Documents.

There is no assurance that Corporación GEO will not be involved in a merger or consolidation, the result of which could cause the disappearance of Corporación GEO and the surviving or successor entity assuming all assets and liabilities of Corporación GEO. This event could cause changes in the management of Corporación GEO or Corporación GEO's business plan. Noteholders have no rights or remedies to instruct the Issuer to pursue the termination of the Service Agreement or the Trust Agreement, the early amortization of the Notes or the right to require the Issuer or any other party to repurchase the Notes should any of the reorganization procedures described above occur.

Risks Relating to the Notes

Limited Recourse

The only source for payments on the Notes will be the Trust Estate. Investors may suffer a loss on their Notes if the assets comprising the Trust Estate are insufficient to pay fully their principal amount. The Notes are obligations solely of the Issuer and will be not insured or guaranteed by Corporación GEO, GEO Maquinaria, GEO Importex, the Trustee, the Indenture Trustee or any other person or entity. The Issuer shall pay all obligations under said Transaction Documents with the Trust Estate and at no time shall it be required to use its personal funds for such purpose. The Noteholders will not have any direct recourse against Corporación GEO, the GEO Subsidiaries, GEO Maquinaria or GEO Importex in respect of their claim under the Notes.

The Notes may not be transferred freely; therefore, investors may be required to bear the financial risks of their investment in the Notes for an indefinite period of time.

The Notes have not been and are not expected to be registered under the Securities Act or any applicable state's or other jurisdiction's securities laws (including those of Mexico) or with the U.S. Securities and Exchange Commission or regulatory authorities in any other jurisdiction (including Mexico). The Notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the

Securities Act and applicable securities laws in any other jurisdiction. Accordingly, reoffers, resales, pledges and other transfers of the Notes are subject to the restrictions in this Offering Memorandum. Prospective investors should be aware that investors may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions" for a full explanation of such restrictions.

If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.

Currently there is no market for the Notes. Application has been made to have the Notes admitted on the Irish Stock Exchange's Official List and traded on its regulated market. Even if the Notes become listed on this exchange, this exchange may later delist the Notes. A trading market for the Notes may not develop, or if a market for the Notes were to develop, the Notes may trade at a discount from their initial offering price, depending upon many factors, including prevailing interest rates, the market for similar securities, general economic conditions and its financial condition. The Initial Purchaser is not under any obligation to make a market with respect to the Notes, and no assurance can be given that trading markets will develop or be maintained. Accordingly, no assurance can be given as to the development or liquidity of any trading market for the Notes. If an active market for the Notes does not develop or is interrupted, the market price and liquidity of the Notes may be adversely affected.

The ratings of the Notes may be lowered or withdrawn.

It is expected that the Notes will be rated "BB-(sf)" by S&P and "BB-" by Fitch. These ratings address the likelihood of timely payment of interest and principal on each Payment Date. A rating is not a recommendation to buy, sell or hold a note inasmuch as such rating does not comment on the market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that it will not be lowered or withdrawn by a rating agency. The ratings do not address the probability of receipt of payments on any Payment Date or payment of amounts as the result of the occurrence of an Event of Default.

Risks Relating to Corporación GEO as principal counterparty of the Issuer under the Service Agreement

Corporación GEO's dependence on government-sponsored housing funds may negatively affect its business and results of operations if such public sector financing is not available.

In 2010, purchases in the Affordable Housing segment accounted for 94.9% of Corporación GEO's total revenue from home sales. Substantially all financing for sales in the Affordable Housing segment in Mexico is provided by government-sponsored housing funds such as INFONAVIT, FOVISSSTE and SHF, and Corporación GEO is dependent on the availability of financing from these entities. The amount of funding available and the level of mortgage financing from these sources is limited and may vary from year to year. As of December 31, 2010, approximately 97.4% of its revenues were from customers who relied on mortgage financing provided by INFONAVIT, FOVISSSTE, SHF or co-financings of these governmental agencies with private financial institutions. Revenues from customers who relied on INFONAVIT alone represented 79.2% of its consolidated revenues for the year 2010, and, for the same year, revenues from customers who relied on INFONAVIT and FOVISSSTE together represented 93.9% of its consolidated revenues. Corporación GEO expects the percentage of funding from government sources to continue to increase in the future as its strategy of focusing on such customers is realized. See "The Mexican Housing Industry—The Housing Financing System" and "The Mexican Housing Industry—The Housing Financing System—Mortgage Providers" in Annex A hereto. Accordingly, Corporación GEO's financial condition and results of operations have been, and will continue to be, affected by the level of funding, policies, programs and administrative procedures of INFONAVIT, FOVISSSTE, SHF and the financial sector and the housing policies of the Mexican government.

No assurance can be given that the amount of mortgage financing provided by INFONAVIT, FOVISSSTE, SHF or any other funding source will be maintained at current levels, or that, as a result of political, economic or other conditions, the Mexican government will not otherwise limit the availability of such financing or change the methods or criteria by which individuals are eligible, including with respect to the individuals seeking financing through Corporación GEO's GEO Fácil program. See "Corporación GEO's Business—Operations—Assisting Buyers with Mortgage Financing" in Annex A hereto. Any decrease in the amount of funds available from such sources, changes in the programs or policies of mortgage financing, different regional allocation of financing or administrative delays in the disbursement of funds could have a material adverse effect on Corporación GEO's business, results of operations, financial condition and prospects. In addition, no assurance can be given that such funds will continue to be allocated for housing construction in regions in which Corporación GEO has operations,

that it will continue to obtain a sufficient number of mortgage confirmations from mortgage financing providers or that mortgage financing will be made available to the qualified home buyers Corporación GEO locates.

Because INFONAVIT is primarily financed by mandatory employer contributions (currently equal to 5% of an employee's gross wage) as well as by issuances in the capital markets, the amount of mortgage financing available through it is limited and depends largely upon prevailing conditions in the Mexican economy. FOVISSSTE is funded by government institutions as a benefit for public sector employees, as well as by issuances in the capital markets. SHF is increasingly autonomous and partially self-funded through the capital markets but still receives contributions from the Mexican government and funding from the World Bank. In addition, if unemployment increases in Mexico, fewer people will be employed and private sector employers will be making fewer contributions on behalf of employees to the National Housing Fund, the principal source of funding for INFONAVIT. In the construction industry, there was an overall nominal decrease in output of 1.9% in 2010, compared to the prior year, and the Mexican economy expanded by 5.5% in 2010 (as adjusted for inflation). While INFONAVIT and FOVISSSTE implemented measures to counteract the negative impact on the housing industry caused by the events of 2009, the Mexican federal government or other government entities may enact laws in the future that restrict or prevent these financing entities from making automatic payroll deductions of mortgage payments or taking actions to support the housing industry; such restrictions could make it more difficult for potential customers to obtain mortgages.

INFONAVIT, FOVISSSTE, SHF and private financial institutions obtain funding for mortgages by securitizing their portfolio of mortgages in the residential mortgage-backed securities ("RMBS") market. The Mexican domestic capital market is a nascent market for RMBS and such market experienced a substantial decrease in issuances during 2009. Deterioration in the Mexican RMBS market negatively affects Corporación GEO, as it reduces sources of funding for mortgage providers and consequently mortgage availability for its customers

Corporación GEO has liquidity and capital needs that require it to rely significantly on debt financing, which may increase its costs and decrease its revenues if Corporación GEO cannot obtain financing or cannot obtain it at favorable interest rates.

Corporación GEO is engaged in a capital-intensive business that requires continuous access to short-term construction financing and debt financing. Corporación GEO may not have sufficient liquidity at any time to satisfy its working capital requirements at levels required to support its business. See "Corporación GEO—Management's Discussion and Analysis of Financial Condition and Results of Operations of Corporación GEO—Liquidity and Capital Resources" in Annex A hereto.

Corporación GEO currently obtains financing for substantially all of its development and construction activities through external sources, principally through bridge loans from local financial institutions, special purpose financial companies, or Sofoles or Sofomes secured by the land and construction as well as by means of land outsourcing and securitization of its peso accounts receivable. Although Corporación GEO does not begin full construction of a development until the availability of mortgage financing has been confirmed, it does purchase land, begin certain activities necessary to obtain the permits and licenses and undertake some basic infrastructure development before receiving confirmation. Corporación GEO does not receive the proceeds from a home sale, including financing from public entities or financial institutions, until the home is finished, sold, turned over to the home buyer and the deed (*escritura pública*) conveying title to the new owner is signed. As a result, the timing and amount of its capital requirements cannot be accurately predicted. Corporación GEO may also seek to finance its operations through the issuance of equity or debt securities, bank loans, joint ventures and other strategies. There can be no assurance that Corporación GEO will continue to have access to such financing or that such additional funds will be available on terms attractive to Corporación GEO or in amounts sufficient to meet its needs. Furthermore, Sofoles suffered a sharp contraction in 2009, largely due to the stricter capital requirements and reduction in available funding from sources other than SHF. This contraction has adversely affected the housing sector, which effects are unlikely to dissipate in the near future.

Corporación GEO is subject to the risks normally associated with debt financing. Adverse developments in the international and Mexican debt markets, including higher interest rates and financial institutions' aversion to long-term lending, have in the past significantly increased its costs of borrowing or refinancing maturing indebtedness, each of which has had adverse consequences on its financial condition and results of operations. There can be no assurance that it will be able to refinance any indebtedness or otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness. A substantial part of Corporación GEO's inventory carries some kind of mortgage and if it is unable to meet mortgage payments or is unable to refinance this

indebtedness on acceptable terms, the respective property or properties securing such indebtedness could be foreclosed upon by, or otherwise transferred to, the lender with consequent losses to Corporación GEO. See "Corporación GEO—Management's Discussion and Analysis of Financial Condition and Results of Operations of Corporación GEO—Liquidity and Capital Resources" in Annex A hereto.

The proposed reform to INFONAVIT could adversely affect the Mexican housing industry.

A proposed law relating to INFONAVIT is currently being discussed in the House of Representatives of Mexico, which if passed, would gradually reduce an employer's required housing deposit on behalf of its employees from 5% to 1% of each employee's salary, thereby reducing the amount of money directly contributed to INFONAVIT for use in granted mortgages. In such circumstances, INFONAVIT may need to seek other sources of capital. If this new law relating to INFONAVIT becomes effective, there can be no assurance that it will not result in a material adverse effect on its and Corporación GEO's business, results of operations, financial condition and levels of cash flow.

Changes in Mexican tax law could adversely affect Corporación GEO's results of operations and financial condition.

As of December 15, 2009, Corporación GEO adopted the new INIF 18, "Recognition of the Effects of the 2010 Tax Reform on Income Tax," which establishes the accounting treatment for (a) the income tax resulting from changes to the tax rules relating to the consolidation of subsidiaries, (b) changes in the income tax rate and (c) a credit against IETU for tax losses. The effects of adopting INIF 18 included the recognition of an income tax liability of Ps.1,136.3 million (which includes Ps.18.1 million and Ps.1,118.2 million of short-term and long-term liabilities, respectively), a reduction in retained earnings for the same amount and the recognition of deferred income taxes in the amount of Ps.51.0 million. There can be no assurance that future changes in Mexican tax law will not have a negative impact on the business, results of operations and financial condition of Corporación GEO.

Land available for development is limited and there can be no assurance that Corporación GEO will be able to acquire additional land in the future.

Land available for development in certain regions in Mexico has become significantly more scarce in recent years. Corporación GEO has land reserves sufficient to meet its anticipated construction needs for the next five years, assuming constant annual growth. As of December 31, 2010, Corporación GEO controlled undeveloped land reserves sufficient for the construction of 387,904 homes, through a combination of owned land, land outsourcing, optioned land and joint ventures. There is no assurance that Corporación GEO will be able to acquire additional land in the future.

Corporación GEO experiences significant seasonality in its results of operations, which leads to variability in its financial position and results of operations.

The Mexican housing industry experiences significant variability during the year primarily due to the operational and lending cycles of the various institutions that provide mortgage financing to the sector. The programs, budgets and changes in the authorized policies of these mortgage lenders are approved during the first quarter of the year. Payment by these lenders for home deliveries is slow at the beginning of the year and increases gradually through the second and third quarters, with a rapid acceleration in the fourth quarter. Corporación GEO builds and delivers homes in the Affordable Housing segment based on the seasonality of this cycle because it does not begin construction of homes until a mortgage provider commits mortgage financing to a qualified home buyer in a particular development. Accordingly, it also tends to recognize significantly higher levels of revenue in the third and fourth quarters and its debt levels tend to be highest in the first and second quarters. Corporación GEO anticipates that its quarterly results of operations and its level of indebtedness will continue to experience variability from quarter to quarter in the future. In addition, there can be no assurance that future uncertainties related to the Mexican government and financial institutions will not arise or that institutions that currently provide financing or other institutions that may, in the future, provide financing to the sector will not adopt practices that could result in additional variability of its results.

If Corporación GEO were to be declared bankrupt, Noteholders may find it difficult to collect payment on the Notes.

Under Mexico's Law of Reorganization Proceedings (*Ley de Concursos Mercantiles*), if Corporación GEO were declared bankrupt (*en quiebra*) or become subject to reorganization proceedings (*concurso mercantil*), its

obligations under the Service Agreement (a) would be converted into pesos at the exchange rate prevailing at the time of the declaration of the reorganization proceedings and then from pesos into UDIs, and would not be adjusted to take into account any devaluation of the peso relative to the U.S. dollar occurring after such conversion; (b) would be subject to the outcome of, and the priorities recognized in, the relevant proceedings; (c) would be satisfied at the time claims of all its creditors are satisfied; (d) would cease to accrue interest from the date a reorganization proceeding is declared; and (e) would be subject to certain statutory preferences including tax, social security and labor claims and claims of secured creditors.

If Corporación GEO enters into a reorganization proceeding (*concurso mercantil*), the Service Agreement might not be fulfilled by Corporación GEO because of its financial situation, or because of a Court order, in which case, the Trustee, following the instructions of the Indenture Trustee who shall act pursuant to the Noteholders' instructions, may be forced to participate (including by bringing claims, raising objections, among others) in such reorganization proceeding and the Trustee, following the instructions of the Indenture Trustee who shall act pursuant to the Noteholders' instructions, may need to request the inclusion and acknowledgment of its claims under such proceeding and judicially object to any determination not fully acknowledging such claims. No assurance can be given as to the result of any such proceeding the Service Agreement will not be fulfilled by Corporación GEO, or a Court will order Corporación GEO the early termination of the Services Agreement and the effects thereof on the claims of the Trustee, following the instructions of the Indenture Trustee who shall act pursuant to the Noteholders' instructions.

Significant competition from other housing development companies may adversely affect Corporación GEO's position in the Mexican housing industry.

The housing development industry in Mexico is highly fragmented and there are currently a large number of businesses engaged in the construction of housing projects. Competition in the Mexican housing industry is intense and Corporación GEO cannot assure you that it will compete successfully to maintain or increase its market share, which was 8.2% as of December 31, 2010 (based on the total number of homes sold with mortgage financing in Mexico, according to CONAVI). Corporación GEO cannot assure you that some of these competitors with a significant presence in various parts of Mexico will not expand their operations in its principal markets. Small developers in the Middle Income Housing and Residential Housing markets may be able to better adapt to specific demand and offer more customized housing than it does.

In addition, there can be no assurance that foreign construction companies with greater financial resources will not begin operations in Mexico in the Affordable Housing sector in the future and that Corporación GEO will not face significant competition from foreign entities.

Corporación GEO may be unable to fully execute its business strategy.

Corporación GEO's strategy contemplates growth through, among other items, implementing Project Alpha, its fully automated production facility for housing components, and entering the Macroprojects market. This strategy may require substantial new capital to finance the future development and acquisition of assets, and Corporación GEO cannot assure you that it will be able to obtain the necessary financing. In addition, if its cost of capital is high, it may not be able to finance the construction or acquisition of assets necessary to implement its strategy. It may be unable to raise the necessary funds on satisfactory terms, if at all, which would impair its ability to execute its strategy. Moreover, if it is unable to obtain the required permits and licenses for the development of the Macroprojects, the resulting decline in its rate of development could have a material adverse effect on its business, results of operations, financial condition or prospects, and may prevent Corporación GEO from fully executing its strategy.

Another aspect of Corporación GEO's strategy is the growth of its land bank through financing vehicles, such as joint ventures. Corporación GEO's current joint ventures with Prudential Investment Management, Inc. ("Prudential") and Sólida Administradora de Portfolios, S.A., de C.V. ("Sólida") permits Corporación GEO to grow its land bank while decreasing its risk and working capital requirements. There can be no assurance that Corporación GEO will be able to maintain these joint venture relationships or that it will be able to participate in similar joint ventures in the future. If Corporación GEO is unable to do so, it may experience slower growth or it may become more leveraged.

Building and zoning regulations and environmental laws, as well as changes thereto, may adversely affect Corporación GEO's business, financial condition or results of operations.

The Mexican housing industry is subject to extensive building and zoning regulations by various federal, state and municipal authorities, which affect land acquisition and other development and construction activities. The costs associated with obtaining building permits, paying construction fees and taxes, securing utility service rights and titling new homes are substantially higher in Mexico than in many other countries and vary significantly from region to region within the country. Corporación GEO's housing development operations are also subject to Mexican federal, state and municipal environmental laws and regulations. Mexican environmental regulations have become increasingly stringent over the past decade. This trend is likely to continue and may be influenced by the North America Agreement on Environmental Cooperation ("NAAEC"), a side agreement to the NAFTA, whose key objectives are to promote sustainable development, encourage pollution prevention policies and practices and increase compliance with environmental laws and regulations. Corporación GEO is also required to obtain the approval of numerous governmental authorities for its development activities, including approvals from INFONAVIT, SHF and FOVISSSTE. There can be no assurance that applicable laws and regulations affecting the housing industry or the enforcement thereof will not change in a manner that could increase Corporación GEO's costs of doing business, require additional or different approvals, change its processes and procedures, or have a material adverse effect on its business, results of operations, financial condition or prospects. Any one of the factors referred to above may have a material adverse effect on its results of operations and the levels of cash flow necessary or available to meet its obligations. See "Corporación GEO—Corporación GEO's Business—Governmental Regulation" in Annex A hereto.

Corporación GEO's ability to accumulate and deduct tax loss carryforwards could be limited in the future, which may lead to greater taxable income.

Corporación GEO's net results have benefited in the past from its net tax loss carryforwards, which reduce the amount of income taxes charged to its income. Generally, tax loss carryforwards are the result of deductions from taxable income of purchases of inventory and certain cash purchases. It also deducts the full amount of its investments in land for purposes of IETU. If its housing development activities do not continue at current levels, the tax loss carryforwards created would be lower than in the past. That would result, after utilization of the accumulated available tax loss carryforwards, in greater taxable income.

There are financial risks related to Corporación GEO's financial derivative instruments.

Corporación GEO has used, and may continue using, financial derivatives in order to (a) manage the risk related to its interest expense and exchange rate risk, (b) reduce its financial costs, (c) have access to alternative forms of financing and (d) hedge some of its financial risks. Most of its financial derivative instruments are subject to margin calls in the event that the market value of those instruments exceeds or falls below an established maximum or minimum. In certain extraordinary scenarios, the cash that could be required by the counterparties in order to meet the margin call requirements could be considerable. Therefore, the available funds for its operations and any other capital needs could be adversely affected. See "Corporación GEO—Management's Discussion and Analysis of Financial Condition and Results of Operations of Corporación GEO—Market Risk Disclosure," in Annex A hereto and note 16 to its Consolidated Financial Statements as of December 31, 2010, and 2009.

A substantial portion of Corporación GEO's business is subcontracted, which exposes it to risks relating to subcontractors' business.

Corporación GEO's construction methods are based on the mass production of housing units and the use of specialized labor. In this respect, it enters into agreements with local subcontractors specializing in different stages of the construction process. Corporación GEO expects to continue this type of outsourcing in the future. All of its subsidiaries employ subcontractors. Any delay or default on performance by the subcontractors could disrupt its business and have an adverse effect on its business operations. There can be no assurance that Corporación GEO's subcontractors will perform outsourced projects on a timely basis.

Claims under Corporación GEO's construction warranties could adversely affect Corporación GEO.

As required by Mexican law, Corporación GEO provides a one-year warranty to its customers for construction defects, which could be derived either from its operations or from defects in materials supplied by third parties or other circumstances outside its control. There are currently no material outstanding claims against

Corporación GEO. There can be no assurance that significant claims under this warranty might not be made in the future.

Increases in costs or scarcity of construction materials and labor could adversely affect Corporación GEO's results.

Increases in prices of construction materials for new housing developments or increases in employees' wages could adversely affect Corporación GEO's results of operations. Certain construction materials, such as steel, are indexed to the U.S. dollar and if the value of the peso depreciates against the U.S. dollar, its cost of obtaining raw materials could increase. In addition, Corporación GEO could be exposed to a potential scarcity of materials or labor that could cause project delays. There can be no assurance that such delays will not occur in the future.

Loss of services of Corporación GEO's key management personnel could result in disruptions to its business operations.

Corporación GEO's management and operations are dependent in large part upon the contributions of a small number of key senior management personnel. Because of their knowledge of the industry and its operations and their experience with Corporación GEO, it believes that its future results will depend to a significant extent upon their efforts. The loss of services of any of these individuals for any reason could result in disruptions to its business operations.

Risks Relating to Mexico

Adverse economic conditions in Mexico may negatively affect the Issuer and Corporación GEO's financial position and results of operations.

A substantial portion of the Trust Estate is located in Mexico and all revenues are derived from operations in Mexico. Corporación GEO is a Mexican company with substantially all of its assets located in Mexico and substantially all of its revenues derived from operations in Mexico. As such, the Trust Estate and the business of Corporación GEO are significantly affected by the general conditions of the Mexican economy.

As in most economies and, in particular, those in developing countries, the housing market is closely tied to the growth or contraction of the local economy. Prolonged adverse economic conditions resulting from the current global economic crisis could limit the growth of the housing industry in Mexico, such that future results of operations may not match those achieved to date.

The housing industry is cyclical and directly affected by the macroeconomic conditions of Mexico. Some of the conditions that have a major impact on this sector include inflation, the value and stability of the peso and other general economic and social conditions in Mexico. Accordingly, changes in the macroeconomic conditions in Mexico could have an adverse impact on the Issuer or Corporación GEO's business, financial condition and results of operations.

In the past, high rates of inflation in Mexico have led to high interest rates, devaluation of the peso compared to the U.S. dollar and, occasionally, the imposition of control mechanisms over exchange rates and the prices of consumer goods. According to figures issued by Banco de Mexico, the rate of inflation in Mexico, as measured by changes in the NCPI, was 4.4% in 2010, 3.57% in 2009 and 6.53% in 2008. Although these figures reflect sustained improvement over high inflation rates that have occurred in the past, Mexico remains vulnerable to international events and crises. High inflation rates can adversely affect consumer purchasing power or result in higher interest rates, and thus, the ability of borrowers to obtain financing for homes and the ability of employers to contribute to the National Housing Fund, which could adversely affect the operations of Corporación GEO and consequently the Trust Estate.

Mexico's nominal gross domestic product, or GDP, was Ps.12,130.8 billion (U.S.\$962.8 billion) in 2008, Ps.11,823.0 billion (U.S.\$938.3 billion) in 2009, and Ps.12,473.3 in 2010 (U.S.\$1,010.0), a contraction of 6.5% from 2008 to 2009 and an increase of 5.5% from 2009 to 2010 when adjusted for inflation.

A prolonged recession in the Mexican economy, a significant increase in inflation and interest rates, or a significant decrease in GDP growth would lead to a decrease in consumer purchasing power and demand for mortgage financing, and housing construction may decrease as a result. This may have a material adverse effect on the business, financial position and results of operations of Corporación GEO, as well as its ability to obtain

financing and to repay its debt and obligations when due, which could lead to defaults by Corporación GEO of its obligations under the Service Agreement.

Depreciation of the peso against the U.S. dollar could adversely affect Corporación GEO's financial condition, results of operations and cash flows, and, if foreign currency exchange controls and restrictions are imposed, Corporación GEO may not be able to service its debt in U.S. dollars, thereby exposing investors to foreign currency exchange risk.

Changes in the value of the peso relative to the U.S. dollar could adversely affect Corporación GEO's financial condition. Because substantially all of its revenues are and will continue to be denominated in pesos and most of the payments due under the Service Agreement will be denominated in U.S. dollars, if the value of the peso decreases against the U.S. dollar, its costs will increase. Further, the devaluation or depreciation of the peso could increase in peso terms the amount of its foreign currency-denominated liabilities, negatively affecting its results of operations.

Severe devaluation or depreciation of the peso may result in government intervention or disruption of the international foreign exchange markets. While the Mexican government does not currently restrict or regulate the ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or other specified currencies or to transfer other currencies outside of Mexico, it has done so in the past, and assurance cannot be given that the Mexican government will not institute a restrictive currency exchange control policy in the future. Any such restrictive foreign currency exchange control policy could prevent or restrict access to U.S. dollars or other specified currencies, and may limit its ability to transfer or convert pesos into U.S. dollars and other currencies for the purpose of making timely payments under the Service Agreement, to allow the Issuer paying the interest and principal on the Notes.

Political events in Mexico, as well as violence associated with the Mexican drug cartels, may adversely affect the Mexican economy and Corporación GEO's results of operations and financial condition and consequently, the Trust Estate.

The business, financial condition and/or results of operations of each of the Issuer and Corporación GEO may be affected by economic, political or social developments in Mexico, including, among others, any political or social instability, changes in the rate of economic growth or contraction, changes in the exchange rate between the peso and the U.S. dollar, an increase in Mexican inflation or interest rates, changes in Mexican taxation and any amendments to existing Mexican laws and regulations.

Mexico has experienced several periods of criminal violence, primarily due to the activities of drug cartels. In response, the Mexican government has implemented various security measures and has strengthened its military and police forces by creating specialized units. Despite these efforts, drug-related crimes continue to increase in Mexico. These activities, their possible escalation and the violence associated with them may have a negative impact on the Mexican economy, on the Issuer, the Trust Estate, Corporación GEO or on the market value of the Notes.

Changes in Mexican federal governmental policies or regulations could adversely affect the results of operations and financial condition of the Issuer and Corporación GEO, respectively.

The Trustee is a banking corporation formed in Mexico. The Trust Estate consists of assets located mainly in Mexico. Corporación GEO is a business incorporated in Mexico. Corporación GEO has substantially all of its assets and operations located in Mexico. As a result, each of the Issuer, the Trust Estate and Corporación GEO is subject to political, economic, legal and regulatory risks specific to Mexico. The Mexican federal government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican federal governmental actions, fiscal and monetary policy and regulation of private industry have a significant impact on Corporación GEO's business, including through the effect on market conditions and foreign exchange, interest and inflation rates. There can be no assurance that changes in Mexican federal governmental policies will not adversely affect the business, results of operations and financial condition of each of the Issuer and Corporación GEO and therefore, the Trust Estate.

Developments in other countries could adversely affect the Mexican economy, the market value of the Notes and the results of operations of the Issuer and Corporación GEO, respectively.

The market value of securities of Mexican companies is affected by economic and market conditions in other emerging market countries. Although economic conditions in those countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In past years, for example, prices of both Mexican debt and equity securities dropped substantially as a result of developments in Russia, Brazil, Argentina and several Asian countries.

The correlation between economic conditions in Mexico and the United States has sharpened in recent years due to NAFTA and increased economic activity between the two countries. Recently, the global dislocation of the credit markets and the shortage of liquidity resulting principally from the sub-prime mortgage crisis, especially in the United States, resulted in significant fluctuations in the financial markets and had a material adverse effect on the Mexican economy. As a result, an economic downturn in the United States, the termination of NAFTA or other related events could have a significant adverse effect on the Mexican economy, which in turn could affect the financial condition and results of operations of the Issuer and Corporación GEO, respectively. In addition, terrorist acts in the United States and elsewhere could depress economic activity in the United States and globally, including in Mexico. This could have a material adverse effect on its operations and revenues, which could, indirectly, affect the price of the Notes.

Fluctuations in interest rates could adversely affect the financial condition and results of operations of each of the Issuer and Corporación GEO.

The availability of mortgages to the Middle Income Housing and Residential Housing markets depends upon fluctuations in interest rates. Historically, when interest rates are high, fewer mortgages become available in Mexico in these housing markets as the mortgages become expensive and the demand for bank mortgages falls. An increase in interest rates could affect the availability of mortgages from commercial banks and other financial sources to these market segments. If the Mexican economy experiences a prolonged period of recession or high inflation—which it has at various times in the past—or interest rates increase significantly, housing activity and infrastructure development in Mexico may contract, causing demand for Corporación GEO's products to decrease.

In addition, fluctuations in interest rates affect the interest expense of each of the Issuer and Corporación GEO. Corporación GEO may also incur indebtedness in the future that accrues interest at higher rates or may be required to refinance its debt at variable rates. Increases in interest rates could adversely affect the results of operations of each of Corporación GEO and therefore, its ability to make payments under the Service Agreement.

It may be difficult to enforce civil liabilities against the Trustee or its respective directors, executive officers and controlling persons.

The Trustee is a limited liability corporation (*sociedad anónima*) organized under the laws of Mexico, and headquartered, managed and operated in Mexico. A substantial portion of the Trust Estate is located in Mexico and all of the revenues of the Issuer are derived from operations in Mexico. As a result, the Issuer is subject to political, economic, legal and regulatory risks specific to Mexico. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, or to enforce against it in the United States a judgment obtained in U.S. courts predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States. The Issuer has been advised by Mexican counsel, Santamarina y Steta, S.C., that there is doubt as to the enforceability, in original actions in Mexican courts, of liabilities predicated solely on U.S. federal securities law and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of U.S. federal securities laws.

Corporación GEO prepares its financial statements under Mexican FRS, which differs from U.S. GAAP and IFRS, and a reconciliation of its Mexican FRS financial statements to U.S. GAAP or IFRS could show significant quantitative differences.

Corporación GEO prepares its financial statements in accordance with Mexican FRS, which differs in certain respects from U.S. GAAP and accounting principles generally accepted in other countries, such as IFRS. Thus, the presentation of Mexican FRS financial statements and the calculation of reported earnings may differ from presentations in other countries. Corporación GEO is not required to provide, and neither provides, U.S. GAAP or

IFRS financial information nor any reconciliation of its Mexican FRS financial statements to U.S. GAAP or IFRS. If such reconciliation were prepared by Corporación GEO, it could show significant quantitative differences between the amounts presented under Mexican FRS compared to amounts presented under U.S. GAAP or IFRS. See "Description of Certain Differences between Mexican FRS, U.S. GAAP and IFRS."

Payments of judgments against the Issuer on the Notes could be in pesos, and recipients might suffer a U.S. dollar shortfall.

In the event that proceedings are brought against the Issuer in Mexico, either to enforce a judgment or as a result of an original action brought in Mexico, the Issuer would not be required to discharge those obligations in a currency other than Mexican currency. Under the Monetary Law of the United Mexican States (*Ley Monetaria de los Estados Unidos Mexicanos*), an obligation, whether resulting from a judgment or by agreement, denominated in a currency other than Mexican currency, which is payable in Mexico, may be satisfied in Mexican currency at the rate of exchange in effect on the date on which payments are made. Such rate is currently determined by Banco de Mexico and published every banking day in the Official Gazette. As a result, you may suffer a U.S. dollar shortfall if you obtain a judgment or a distribution in bankruptcy in Mexico. You should be aware that no separate action exists or is enforceable in Mexico for compensation for any shortfall.

USE OF PROCEEDS

The issuance of the Notes is U.S.\$160,000,000 and the sale of the Certificate on the Closing Date will be in an amount equal to U.S.\$10,000. The Issuer will use such proceeds (a) to pay offering and transaction expenses in an amount equal to approximately U.S.\$4,500,000, (b) to fund the (i) Reserve Account in an amount equal to U.S.\$20,000,000, and (ii) the Capital Expenses Account in an amount equal to U.S.\$16,000,000, and (c) the remainder of proceeds shall be applied by the Issuer as a payment to GEO Maquinaria in accordance with the Trust Agreement and the Assignment and Transfer Agreement to acquire (1) all of GEO Maquinaria's rights and obligations under the Service Agreement, (2) the Machinery, and (3) the Insurance.

GEO Maquinaria, in turn, will use (a) approximately U.S.\$44,500,000 for the acquisition of land; and (b) approximately U.S.\$75,000,000 to pay certain subsidiaries of Corporación GEO the purchase price for the acquisition of the Machinery and the Insurance transferred by such subsidiaries to GEO Maquinaria, and ultimately transferred by GEO Maquinaria to the Issuer. Such subsidiaries of Corporación GEO will use such amount (a) to pay the purchase price of approximately U.S.\$28,000,000 for acquiring leased Machinery that will ultimately be transferred to the Issuer and (b) approximately U.S.\$47,000,000 for the acquisition of land for new projects and for general corporate purposes.

EXCHANGE RATES

Prior to December 1994, Banco de Mexico kept the peso-U.S. dollar exchange rate within a range prescribed by the government through intervention in the foreign exchange market. In December 1994, the government suspended intervention and allowed the peso to float freely against the U.S. dollar. The peso declined sharply in value in December 1994 and continued to fall under conditions of high volatility in 1995. In the past few years, however, the peso has remained relatively stable, although in October 2008, the peso suffered a decline in value and has not yet fully recovered. The Issuer cannot assure that the government will maintain its current policies with regard to the peso or that the peso will not further depreciate or appreciate significantly in the future. The following table sets forth, for the periods indicated, the exchange rate calculated by Banco de Mexico, expressed in pesos per U.S. dollar.

Year Ended December 31,	FIX Exchange Rate to Pay Obligations Entered into in U.S. Dollars Payable in Mexico			
	High	Low	Average ⁽¹⁾	Period End
2007	11.268	10.664	10.927	10.916
2008	13.918	9.918	11.144	13.833
2009	15.365	12.597	13.498	13.066
2010	13.182	12.158	12.629	12.350
2011				
January	12.3817	12.0239	12.1532	12.0239
February	12.1900	11.9937	12.0771	12.1730
March	12.1235	11.9235	12.0192	12.1235

Source: Banco de Mexico: FIX Exchange Rate

(1) Calculated using daily averages.

The FIX Exchange Rate calculated by Banco de Mexico on April 4, 2011, was 11.8533 pesos per U.S. dollar. Fluctuations in the exchange rate between the peso and the U.S. dollar may indirectly affect the Issuer's ability to meet its U.S. dollar-denominated obligations, including its obligations under the Notes.

THE ISSUER

The Issuer is a Mexican banking institution acting exclusively in its capacity as trustee of the Trust Agreement. The Trust is a contractual arrangement formed in accordance with the Mexican Negotiable Instruments and Credit Transactions Law (*Ley General de Títulos y Operaciones de Crédito*) and the provisions of the Trust Agreement. As such, it is not a corporate entity. The Trust is a legal vehicle that has no subsidiaries, no employees and no other business or debt (other than pursuant to the terms of the Transaction Documents). The registered office of the Trustee is Paseo de la Reforma No. 115 Piso 23, Col. Lomas de Chapultepec, Del. Miguel Hidalgo, C.P. 11000, Mexico D.F. (Attention: Adriana López James and/or Alberto Castillo Pereyra) and its contact telephone number is (+52-55) 5063-3900. According to the Trust Agreement and the Mexican Negotiable Instruments and Credit Transactions Law The Bank of New York Mellon, S.A., Institución de Banca Múltiple acting as the Trustee of the Agreement will not be personally liable for any amounts payable, among others, in respect of Notes or any other Transaction Documents, except for certain customary situations involving gross negligence, bad faith or willful misconduct of the Trustee, as the case may be, and as finally determined by a court of competent jurisdiction. Accordingly, pursuant to the Transaction Documents, in the event, among others, of a payment default by Corporación GEO and the GEO Subsidiaries under the Service Agreement or payment default by the Issuer on the Notes, neither the Indenture Trustee nor any other party will have any recourse to the Trustee, in its individual capacity, or of its individual assets or to any other person other than recourse to the Trust Estate held by the Issuer, for the benefit of the holders of the Notes.

Purpose of the Trust

The Trust was established for the limited purpose, among other things, of acquiring the Service Agreement, the Machinery, the Insurance, entering into the Designated Engineer Agreement, entering into the Operation, Administration and Maintenance Agreement and the Assignment and Transfer Agreement, issuing the Notes, and making payments on the Notes from Services Payment, among others. For a detailed description of the purposes of the Trust, see "Description of the Mexican Transaction Documents—The Trust Agreement."

The Issuer, in its capacity as Trustee of the Trust Agreement, will hold no material assets other than the Trust Estate, any related rights in connection with the Trust Estate and associated rights and its interests in the Trust Accounts. The Issuer as trustee of the Trust Agreement is not expected to have any liabilities other than those directly related to the issuance of the Notes and payment of any other obligations under the Transaction Documents that shall be discharged by the Issuer with the assets forming the Trust Estate. As of the date of the Offering Memorandum, the Issuer is not authorized to incur into any debt except for the Notes and the transactions described in the Transaction Documents. There will be no recourse against the Issuer, Corporación GEO, GEO Maquinaria, GEO Importex or any of their respective affiliates for the Issuer's obligations.

The Issuer will not publish annual reports and accounts. The Issuer has not prepared audited financial statements as at the date of this Offering Memorandum.

As of the date of this Offering Memorandum, there are no conflicts of interest between the duties of the administrative, management and supervisory bodies of the Issuer and the private interests of such persons.

The Trustee may only resign for cause pursuant to Section 391 of the Mexican Negotiable Instruments and Credit Transactions Law and the Trust Agreement. The Indenture Trustee and GEO Maquinaria may jointly, subject in each case to the requirements in the Trust Agreement, the Indenture and applicable law, remove the Trustee, provided that if an Event of Default has occurred, such removal may only be effected by the Indenture Trustee, acting at the written direction of the Controlling Party. In such circumstances a successor trustee will be appointed pursuant to the terms of the Trust Agreement. Any such resignation or removal will not become effective until acceptance of appointment by an eligible successor trustee.

The Trustee was incorporated as a banking institution with multiple purposes (*institución de banca múltiple*) and a business corporation (*sociedad anónima*) in accordance with Mexican legislation, on February 6, 2008. As a banking institution, the Issuer is subject to the Mexican Banking Law (*Ley de Instituciones de Crédito*) and other regulations issued (including by the CNBV) thereunder.

GEO MAQUINARIA

GEO Maquinaria, a wholly owned subsidiary of Corporación GEO, is a variable capital corporation (*sociedad anónima de capital variable*) incorporated in accordance with the laws of Mexico on October 7, 2009. Corporación GEO holds approximately 99% of the capital stock of GEO Maquinaria and Consolidado de Nuevos Negocios, S.A. de C.V. holds the remaining stock. The business offices of GEO Maquinaria are located at Margaritas No. 433, Colonia Ex-hacienda Guadalupe Chimalistac, 01050 Mexico, D.F. Its telephone number is (+52-55) 5480-5000.

Notwithstanding GEO Maquinaria's recent incorporation, it benefits from Corporación GEO's 37 years of experience in the machinery business, allowing GEO Maquinaria to develop efficient management, operations and maintenance processes in respect of the machinery it manages.

Purpose of GEO Maquinaria

Since its incorporation, the main purpose of GEO Maquinaria has been to capitalize on the growth of the Mexican housing and infrastructure industry by providing Corporación GEO specialized equipment and machinery used in the housing construction industry. Over the last 37 years, Corporación GEO has developed significant innovations and efficiencies in connection with the operation, management, selection and maintenance of heavy construction equipment and machinery used to develop residential housing. GEO Maquinaria aims to utilize such knowledge and experience in connection with the transaction described herein.

In connection with the transactions contemplated by the Transaction Documents, GEO Maquinaria: (a) established the Trust under the Trust Agreement entered into between GEO Maquinaria and the Trustee; (b) will enter into the Service Agreement with Corporación GEO and the GEO Subsidiaries prior to the Closing Date; and (c) will execute the Assignment and Transfer Agreement on the Closing Date, pursuant to which the Issuer will acquire (i) all of GEO Maquinaria's rights and obligations under the Service Agreement, (ii) the Machinery, and (iii) the Insurance. See "Description of the Mexican Transaction Documents." Noteholders will not have any rights against GEO Maquinaria or any of its Affiliates. Noteholders will only have rights to instruct the Indenture Trustee to enforce certain direct rights and remedies against the Issuer and only in respect of the Trust Estate. See "Description of the Mexican Transaction Documents." GEO Maquinaria will carry out the transactions contemplated by the Transaction Documents with the purpose of concentrating the ownership and operations of the Machinery within Corporación GEO's corporate structure, and further, make more efficient use of the Machinery on the day-to-day operations.

Annual Reports and Accounts

As of the date of this Offering Memorandum, GEO Maquinaria does not and will not publish annual reports and accounts. The financial statements of Corporación GEO included herein include the financial results of GEO Maquinaria on a consolidated basis.

Employees and Labor Relations

As of the date of this Offering Memorandum, GEO Maquinaria has one (1) employee, its General Director, Mr. Luis Ramón Pradillo Movellan.

Board of Directors

GEO Maquinaria's board of directors is currently comprised of three (3) directors, who are elected or ratified annually at the general shareholders' meeting. The following table sets forth GEO Maquinaria's current board of directors:

<u>Name</u>	<u>Position</u>	<u>Years in the industry</u>	<u>Age</u>
Roberto Orvañanos Conde	Chairman of the Board	12	52
Emilio Cuenca Friederichsen	Director	37	79
Daniel Alejandro Gelové Gómez	Director	17	53

GEO IMPORTEX

GEO Importex is a 99% owned subsidiary of Corporación GEO. It was founded on July 24, 1997, under the laws of Mexico. The business offices of GEO Importex are located at Margaritas No. 433, Colonia Ex-hacienda Guadalupe Chimalistac, 01050 Mexico, D.F. Its telephone number is (+52-55) 5480-5000.

As of December 31, 2010, GEO Importex dedicated 208 of its full-time employees to manage, service and maintain GEO Maquinaria's equipment and machinery. It has not experienced any significant labor disputes or strikes since it was founded in 1997.

Labor relations with the employees of GEO Importex are governed by individual bargaining agreements that are limited to the duration of the project for which the employees have been specifically hired. These agreements typically allow for the work force to be reduced without severance payments as particular tasks are completed. The agreements are subject to periodic review during the course of the project.

GEO Importex was established for the purpose, among other things, of purchasing, servicing and coordinating the heavy construction equipment and machinery used by Corporación GEO in connection with its ordinary business operations. Corporación GEO and GEO Importex have been providing, servicing and operating heavy construction equipment and machinery for the core business of Corporación GEO for 13 years.

In connection with the transactions contemplated by the Transaction Documents, GEO Importex will enter into an Operation, Administration and Maintenance Agreement with the Issuer, pursuant to which GEO Importex agrees to perform certain duties and responsibilities identified therein to manage and satisfy, as applicable, the Issuer's obligations under the Service Agreement, as assigned, including to render operation, administration and maintenance services in respect of the (a) Service Agreement, (b) the Machinery, (c) the Insurance and (d) the Designated Engineer Agreement. See "GEO Importex." See also "Description of the Mexican Transaction Documents—The Operation, Administration and Maintenance Agreement." Noteholders will not have any rights against GEO Importex or any of its Affiliates. Noteholders will only have rights to instruct the Indenture Trustee to enforce certain direct rights and remedies against the Issuer and only in respect of the Trust Estate as described herein under "The Trust Estate." For a detailed description of the obligations of GEO Importex under the Transaction Documents, see "Description of the Mexican Transaction Documents."

THE TRUST ESTATE

The Trust Estate will consist of the following:

1. an initial cash contribution in the amount of Ps.10,000 made by GEO Maquinaria;
2. the Service Agreement, the Machinery, the Insurance and all ancillary documents related thereto transferred to the Issuer pursuant to the Assignment and Transfer Agreement;
3. all rights and obligations of the Issuer under the Transaction Documents and any other agreement, contract, instrument or document entered into by the Issuer;
4. the unapplied proceeds received from the issuance of the Notes and from the sale of the Certificate;
5. Collections and any other amounts received from any person with respect to any of the assets that form the Trust Estate, including with respect to the Services Payment and the Termination Fees;
6. any sums received as the Reacquisition Price, if any;
7. any instrument resulting from the investment of funds maintained by the Trust in Permitted Investments and the related proceeds;
8. any cash amounts and other assets held at any time in Trust Accounts; and
9. any cash amounts and other assets and rights received by the Issuer related to the Trust Agreement.

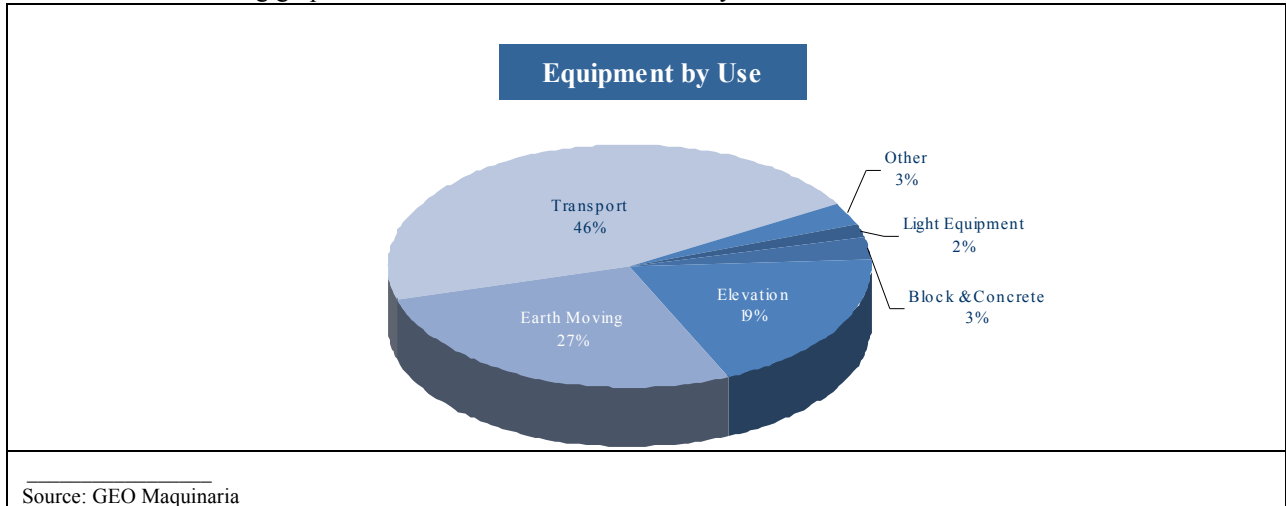
The Noteholders, represented by the Indenture Trustee, will be the first beneficiary of the Trust and the Trust Estate.

Machinery

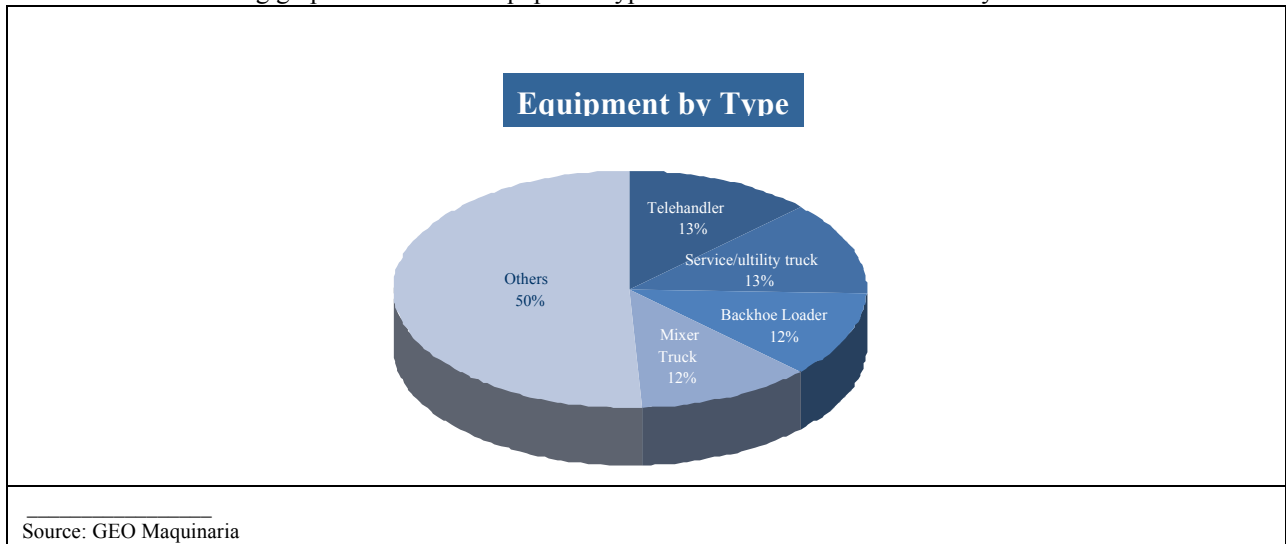
As of the date of this Offering Memorandum, the Machinery consists of approximately 1,003 pieces of heavy construction machinery and equipment, including transportation, grading, paving and cement mixing machinery and equipment, cranes and ancillary construction equipment used by Corporación GEO and the GEO Subsidiaries in connection with their business operations. The Machinery is in suitable operating condition to be used for purposes of rendering Machinery availability services to Corporación GEO and its subsidiaries in the normal course of business in connection with their home construction operations. In addition, it is expected that, within the first year of the Closing Date, 197 pieces of Machinery will be purchased and transferred to the Issuer.

In addition to the current lot of Machinery, Additional and Replacement Machinery may be part of the Trust Estate in the future, as described below. The numerical and statistical information contained in this section refers only to the current lot of Machinery as of December 31, 2010. As of the date of this Offering Memorandum, there has not been a material change in the numerical and statistical information contained in this section. Any changes to such numerical and statistical information are attributable to the use and depreciation of the Machinery in the ordinary course for the purposes for which it was designed and in accordance with standard industry practices. Upon the acquisition of Additional and Replacement Machinery, such information may change.

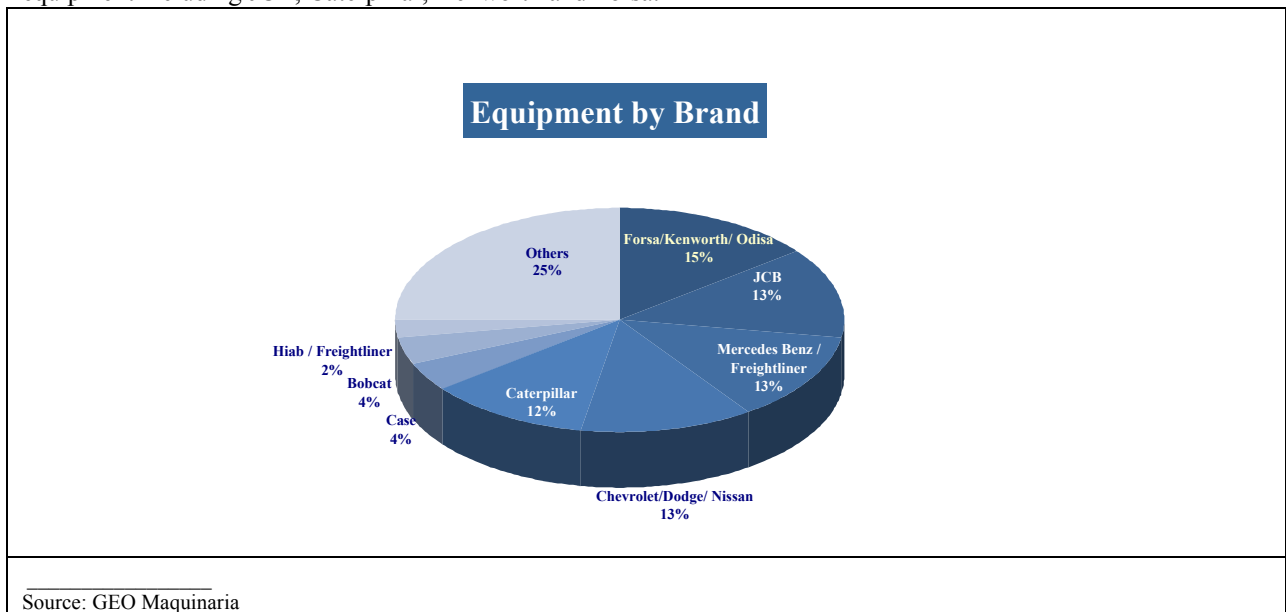
The following graph sets forth the uses for the Machinery.



The following graph sets forth the equipment type concentration of the Machinery.



The Machinery are products of the leading manufacturers of the heavy construction machinery and equipment including JCB, Caterpillar, Kenworth and Forsa.



As of the date of this Offering Memorandum, the Machinery (i) has all material governmental certificates, registrations, licenses, permits and authorizations required by the applicable legislation, regulations and standards, and (ii) is located at the premises of Corporación GEO or one or more of its subsidiaries and, pursuant to the terms of the Service Agreement, will be transported by GEO Importex to construction sites, as needed. See "Description of the Mexican Transaction Documents."

Age of Machinery

Approximately 28.4% of the Machinery was acquired within three and 3.5 years of December 31, 2010. The following table sets forth the acquisition cost of the Machinery by Corporación GEO and its subsidiaries, as applicable, and the appraised value of the Machinery as of December 31, 2010, by months since acquisition of the Machinery.

Distribution of Machinery by Months Since Acquisition as of December 31, 2010

Months	Units	% of Units	Acquisition Cost (U.S.\$)	% of Total Acquisition Cost	Appraised Value (U.S.\$)	% of Total Appraised Value
0 to 6	1	0.1%	20,838	0.0%	19,398	0.0%
7 to 12	8	0.8%	413,059	0.6%	296,877	0.5%
13 to 18	16	1.6%	874,992	1.2%	868,281	1.4%
19 to 24	7	0.7%	255,192	0.3%	294,797	0.5%
25 to 30	30	3.0%	1,916,591	2.6%	1,746,489	2.8%
31 to 36	18	1.8%	1,995,456	2.7%	2,777,042	4.5%
37 to 42	285	28.4%	19,408,207	26.1%	17,821,617	28.8%
43 to 48	61	6.1%	3,347,362	4.5%	3,070,962	5.0%
49 to 54	108	10.8%	10,089,658	13.6%	8,691,575	14.0%
55 to 60	28	2.8%	3,615,370	4.9%	3,620,954	5.9%
61 to 66	69	6.9%	6,547,272	8.8%	6,077,439	9.8%
67 to 72	145	14.5%	10,104,438	13.6%	7,705,104	12.4%
73 to 78	54	5.4%	3,620,874	4.9%	2,684,152	4.3%
79 to 84	33	3.3%	2,097,646	2.8%	1,657,148	2.7%
85 plus	140	14.0%	10,129,382	13.6%	4,559,796	7.4%
Total	1,003	100.0%	\$74,436,338	100.0%	\$61,891,632	100.0%

Source: GEO Maquinaria

Original Useful Life

Since its acquisition, the Machinery has been used, and will continue to be used, for the purposes for which it was designed and in accordance with standard industry practices.

The following table sets forth the original useful life of the Machinery in months at its acquisition by Corporación GEO and its subsidiaries.

Original Useful Life of Machinery at Acquisition

Months	Units	% of Units	Acquisition Cost (U.S.\$)	% of Total Acquisition Cost	Appraised Value (U.S.\$)	% of Total Appraised Value
0 to 12	0	0.0%	0	0.0%	0	0.0%
13 to 24	0	0.0%	0	0.0%	0	0.0%
25 to 36	0	0.0%	0	0.0%	0	0.0%
37 to 48	10	1.0%	95,463	0.1%	76,739	0.1%
49 to 60	0	0.0%	0	0.0%	0	0.0%
61 to 72	5	0.5%	274,824	0.4%	238,928	0.4%
73 to 84	0	0.0%	0	0.0%	0	0.0%
85 to 96	274	27.3%	5,566,991	7.5%	4,276,592	6.9%
97 to 108	0	0.0%	0	0.0%	0	0.0%
109 to 120	174	17.3%	14,290,455	19.2%	12,116,230	19.6%
121 to 132	0	0.0%	0	0.0%	0	0.0%
133 to 144	142	14.2%	12,999,884	17.5%	10,160,441	16.4%
145 to 156	0	0.0%	0	0.0%	0	0.0%
157 to 168	268	26.7%	19,115,480	25.7%	14,666,673	23.7%
169 plus	130	13.0%	22,093,240	29.7%	20,356,027	32.9%
Total	1,003	100.0%	\$74,436,338	100.0%	\$61,891,632	100.0%

Source: GEO Maquinaria

Estimated Remaining Useful Life

The following table sets forth the estimated remaining useful life of the Machinery as of December 31, 2010, the original acquisition costs by Corporación GEO and its subsidiaries, as applicable, and the appraised value of the Machinery as of December 31, 2010.

Estimated Remaining Useful Life of Machinery as of December 31, 2010

Months	Units	% of Units	Acquisition Cost (U.S.\$)	% of Total Acquisition Cost	Appraised Value (U.S.\$)	% of Total Appraised Value
0 to 12	86	8.6%	\$3,963,647	5.3%	\$852,244	1.4%
13 to 24	58	5.8%	1,778,002	2.4%	865,340	1.4%
25 to 36	75	7.5%	3,215,213	4.3%	1,998,804	3.2%
37 to 48	65	6.5%	3,941,045	5.3%	2,999,236	4.8%
49 to 60	120	12.0%	6,645,635	8.9%	5,452,584	8.8%
61 to 72	88	8.8%	7,389,988	9.9%	6,239,145	10.1%
73 to 84	53	5.3%	4,319,029	5.8%	3,638,418	5.9%
85 to 96	108	10.8%	8,626,282	11.6%	6,710,649	10.8%
97 to 108	71	7.1%	5,975,266	8.0%	4,886,114	7.9%
109 to 120	90	9.0%	7,543,394	10.1%	6,878,473	11.1%
121 to 132	118	11.8%	8,850,994	11.9%	8,202,280	13.3%
133 to 144	55	5.5%	4,983,243	6.7%	4,673,768	7.6%
145 to 156	12	1.2%	1,281,145	1.7%	1,247,564	2.0%
157 to 168	0	0.0%	0	0.0%	0	0.0%
169 plus	4	0.4%	5,923,455	8.0%	7,247,014	11.7%
Total	1,003	100.0%	\$74,436,338	100.0%	\$61,891,632	100.0%

Source: GEO Maquinaria

Appraised Value of Machinery

As of December 31, 2010, the Machinery has been appraised in accordance with procedures approved by the CNBV at a Commercial Value of approximately U.S.\$61,891,632 by Ingenial, S.A. de C.V., an independent appraiser. As used herein, the term "Commercial Value" means the value that such Machinery would have at a moment of a sale between a knowledgeable buyer and seller without any advantages or pressures to either of them. The estimate of the Commercial Value of the Machinery as of December 31, 2010, included herein is for informational purposes only and should not be considered as a guaranteed value amount with respect to any resale or

disposition of the Machinery. Actual prices achieved for resale of the Machinery may vary from such estimate. Resale prices for the Machinery may be influenced by a variety of factors, most of which are outside the control of Corporación GEO, GEO Maquinaria or GEO Importex, including the aggregate level of demand for assets such as the Machinery, in the Mexican housing industry (or other industries in which the Machinery may be useful), the composition and remaining useful life of the Machinery that form part of the Trust Estate at the time of liquidation of the Machinery, and the fact that resale of a large pool of Machinery in a short period of time may result in lower prices than would be obtained in the ordinary disposition of similar equipment and machinery in other settings. See "Risk Factors—Risks Relating to the Trust Estate—A reduction in the resale value of the Machinery may adversely affect the Noteholders."

The following table sets forth the estimated appraised value of the Machinery by equipment type as of December 31, 2010.

Estimated Appraised Value of Machinery as of December 31, 2010

Type	Units	% of Units	Acquisition Cost (U.S.\$)	% of Total Acquisition Cost	Appraised Value (U.S.\$)	% of Total Appraised Value
Air compressor	1	0.1%	\$35,220	0.0%	\$33,129	0.1%
Automatic stirrup bender	1	0.1%	7,759	0.0%	5,128	0.0%
Backhoe loader	116	11.6%	6,318,727	8.5%	5,438,666	8.8%
Batching plant	25	2.5%	2,410,973	3.2%	2,727,307	3.7%
Bender-cropper combined	6	0.6%	63,942	0.1%	43,759	0.1%
Block machine	4	0.4%	5,923,455	8.0%	7,247,014	11.7%
Concrete pump truck	19	1.9%	5,210,010	7.0%	3,868,684	6.3%
Construction elevator	2	0.2%	135,265	0.2%	89,985	0.1%
Dolly	5	0.5%	69,007	0.1%	50,937	0.1%
Dump truck	28	2.8%	1,423,590	1.9%	1,208,262	2.0%
Electric cropper	6	0.6%	132,477	0.2%	111,084	0.2%
Excavator	8	0.8%	1,125,957	1.5%	975,805	1.6%
Farm tractor	51	5.1%	885,951	1.2%	672,458	1.1%
Flat	11	1.1%	207,371	0.3%	186,298	0.3%
Flatbed truck	36	3.6%	1,883,861	2.5%	1,260,929	2.0%
Forklift	53	5.3%	2,069,029	2.8%	1,722,845	2.8%
Golf cart	10	1.0%	95,463	0.1%	76,739	0.1%
Hydraulic crane	3	0.3%	582,954	0.8%	142,336	0.2%
Hydraulic hammer	3	0.3%	26,609	0.0%	29,810	0.0%
Minibus	3	0.3%	146,065	0.2%	134,745	0.2%
Mixer truck	121	12.1%	11,941,923	16.0%	10,128,760	16.4%
Motor grader	28	2.8%	4,181,430	5.6%	3,585,802	5.8%
Office trailer	5	0.5%	92,705	0.1%	79,170	0.1%
Passenger bus	7	0.7%	481,988	0.6%	526,771	0.9%
Power plant	21	2.1%	435,551	0.6%	269,172	0.4%
Scraper	4	0.4%	2,628,916	3.5%	2,238,905	3.6%
Screening plant	2	0.2%	15,351	0.0%	13,379	0.0%
Service/utility truck	129	12.9%	1,839,531	2.5%	1,327,345	2.1%
Skid steer loader	23	2.3%	659,137	0.9%	542,908	0.9%
Slipform paver	1	0.1%	137,930	0.2%	84,401	0.1%
Smooth drum	19	1.9%	1,446,532	1.9%	933,903	1.5%
Steam generator	1	0.1%	55,572	0.1%	48,483	0.1%
Sweeper	5	0.5%	274,824	0.4%	238,928	0.4%
Telehandler	128	12.8%	12,033,268	16.2%	8,670,100	14.0%
Tower crane	6	0.6%	847,664	1.1%	508,090	0.8%
Track-type tractor	2	0.2%	683,282	0.9%	582,079	0.9%
Trailer	1	0.1%	25,541	0.0%	20,586	0.0%
Truck	7	0.7%	593,022	0.8%	512,465	0.8%
Truck crane	27	2.7%	2,533,504	3.4%	2,067,783	3.3%
Truck scale	3	0.3%	66,261	0.1%	62,118	0.1%
Walk-tow behind compactor	3	0.3%	34,440	0.0%	27,465	0.0%
Water truck	51	5.1%	2,774,456	3.7%	2,310,452	3.7%
Wheel excavator	1	0.1%	104,348	0.1%	15,000	0.0%
Wheel loader	17	1.7%	1,795,476	2.4%	1,526,750	2.2%
Total	1,003	100.0%	\$74,436,338	100.0%	\$61,891,632	100.0%

Source: Appraisal by Ingenial S.A. de C.V.

Statistics Relating to Defects, Losses and Recoveries of the Machinery

The following table sets forth the losses and recoveries of the Machinery for 2008, 2009 and 2010.

Losses and Recoveries by Year

Year	Type	Insured Amount (U.S.\$)	Recovered Amount (U.S.\$)	Number of Incidents	Recovered Incidents	% Recovered	Estimated Commercial Value (U.S.\$)
2008	Theft	\$141,633	\$141,633	13	13	100%	\$138,000
	Fire	19,303	19,303	2	2	100%	20,000
	Collision	11,736	11,736	1	1	100%	12,000
2009	Theft	210,819	210,819	20	20	100%	198,000
	Fire	—	—	0	0		
	Collision	19,751	19,751	2	2	100%	20,000
2010	Theft	83,609	78,994	3	2	94%	82,000
	Fire	—	—	0	0		
	Collision	—	—	0	0		

Source: Murguía Consultores and GEO Maquinaria

In addition to the losses described above, manufacturer defects, to a lesser extent, affect the Machinery. For the years 2008, 2009 and 2010, manufacturer defects have resulted in a loss or damage to less than 1% of the Machinery.

Additional and Replacement Machinery

Pursuant to the terms of the Operation, Administration and Maintenance Agreement, the Issuer retains GEO Importex to render the services required to be provided by the Issuer under the Service Agreement. GEO Maquinaria, together with the participation of GEO Importex and the Designated Engineer, may purchase machinery that is not initially identified in the Assignment and Transfer Agreement (because such machinery had not been purchased by GEO Maquinaria at such time) either in addition to, or in substitution for, such initial Machinery (such additional Machinery, the "Additional and Replacement Machinery"). Such Additional and Replacement Machinery will be acquired as may be necessary to provide the services under the terms of the Annual Utilization Program. The acquisition of such Additional and Replacement Machinery will need to be approved by the Designated Engineer, pursuant to the terms of the Designated Engineer Agreement which requires that the Designated Engineer analyze the availability of such Additional and Replacement Machinery and whether the respective cost could be paid with amounts available in the Capital Expenses Account of the Trust. Pursuant to the terms of the Trust Agreement, shortly after the acquisition of such Additional and Replacement Machinery, GEO Maquinaria will transfer the title to such Additional and Replacement Machinery to the Issuer and such Additional and Replacement Machinery will be deemed to be part of the Trust Estate. See "Risk Factors—Risks Relating to the Trust Estate—There is no obligation under the Transaction Documents to maintain a designated appraised value of the Machinery as of the Closing Date during the life of the Notes."

Replacement of Machinery may be necessary to replace any Machinery that has been affected by normal wear and tear or subject to total loss that makes it completely useless for performing the work for which it was designed or if it is stolen.

The Trust Estate does not include: (i) Depreciated Machinery, which is currently owned by Corporación GEO, due to the fact that such machinery is expected to be sold within one year after the Closing Date; and (ii) Leased Machinery, which are currently leased from third parties pursuant to short term agreements in order to satisfy short-term needs of Corporación GEO's business. As of the date of this Offering Memorandum, there are approximately 400 pieces of Leased Machinery and 174 pieces of Depreciated Machinery. Within the first year after the Closing Date, the Depreciated Machinery will be sold. The Depreciated Machinery and the Leased Machinery is generally of the same type as the Machinery.

Insurance

As of the date hereof, GEO Maquinaria maintains insurance policies that cover the Machinery against, among other things, damage, loss, theft, and third-party liability. The first of such insurance policies covers the Machinery against, among other things, loss or damage caused by (a) fire; (b) certain explosions; (c) natural events, including, but not limited to floods, earthquakes, hurricanes, windstorms, tornados, landslides and avalanches; (d)

collisions; (e) transportation damage; and (f) theft, for 100% of its reported value, without exceeding the individual appraised value of each piece of Machinery, up to an aggregate amount of Ps.719,179,150 and limited to Ps.70,000,000 per event (the "Machinery Loss Policy"). In addition, the Machinery Loss Policy also covers the Machinery against damage or material losses caused directly by strikers or by individuals taking part in work stoppages, work disturbances or uprisings. The Machinery Loss Policy is subject to a deductible in an amount equal to 10% of the replacement value of the applicable Machinery, provided, that the minimum amount of such deductible must be at least approximately Ps.32,000.00.

In addition, the Machinery is covered by a general third-party liability insurance policy that covers against damage and losses arising from activities which cause personal injury or property damage to third persons, up to an aggregate amount of Ps.25,000,000 (the "Machinery Liability Policy"). The Machinery Liability Policy is subject to a deductible in an amount equal to 10% of the contract claim, provided, that, the minimum amount of such deductible will be at least equal to the aggregate amount of the daily minimum wage in force in Mexico City at the time of the accident for 200 calendar days (approximately U.S.\$930). The Machinery Liability Policy also covers payment of legal costs to the general conditions of the policy up to an amount equal to 50% of the insured sum.

The Insurance will include the Machinery Liability Policy, the Machinery Loss Policy and such other insurance policies covering the Machinery as may be in effect from time to time pursuant to the terms of the Transaction Documents. The Insurance policies name GEO Maquinaria as loss payee. The terms and coverage of the Insurance are consistent with standard practices in the housing construction industry. GEO Maquinaria shall ensure that the Insurance currently maintained is valid and enforceable for the duration of the Service Agreement. Pursuant to the Assignment Agreement and, subject to the terms of the Service Agreement and the Trust Agreement, GEO Maquinaria will transfer its rights to proceeds under the Insurance to the Trust.

The Insurance has been issued by either Chubb de México, Compañía de Seguros, S.A. de C.V. or Grupo Nacional Provincial, S.A.B. ("GNP"), brokered through Murguía Consultores and its subsidiaries which, to the knowledge of GEO Maquinaria and Corporación GEO, meet the requirements of all applicable Mexican regulations. The Insurance policies constitute under their terms a valid and enforceable obligation of each insurance carrier, and there are no circumstances that may lead to early termination or revocation of such Insurance policies. As of the date of this Offering Memorandum, neither the Issuer, GEO Maquinaria nor Corporación GEO is aware of any of the insurance carriers, as insurance provider, being in a state of insolvency, bankruptcy, dissolution or receivership, or that proceedings have commenced or shall be commenced to declare any such insurance company insolvent, bankrupt, dissolved or in receivership.

All of the Insurance is governed by Mexican law.

EXPECTED SOURCES AND USES OF CASH FLOW

The following table sets forth a model of sources and uses of cash flow relating to the Trust Estate (such table, the "Model"), pursuant to the terms of the Transaction Documents. As with any such illustrative model, it is subject to each of the assumptions and considerations described below. The Issuer and GEO Maquinaria are not providing this information as a prediction, forecast or projection of future performance of the Trust Estate or any of the items described in the Model. ***The Model is neither a historical description of operational performance nor a prediction of anticipated operational performance. Actual performance is likely to differ, perhaps materially, from this Model due to uncertainties inherent in the assumptions set out below.***

Projected Trust Cash Sources and Uses^(a)										
As of the end of each annual period after closing	1	2	3	4	5	6	7	8	9	10
(All amounts in USD Million unless otherwise noted)										
Sources^(b)										
Quarterly Payment ^(c)	\$38.2	\$41.4	\$44.9	\$48.7	\$52.9	\$57.4	\$62.3	\$68.5	\$75.3	\$82.9
Releases from Reserve Account ^(d)	-	-	-	-	-	-	-	-	-	-
Total sources (inflows).....	<u>38.2</u>	<u>41.4</u>	<u>44.9</u>	<u>48.7</u>	<u>52.9</u>	<u>57.4</u>	<u>62.3</u>	<u>68.5</u>	<u>75.3</u>	<u>82.9</u>
Uses										
Maintenance Expenses ^(e)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Note interest ^(f)	15.1	14.8	14.6	14.1	13.4	12.3	10.9	8.8	5.9	2.4
Note principal ^(f)	2.4	2.4	3.6	6.4	10.0	13.6	18.4	27.6	34.8	40.8
Servicing Fee ^(g)	16.9	17.5	18.1	18.7	19.4	20.1	20.8	29.0	30.0	31.1
Deposits to Capital Expenses Account ^(h)	-	5.8	6.3	6.8	7.4	8.0	8.7	-	-	-
Reserve Account Shortfall ⁽ⁱ⁾	-	-	-	-	-	-	-	-	-	-
Net deposits to Reserve Account ^(d)	3.6	0.7	2.2	2.5	2.5	3.2	3.3	2.9	4.4	8.3
Total uses (outflows)	<u>38.2</u>	<u>41.4</u>	<u>44.9</u>	<u>48.7</u>	<u>52.9</u>	<u>57.4</u>	<u>62.3</u>	<u>68.5</u>	<u>75.3</u>	<u>82.9</u>
Expected value of Machinery at the end of each year ^(j)	71.8	71.2	68.9	63.9	61.5	62.5	64.2	65.3	61.2	55.5

Source: GEO Maquinaria

- (a) All amounts herein are subject to change upon Note pricing in the case of the Quarterly Payment and the Note payments, and thereafter in any event especially in the case of all other items. Actual proceeds and interest rates vary from those used at the time of preparation of this Model and offering of the Notes. For a description of principal component and interest rate assumptions, see note (f) below. For purposes of the Model, all calculations assume that the U.S. consumer price index inflator does not exceed 3.5%.
- (b) Sources of cash in the Model assumes that no Termination Fees are paid or any Insurance Proceeds or Machinery Sale Proceeds are received.
- (c) The Quarterly Payment is projected to start at a base rate of U.S.\$38,132,000 per annum and then increase 8.5% annually at the end of years one through seven, and 10% annually thereafter for the duration of the Service Agreement, under the terms of the Service Agreement. The Quarterly Payment is also subject to further increases for any excess of the annual U.S. consumer price index inflator over 3.5%, in accordance with the Service Agreement. It may also be subject to decreases if the services provided are below the Minimum Hours Required. For a description on the payment of a proportional amount over the Quarterly Payment see "Summary of Terms – Principal Transaction Documents – Quarterly Payment".
- (d) The Reserve Account activity herein is shown netting an equal amount of deposits and withdrawals. Reserve Account deposits and withdrawals are described below. For a description of how the Reserve Account may be funded and how amounts maintained therein may be used, see "Summary of Terms—Allocation of Receipts and Payments—Reserve Account."
- (e) Maintenance Expenses include such items as are described in "Summary of Terms—Allocation of Receipts and Payments—Payment Account." These Maintenance Expenses are not capped for Waterfall, allocation, and application purposes and could materially exceed the amounts shown herein. Indemnities payable to the Trustee and the Indenture Trustee are paid in a senior position to Maintenance Expenses up to certain amounts and are paid in a subordinated basis to replenish the Reserve Account as to all other amounts. See "Summary of Terms – Principal Transaction Documents – Payment Account". They are assumed for purposes of the Model to be zero.
- (f) Note amortization assuming a non-linear principal amortization schedule that results in the following cumulative scheduled principal amortization as of the end of each year noted:

Annual period	Cumulative principal amortized
1	1.50%
2	3.00%
3	5.25%
4	9.25%
5	15.50%
6	24.00%
7	35.50%
8	52.75%
9	74.50%
10	100.00%

This table was calculated over an interest rate 9% plus withholding tax, and the issuance of the principal amount of U.S.\$160,000,000. Note interest expense may materially deviate from the assumptions used herein, depending on the actual Note interest rate determined at pricing.

- (g) The operation, administration and maintenance expenses are paid from the Servicing Fee. Such estimated expenses are expected to be payable with the Peso Portion of the Quarterly Payment. Allowance for the Servicing Fee is based on historical analysis of actual expenses by Corporación GEO. Actual expenses with respect to the Machinery for purposes of the calculation of the Servicing Fee are primarily based on an estimate of (i) wages of operators, (ii) fuel, (iii) maintenance, (iv) insurance and (v) administration expenses in order to manage the Machinery.

Wages of operators include salaries and related taxes. The estimate of wages for year one of the Model is based on 190 hours of use per item of Machinery per month (without counting certain Machinery that do not require a person to function).

The estimate of fuel expenses for year one of the Model is based on 190 hours of use per item of Machinery per month and a price of pesos 8.90 per liter for diesel and pesos 8.75 per liter for regular fuel. The fuel consumption amount assumed per item of Machinery was calculated using one or more of the following criteria: (i) Geo's historical experience in fuel consumption on an hourly usage basis for the Machinery; (ii) the average fuel consumption estimate stated by the manufacturer and provided in the user's operation manuals of machinery of similar characteristics; or (iii) other available market information.

Maintenance expenses include general major and minor repairs, preventive care and replacement parts. The estimate of maintenance expenses includes taxes. The estimate of maintenance expenses for year one of the Model is based on, for a group comprising the majority of Machinery, four maintenance procedures of 250 hours per year per item of Machinery, three maintenance procedures of 500 hours per year per item of Machinery and one maintenance procedure of 1,500 hours per year per item of Machinery; and, for a group comprising the rest of Machinery not included in the first group, a fixed amount of estimated maintenance expenses per year per item of Machinery. The foregoing groups are determined by the recommendations of the manufacturer stated in the user's maintenance manuals. For instance, certain items of Machinery do not require programmed preventive care, which only require exchange of spare parts.

The estimate of the cost of insurance policies of the Machinery is based on the quotation delivered by Murguía Consultores for the insurance policies in effect from April 2011 to March 2012. Such quotation is based on the value of the Machinery and on the insurance loss ratio for the preceding year. For the following years, the cost of the insurance is reviewed on a yearly basis and its calculation is based on the aforementioned quotation and increased by yearly inflation and insurance loss ratio.

Administration expenses include the administrative, personnel, travel and storage expenses incurred in connection with the management of the Machinery. Such expenses include certain fixed costs and are budgeted for annually.

In the first year of the Service Agreement these expenses are capped at 44.29% of the Quarterly Payment, and are thereafter adjusted by 3.5% per annum pursuant to the Service Agreement and the Operation, Administration and Maintenance Agreement. Only at the beginning of year eight the Servicing Fee increases by 39.73% with respect to the previous quarter. Operation expenses in excess of this contractual allowance, if any, will be for the account of GEO Importex under the Operation and Maintenance Agreement.

- (h) The Capital Expenses Account functions as a fixed allowance for Additional and Replacement Machinery purchases. Calculations assume a lineal increase in capital expenses of 14% from year one to year seven. The Capital Expenses Account will not be funded between years eight to ten. The funding and uses of the Capital Expenses Account are described in the section entitled "Summary of Terms—Allocation of Receipts and Payments—Capital Expenses Account" of this Offering Memorandum. Allowance for capital expenses is based on historical analysis of actual expenses by GEO Importex. Any capital expenditures, for Additional and Replacement Machinery, will not be greater at any point than the amounts available in the Capital Expenses Account.

It is expected that within one (1) year after the Closing Date the Depreciated Machinery will be sold and 197 pieces of Machinery will be purchased and transferred to the Issuer. The cash to be used to pay the purchase price of those 197 pieces of Machinery will come from the U.S.\$16,000,000 deposited in the Capital Expense Account (See "Use of Proceeds").

- (i) On the Closing Date, the Reserve Account will be funded with U.S.\$20,000,000. Thereafter the Reserve Account must be equal to such amount. Funding and use of the Reserve Account is described in the section entitled "Summary of Terms—Allocation of Receipts and Payments—Reserve Account" of this Offering Memorandum.
- (j) The expected value of Machinery at the end of each year is determined by calculating the depreciation rate of the Machinery as well as the expected replacement rate of the Machinery. The depreciation rate is determined by calculating: (i) the remaining useful life of the Machinery; and (ii) the actual market value of machinery in similar condition (based on years of use, model, brand and capacity). Such depreciation rate is then applied to the current value of the Machinery. For the end of the first year of the Model, it is expected that the Trust Estate will be formed by 1,003 pieces of Machinery transferred prior to Closing Date and 197 pieces of Machinery purchased within the first year after the Closing Date (See "The Trust Estate").

The following table sets forth the historical maintenance, CAPEX and operating expenses by type relating to the Machinery, Leased Machinery and Depreciated Machinery for the year ended December 31, 2010.

Machinery Expenses in 2010

	2010
(All amounts in USD Million unless otherwise noted)	
Operation	\$5.5
Fuel	\$7.8
Maintenance Expenses.....	\$2.0
Insurance.....	\$0.3
Administration expenses.....	\$2.0
Total expenses.....	\$17.6
Capex	\$5.69

Source: GEO Maquinaria

DESCRIPTION OF THE NOTES AND THE INDENTURE

The following summary of certain provisions of the Notes and the Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the applicable Transaction Documents. The Noteholders will be entitled to the benefits of, be bound by, and be deemed to have notice of all of the provisions of the Transaction Documents. Copies of the Transaction Documents will be on file with the Indenture Trustee.

The Notes offered hereby and issued pursuant to the Indenture will represent the right of the Noteholders to receive on each Payment Date: (a) interest on such Notes at the Interest Rate; (b) payments of principal on such Notes; (c) any Prepayment Premium (if any) payments due in respect of such Notes; and (d) any Additional Amounts (if any) due in respect of the Notes.

Payment

The payment of principal, interest and Prepayment Premium (if any) on the Notes and Additional Amounts (if any) will be made on each Payment Date in accordance with the payment priorities set forth in the Trust Agreement. See "Summary of Terms—The Offering."

Limitations on Recourse

The Notes and the Issuer's other obligations under the Transaction Documents shall be limited recourse obligations of the Issuer, with recourse being limited to the Trust Estate. The Notes and such other obligations shall not be obligations or responsibilities of, or guaranteed by, any other Person. None of the officers, directors, shareholders or agents of the Issuer, the Trustee, Corporación GEO, the GEO Subsidiaries, GEO Maquinaria, GEO Importex, the Indenture Trustee, any of their respective Affiliates or any other Person shall be personally liable to make any payments of principal, interest or any other sum now or hereafter owing under the Notes or such other obligations. The Issuer will have no material assets available for payments on the Notes or such other obligations other than the assets comprising the Trust Estate. After the Trust Estate has been fully realized and exhausted (including all rights against Corporación GEO under the Service Agreement and subsidiaries named therein), all sums due but still unpaid in respect of the Issuer's obligations under the Notes and the other Transaction Documents shall be extinguished, and the Noteholders and the Indenture Trustee shall not have the right to proceed against the Issuer, Corporación GEO, the GEO Subsidiaries, GEO Maquinaria, the Trustee, the Indenture Trustee, any of their respective Affiliates or any of their respective officers, directors, shareholders or agents for the satisfaction of any monetary claim or for any deficiency judgment remaining after foreclosure of any property included in the Trust Estate. See "Risk Factors—Risks Relating to the Notes—Limited Recourse."

Sources of Payment

The Notes will be paid, principally, with the payments owed by Corporación GEO under the Service Agreement and will be backed by and limited to substantially all of the Trust Estate. The Notes do not represent interests in, or obligations of Corporación GEO, the GEO Subsidiaries, GEO Maquinaria, GEO Importex or any other person. See "Description of the Mexican Transaction Documents—The Service Agreement" and "Summary of Terms—The Offering—Trust Estate."

Priority of Payments

See "Summary of Terms—Allocation of Receipts and Payments" for a full description of the determination of Available Amounts, priority of payments and allocation of funds in the Trust Accounts.

The Indenture Trustee Payment Account

The Indenture Trustee will establish the Indenture Trustee Payment Account as a Dollar-denominated segregated account, which is, and shall at all times be, an Eligible Account. This account will be held by and in the name of the Indenture Trustee for the benefit of the Indenture Beneficiaries and over which the Indenture Trustee has exclusive dominion and control and exclusive right of withdrawal. The Indenture Trustee Payment Account shall have four subaccounts: (a) the Interest Subaccount; (b) the Principal Subaccount; (c) the Additional Amounts Subaccount; and (d) the Premium Subaccount. Funds deposited in this account will be used to pay the Noteholders

amounts due and payable by the Issuer with respect to interest, principal, premiums (if any) and Additional Amounts (if any).

Events of Default

Upon the discovery by any party hereto that any Event of Default (or any event that would be an Event of Default with the expiration of any applicable grace period, the delivery of notice or both) has occurred, then such discovering party shall promptly (and, in any event, within two Business Days after its knowledge thereof) notify the other parties hereto in writing thereof. The Indenture Trustee, upon its discovery, or notice by any other party, of an Event of Default (or an event that would be reasonably likely to become an Event of Default with the expiration of any applicable grace period, the delivery of notice or both), shall notify the Noteholders and the Rating Agencies in writing of such event.

In addition, the Indenture Trustee will notify the other parties hereto of the occurrence of any Event of Default of which a Responsible Officer has actual knowledge, and will, at the written direction of the Controlling Party, provide the Issuer with any necessary instructions for the exercise of any rights or remedies available to the Issuer or the Indenture Trustee under the Trust Agreement, including the exercise of any rights or remedies with respect to the Trust Estate. See "Description of the Mexican Transaction Documents—The Trust Agreement" for a description of the Events of Default and available remedies.

Substitution Events

Upon the occurrence of a Substitution Event, the Issuer at the direction of the Indenture Trustee (in accordance with the written direction of the Controlling Party) may elect to remove the Operator and replace the Operator with the Substitute Operator. The removal of the Operator shall terminate all of its rights as Operator and all of the rights and obligations of the Operator shall be transferred expeditiously to the Substitute Operator (other than any indemnification obligations) as provided under the Operation, Administration and Maintenance Agreement. No such transfer shall take effect until the Substitute Operator is able to assume its obligations. See "Description of the Mexican Transaction Documents—The Operation, Administration and Maintenance Agreement" for a description of the Substitution Events and available remedies.

Reports to Noteholders

At any time, the Issuer shall give notice to the Indenture Trustee of any material notices, opinions of counsel, financial statements, officer's certificates or other forms of communication that it receives with respect to the Trust Estate pursuant to the Trust Agreement and other Transaction Documents, including: (a) any Event of Default (or any event that would be an Event of Default with the expiration of any applicable grace period, the delivery of notice or both) that occurs and is discovered by or known to the Issuer; or (b) any Lien upon any of the Trust Estate, other than Liens created under the Transaction Documents and Liens for taxes, assessments and other governmental charges payable by the Issuer and not yet due and payable. The Issuer shall notify the Indenture Trustee and the Operator in writing thereof (i) within such time as set forth in the Trust Agreement or such relevant Transaction Document, or (ii) in the absence of any applicable rule therein, it shall do so within two Business Days after its knowledge thereof.

Within two (2) Business Days of its receipt thereof, the Indenture Trustee shall send to the registered Noteholders, and each beneficial owner thereof who so requests, a copy of the reports and other information received from the Trustee under the Trust Agreement. See "Description of the Mexican Transaction Documents—The Trust Agreement" for a full description of the reports thereof.

Additional Amounts

All payments made by the Issuer under or with respect to the Notes will be made free and clear of and without any deduction or withholding for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the taxing authority of Mexico or of any subdivision thereof or by an authority or agency therein or thereof having power to tax (hereinafter "Taxes"), unless such Taxes are required by any such taxing authority to be withheld or deducted. If the Issuer is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Notes, the Issuer shall pay such Additional Amounts as may be necessary, so that the net amount received by each Noteholder (including Additional Amounts) after such withholding or deduction

will not be less than the amount each Noteholder would have received if such Taxes had not been withheld or deducted.

Notwithstanding the foregoing, no such Additional Amounts shall be payable with respect to:

(a) any Taxes which are imposed on, or deducted or withheld from payments made to the Noteholder or beneficial owner of a Note by reason of the existence of any connection between the Noteholder or beneficial owner of the Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over such Noteholder or beneficial owner, if such Noteholder or beneficial owner is an estate, trust, corporation or partnership) and Mexico (or any political subdivision thereof) (including, without limitation, such Noteholder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein), except for a connection relating to or otherwise arising from the mere ownership, disposition or enforcement of, or receipt of payment under, such Note or the exercise of rights under such Note or the Indenture (personally or through the Indenture Trustee);

(b) any estate, inheritance, gift, sales, stamp, transfer or personal property or other similar Taxes;

(c) any Taxes that are imposed on, or withheld or deducted from, payments made to the Noteholder or beneficial owner of a Note to the extent such Taxes would not have been so imposed, deducted or withheld but for the failure by such Noteholder or beneficial owner of such Note to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Mexico of the Noteholder or beneficial owner of such Note if (i) such compliance is required or imposed by a statute, treaty, regulation, rule or administrative practice that has been made publicly available under general rules published by the Ministry of Finance in order to make any claim for exemption from, or reduction in the rate of, the imposition, withholding or deduction of any Taxes, and (ii) at least sixty (60) calendar days prior to the first payment date with respect to which the Issuer shall apply this clause (c), the Issuer shall have notified all the Noteholders, in writing, that such Noteholder or beneficial owners of the Notes will be required to provide such information or documentation;

(d) Taxes that would not have been imposed but for the presentation by such Noteholder for payment on a date more than thirty (30) calendar days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to such Noteholder, whichever occurs later, except to the extent that such Noteholder would have been entitled to Additional Amounts in respect of such Taxes on presenting such Note for payment on any date during such thirty (30) day period;

(e) to the extent of any Tax imposed by reason of the recipient's past or present status as a non-United States private foundation or other non-United States tax-exempt organization;

(f) any withholding or deduction imposed on a payment to an individual required to be made pursuant to European Council Directive 2003/48/EC (the "Directive") or any law implementing, or introduced in order to conform to, such Directive; or

(g) any combination of (a) through (g) above (the Taxes described in clauses (a) through (f) above, for which no Additional Amounts are payable, are hereinafter referred to as "Excluded Taxes").

Notwithstanding the foregoing, the limitations on the Issuer's obligation to pay Additional Amounts set forth in clause (c) above shall not apply if (i) the provision of information, documentation or other evidence described in such clause (c) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a Noteholder or beneficial owner of a Note (taking into account any relevant differences between U.S. and Mexican law, rules, regulations or administrative practice) than comparable information or other reporting requirements imposed under U.S. tax law, regulation and administrative practice (such as IRS Forms W-8, W-8BEN and W-9) or (ii) unless the provision of the information, documentation or other evidence described in clause (c) is expressly required by statute, regulation or rule, the Issuer cannot obtain such information, documentation or other evidence on its own through reasonable diligence and the Issuer otherwise would not meet the requirements for a reduced Mexican withholding tax rate. In addition, such clause (c) shall not be construed to require that any person, including any non-Mexican pension or retirement fund or a non-Mexican financial institution or any other Noteholder register with the Mexican Ministry of Finance for the purpose of establishing eligibility for an exemption from or reduction of Mexican Withholding Tax or to require that a Noteholder or

beneficial owner certify or provide information concerning whether it is or is not a tax-exempt pension or retirement fund.

In addition, the Issuer or GEO Maquinaria, as provided in the Trust Agreement, will pay any stamp, issue, registration, documentary or other similar taxes and other duties (including interest and penalties) (i) payable in Mexico or the United States (or any political subdivision of either jurisdiction) in respect of the creation, issue and offering of the Notes, and (ii) payable in Mexico (or any political subdivision thereof) in respect of the subsequent redemption or retirement of the Notes (other than in the case of any subsequent redemption or retirement, Excluded Taxes, except for this purpose, the definition of Excluded Taxes will not include those defined in clauses (a), (c), (d) and (e) above).

The Issuer will provide the Indenture Trustee with documentation evidencing the payment of Taxes in respect of which the Issuer has paid any Additional Amounts. Copies of such documentation will be made available to the Noteholders upon request therefor.

Non-Petition

Pursuant to the Indenture, the Indenture Trustee shall not (and each Noteholder by its acceptance of a Note agrees that it shall not), before the date that any applicable preference period under Mexican and U.S. law has expired after the payment in full of all amounts payable with respect to all of the Notes, acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any court or other Governmental Authority for the purpose of commencing or sustaining a case against the Issuer, any bankruptcy, *concurso mercantil*, *quiebra*, insolvency, conservatorship, liquidation or other similar laws or appointing a receiver, liquidator, assignee, the trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of its property, or ordering the winding up or liquidating of the affairs of the Issuer.

The Indenture Trustee

The Bank of New York Mellon will be appointed as the Indenture Trustee (in such capacity, the "Indenture Trustee") under the Indenture, by and among the Issuer, the Indenture Trustee and the Irish Paying Agent dated as of the Closing Date. The Indenture Trustee will be paid an annual fee (the "Indenture Trustee Fee") determined based on separate letter between GEO Maquinaria and the Indenture Trustee. The Indenture Trustee's "Corporate Trust Office" (the "Corporate Trust Office") for Note transfer purposes and for purposes of presentment and surrender of the Notes for the final distributions thereon is 101 Barclay Street, Floor 4 East, New York, New York 10286, Attention: Global Structured Finance, or at such other addresses as the Indenture Trustee may designate from time to time by notice to the Issuer. The Indenture Trustee may resign and be discharged by giving at least thirty (30) days' written notice to GEO Maquinaria, the Issuer and the Noteholders, and such resignation shall take effect upon receipt by the Indenture Trustee of an instrument of acceptance of appointment executed by a successor trustee. The Indenture trustee may be removed as trustee at any time, with or without cause, upon sixty (60) calendar days' prior written notice by the Controlling Party delivered to the Indenture Trustee, GEO Maquinaria and the Issuer, and such removal shall take effect upon receipt by the Indenture Trustee of an instrument of acceptance of appointment executed by a successor the trustee.

Form, Denomination and Transfer of Notes

Notes offered pursuant to this Offering Memorandum will be issued initially in the form of one or more global notes in definitive, fully registered form without interest coupons attached, and will be deposited with The Bank of New York Depository (Nominees) Limited, CEDE & Co. and their successors or their nominees as Common Depository for DTC, Euroclear and Clearstream, as custodian for and registered in the name of the nominee of the Common Depository for the accounts of DTC, Euroclear and Clearstream, duly executed by the Issuer and authenticated by the Indenture Trustee as provided in the Indenture. See "Book-Entry Registration and Transfer of the Notes."

Transfers of interests in the Global Notes are subject to certain additional restrictions. In particular, each transferee of an interest in a Global Note will also be deemed to have made certain additional acknowledgments, representations and warranties. See "Transfer Restrictions."

Amendments

The Issuer and the Indenture Trustee may, from time to time and at any time, without the consent of the Noteholders or any Rating Agency enter into one or more supplemental indentures, or one or more amendments to the Indenture or to the Notes (a) to convey, transfer, assign, mortgage or pledge any property or assets to the Indenture Trustee as additional property for the Noteholders, to add to the covenants of the Issuer for the benefit of the Noteholders or to surrender any right or power herein conferred upon the Issuer, or (b) to cure any ambiguity or to correct or supplement any provision contained in this Indenture that may be defective or inconsistent with any other provision contained therein or in any of the other Transaction Documents.

Subject to certain exceptions, the Issuer and the Indenture Trustee may (with the written consent of the Controlling Party and GEO Maquinaria) enter into one or more written amendments to the Indenture or to the Notes; provided that no such amendment will, without the consent of every Noteholder which could reasonably be expected to be adversely affected thereby:

- (a) reduce in any manner the amount of or alter the priority of, or delay the timing of, any distributions that are required to be made on any Note or any payments under the Transaction Documents, or change any date of payment on, or change the place of payment where, or the coin or currency in which, any Note or any payments under the Transaction Documents are payable, or impair the Indenture Trustee's right to institute suit for the enforcement of any such payments or distributions,
- (b) permit the disposition of the Trust Estate or any portion thereof other than as provided in the Transaction Documents,
- (c) reduce the percentage of the consent of such Notes that is required for any such amendment, or reduce such percentage required for any waiver or instruction provided for in the Indenture,
- (d) modify specified sections of the Indenture relating to amendments,
- (e) materially increase the discretionary authority of the Indenture Trustee,
- (f) change any obligation of the Issuer to maintain an office or agency in the places and for the purposes specified in the Indenture,
- (g) modify the provisions in the Indenture or the Notes relating to waiver of compliance with certain provisions thereof or waiver of certain defaults, or change the quorum requirements for a meeting of Noteholders,
- (h) change the governing law with respect to the Indenture or the Notes, or
- (i) amend the Events of Default in connection with an exchange offer for the Notes (provided that the Noteholders which must consent to an amendment described in this clause shall only include Noteholders that continue to be Noteholders after giving effect to such exchange offer).

If the Indenture Trustee receives a request for a consent to any amendment, modification, waiver or supplement in respect of any Transaction Document which requires the consent of the Noteholders, then the Indenture Trustee shall forthwith send a notice of such proposed amendment, modification, waiver or supplement to each Noteholder that is registered on the register for the registration of the Notes and the transfers thereof as of such date and in accordance with the Indenture and each Rating Agency. The Indenture Trustee shall request from such Noteholders directions as to: (a) whether or not the Indenture Trustee should take or refrain from taking any action that it has the option to take and (b) whether or not to give or execute any waivers, consents, amendments, modifications or supplements that it is entitled to give or execute.

BOOK-ENTRY REGISTRATION AND TRANSFER OF THE NOTES

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them from time to time. The Issuer, GEO Maquinaria, the Indenture Trustee and the Initial Purchaser take no responsibility for these operations and procedures and urge prospective investors to contact the applicable system or its participants directly to discuss these matters.

Global Notes

Notes initially sold in the United States or to U.S. Persons pursuant to Rule 144A under the Securities Act will be represented by one or more Rule 144A Global Notes through DTC, Euroclear and Clearstream.

Notes initially sold outside the United States in accordance with Regulation S under the Securities Act will be initially represented by one or more Temporary Regulation S Global Notes through Euroclear and Clearstream. The Temporary Regulation S Global Notes will be exchangeable for Permanent Regulation S Global Notes after the expiration of the Distribution Compliance Period upon certification that the beneficial interests in such Notes are owned by non-U.S. Persons.

The Regulation S Global Notes and the Rule 144A Global Notes will be deposited with the Common Depositary as depositary for DTC, Euroclear and Clearstream. The Common Depositary will credit the account of its participants with the principal amount of the Rule 144A Global Notes being purchased by or through the participant. Interests in the Regulation S Global Notes and the Rule 144A Global Notes will be shown on, and transfers thereof will be effected only through, book entry records maintained by DTC, Euroclear and Clearstream and its direct and indirect participants.

The Global Notes will be deposited on or about the Closing Date with a common depositary and registered in the name of the nominee of the common depositary for the accounts of DTC, Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Notes ("Rule 144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes ("Regulation S Book-Entry Interests," and together with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream or persons that may hold interests through such participants. DTC, Euroclear and Clearstream, will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, "holders" of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

In addition, the Global Notes will contain provisions which modify the terms and conditions of the Notes as they apply to Notes evidenced by the Global Notes. The following is a summary of certain of those provisions.

Notices. So long as all the Notes are represented by the Global Notes and the Global Notes are held on behalf of DTC, Euroclear and Clearstream, notices to the holders of such Notes may be given by delivery of the relevant notice to the relevant clearing system.

The Indenture Trustee. In considering the interests of Noteholders the Indenture Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to such information as may have been made available to it by or on behalf of DTC, Euroclear and Clearstream or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of Notes and (b) consider such interests on the basis that such accountholders were the holders of the Notes.

Liability. Neither GEO Maquinaria nor the Issuer will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

DTC

DTC is a limited-purpose trust company organized under the New York Banking Law; a "banking organization" under the New York Banking Law; a member of the Federal Reserve System; a "clearing corporation" under the New York Uniform Commercial Code; and a "clearing agency" registered under Section 17A of the U.S. Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between its participants. It does this through electronic book-entry settlement in the accounts of its direct participants, eliminating the need for physical movement of securities certificates. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc.

DTC can act only on behalf of its direct participants, who in turn act on behalf of indirect participants and certain banks. In addition, unless a global security is exchanged in whole or in part for a definitive security, it may not be physically transferred, except as a whole among DTC, its nominees and their successors. Therefore, your ability to pledge a beneficial interest in the global security to persons that do not participate in the DTC system, and to take other actions, may be limited because you will not possess a physical certificate that represents your interest.

Euroclear

Euroclear was created as a cooperative in 1968 to hold securities for Euroclear Participants, as defined below, and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of securities and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. All operations are conducted by the Euroclear Bank, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Bank, not the cooperative. The cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchaser ("Euroclear Participants"). Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with Euroclear participants, either directly or indirectly. Euroclear is located at 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.

Securities clearance accounts and cash accounts with Euroclear Bank are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Euroclear Terms and Conditions"). The Euroclear Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payment with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear Bank acts under the Euroclear Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

The ability of an owner of a beneficial interest in the Regulation S Notes to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive note for such interest because Euroclear can act only on behalf of Euroclear participants, who in turn act on behalf of indirect Euroclear participants and certain banks.

Distributions with respect to the Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Bank and by Euroclear.

Clearstream

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for Clearstream Participants, as defined below, and facilitates the clearance and settlement of securities

transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of securities. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the Initial Purchaser ("Clearstream Participants"). Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly. Clearstream is located at 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg.

The ability of an owner of a beneficial interest in the Regulation S Notes to pledge such interest to persons or entities that do not participate in the Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive note for such interest because Clearstream can act only on behalf of Clearstream Participants, who in turn act on behalf of indirect Clearstream Participants and certain banks.

Distributions with respect to the Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by Clearstream.

Definitive Notes

All Notes will be delivered in the form of the applicable Global Note. If: (a) DTC and/or Euroclear and/or Clearstream, as applicable in each case, notifies the Indenture Trustee in writing that it is unwilling or is unable to continue as the depository for a Global Note, or that it ceases to be a "clearing agency" registered under the Exchange Act, and (b) the Issuer is unable to locate a qualified successor depository within ninety (90) calendar days of such notice, then the Indenture Trustee shall notify DTC and/or Euroclear and/or Clearstream, as applicable in each case, to notify all applicable Note Owners as applicable, through DTC's applicable participants (as indicated by DTC) or, through Euroclear and/or Clearstream's applicable participants (as indicated by Euroclear and/or Clearstream, as applicable in each case), of the occurrence of any such event and of the availability of Definitive Notes to such Note Owners. Upon the giving of such notice and the surrender of such Global Notes by DTC and/or Euroclear and/or Clearstream, as applicable in each case, accompanied by registration instructions, the Issuer shall issue Definitive Notes (which shall be in definitive, fully registered, non global form without interest coupons) for the applicable Notes. Upon issuance of Definitive Notes, the Indenture Trustee shall perform the customary functions of a note registrar, to the extent applicable with respect to such Definitive Notes, and the Indenture Trustee shall recognize the holders of the Definitive Notes as Noteholders hereunder. If Definitive Notes are to be issued, then the Issuer shall promptly make available to the Indenture Trustee a reasonable supply of Definitive Notes. Unless counsel to the Issuer and the Indenture Trustee determines otherwise in accordance with Applicable Law and the procedures set forth in the Indenture, any such Definitive Notes shall bear the appropriate no-transfer legend.

In all cases, definitive Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names and issued in any approved denominations requested by DTC, Euroclear and Clearstream (or the last depository if not DTC and/or Euroclear and/or Clearstream). In the case of the issuance of Definitive Notes, the holder of a Definitive Note may transfer such Note by surrendering it to the Indenture Trustee. In the event of a partial transfer of a holding of Notes represented by one Definitive Note, a Definitive Note will be issued to the transferee in respect of the part transferred and a new Definitive Note in respect of the balance of the holding not transferred will be issued to the transferor or holder, as applicable; provided that no Definitive Note in a denomination less than \$200,000 will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Notes.

The Issuer will not be required to register the transfer or exchange of Definitive Notes during the period starting on, and including the Record Date and ending on and including the related Payment Date prior to (a) any Payment Date or (b) any date fixed for redemption of the Notes. In the event of the transfer of any Definitive Note, the Indenture Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. The Issuer may require a holder to pay any taxes and fees required by law and permitted by the Indenture and the Notes.

Notes represented by Definitive Notes may be transferred and exchanged only after the transferor first delivers to the Indenture Trustee written certification to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "Transfer Restrictions."

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream as applicable. The Issuer has provided the above summary of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchaser is responsible for those operations or procedures.

Lost, Stolen and Mutilated Notes

In case any Note becomes mutilated, defaced, destroyed, lost or stolen, the Issuer will execute and the Indenture Trustee will, upon the specific written direction by the Issuer, authenticate, register and deliver a new definitive Note of like tenor (including the same date of issuance) and like principal balance registered in the same manner, dated the date of its authentication and bearing interest from the date to which interest has been paid on such Note, in exchange and substitution for such Note (upon surrender and cancellation thereof) or in lieu of and in substitution for such Note. In case a Note is destroyed, lost or stolen, the applicant for a substitute Note will furnish the Issuer and the Indenture Trustee: (a) such security or indemnity as may be required by them to save each of them harmless and (b) satisfactory evidence of the destruction, loss or theft of such Note and of the ownership thereof. Upon the issuance of any substituted Note, the Indenture Trustee may require the payment by the registered holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any fees and expenses (including those of the Indenture Trustee) connected therewith.

Payments; Register

The Indenture Trustee will be responsible for (among other things): (a) maintaining a record of the aggregate holdings of Notes represented by the Global Notes and accepting Notes for exchange and registration of transfer, (b) ensuring that payments in respect of the Notes are duly paid to the Noteholders to the extent funds are available therefor and (c) transmitting notices to Noteholders and from Noteholders to the Issuer (in each case as contemplated by the Indenture). The holdings of Book-Entry Interests through DTC, Euroclear and Clearstream will be reflected in the book-entry accounts of each such institution. As necessary, the Indenture Trustee will adjust the amounts of the Global Notes on the register for the account of the Common Depository to reflect the amounts of the Notes held through DTC, Euroclear and Clearstream, respectively.

The Indenture Trustee will keep at its office a register in which, subject to such reasonable regulations as it may prescribe, the Indenture Trustee will provide for the registration of the Notes and registration of transfers and exchanges of the Notes. In the event of a partial transfer of a definitive Note, new Notes will be obtainable at the office of the Indenture Trustee in connection with such transfer. Under certain circumstances described in the Indenture, the Issuer may vary or terminate the appointment of the Indenture Trustee or appoint additional or other such agents. The Issuer will cause notice of any resignation, termination or appointment of the Indenture Trustee, and of any change in the office through which any such agent will act, to be provided to Noteholders.

Euroclear, Clearstream and Clearance Arrangements

So long as Euroclear or Clearstream or their nominee or their common depository is the registered holder of the Global Notes, Euroclear, Clearstream or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Notes for all purposes under the Notes and the other Transaction Documents. Payments of principal, Interest, Additional Amounts (if any) and any other payments in respect of the Global Notes will be made to Euroclear, Clearstream or such nominee, as the case may be, as registered holder thereof. None of the Issuer, the Trustee, The Indenture Trustee, the Initial Purchaser and any affiliate of any of the above or any person by whom any of the above is controlled (as such term is defined in the Securities Act) will have any responsibility or liability for any records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Holders of Book-Entry Interests will receive, to the extent received by Euroclear or Clearstream from the Indenture Trustee, all distributions of principal, Interest, Additional Amounts (if any) and any other payments with respect to the Global Notes credited in the applicable currency, to the cash accounts of Euroclear or Clearstream customers in accordance with the relevant system's rules and procedures.

Initial Settlement

Investors holding beneficial interests in the Notes through DTC, Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Beneficial interests in the Notes will be credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the settlement date against payment for value on the settlement date.

Secondary Market Trading

Transfers between participants in DTC, Euroclear and Clearstream will be done in accordance with DTC, Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such Notes or to pledge such Notes, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of DTC, Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Rule 144A Global Notes will bear a legend to the effect set forth in "Transfer Restrictions." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed in "Transfer Restrictions."

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of Regulation S Book-Entry Interests only upon delivery by the transferor of a written certification to the effect that such transfer is being made in accordance with Regulation S or Rule 144A under the Securities Act or any other exemption (if available under the Securities Act). In connection with transfers involving an exchange of Rule 144A Book-Entry Interests for Regulation S Book-Entry Interests, appropriate adjustments will be made to reflect a decrease in the principal amount of the Rule 144A Global Notes and a corresponding increase in the principal amount of the Regulation S Global Notes.

Regulation S Book-Entry Interests may only be made to a person who takes delivery in the form of Rule 144A Book-Entry Interests only upon delivery by the transferor of a written certification to the effect that such transfer is being made to a person who the transferor reasonably believes is both a QIB and a QP in a transaction meeting the requirements of Rule 144A, or otherwise in accordance with the transfer restrictions described under "Transfer Restrictions" and in accordance with any applicable securities laws of any other jurisdiction. See "Notice to Investors." In connection with transfers involving an exchange of Regulation S Book-Entry Interests for Rule 144A Book-Entry Interests, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Notes and a corresponding increase in the principal amount of the Rule 144A Global Notes.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Notes will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Notes and become a Book-Entry Interest in the other Global Notes, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Notes for as long as it remains such a Book-Entry Interest.

DESCRIPTION OF THE MEXICAN TRANSACTION DOCUMENTS

The following summary of certain provisions of the Trust Agreement, the Service Agreement, the Assignment and Transfer Agreement, the Operation, Administration and Maintenance Agreement and the Designated Engineer Agreement does not purport to be complete and is qualified in its entirety by reference to the provisions of the applicable Transaction Documents. The Noteholders will be entitled to the benefits of, be bound by, and be deemed to have notice of all of the provisions of the Transaction Documents. Copies of the Transaction Documents will be on file with the Indenture Trustee.

The Trust Agreement

On or prior to the Closing Date, GEO Maquinaria, as settlor, and the Issuer, as trustee, will enter into the Trust Agreement and will designate the Noteholders represented by the Indenture Trustee as first beneficiaries and the holder of the Residual Certificate as second beneficiary of the Trust Agreement.

Purpose of the Trust Agreement

The purpose of the Trust Agreement includes the following:

- (a) the Issuer issuing the Notes pursuant to the terms of the Indenture;
- (b) the Issuer issuing the Certificate pursuant to the terms of the Trust Agreement;
- (c) the Issuer using the proceeds obtained from the issuance of the Notes and the sale of the Certificate as provided in this Offering Memorandum. See "Use of Proceeds"; and
- (d) the Issuer using the Trust Estate to pay any amounts owed under the Notes, the Certificate, the Indenture and any other Transaction Document.

In order to fulfill the purpose of the Trust Agreement, the Issuer shall have the authority to:

- (a) acquire the Service Agreement, the Machinery, the Insurance and execute the Operation, Administration and Maintenance Agreement and the Designated Engineer Agreement;
- (b) execute and deliver the Indenture, the Notes, the Certificate and any other Transaction Document necessary for the issuance of the Notes and the Certificate;
- (c) use the proceeds from the issuance of the Notes and the sale of the Certificate as provided in this Offering Memorandum. See "Use of Proceeds";
- (d) manage the Service Agreement, the Machinery, the Insurance, the Designated Engineer Agreement and other related assets through GEO Importex, pursuant to the Operation, Administration and Maintenance Agreement; provided, however, that the Issuer shall maintain the right to directly manage such assets;
- (e) open and manage the Trust Accounts as provided in the Trust Agreement;
- (f) receive, through the Trust Accounts, from Corporación GEO, the GEO Subsidiaries, GEO Importex, the insurance companies underwriting the Insurance or any other Person, as applicable, the Collections, the Insurance Proceeds and the Machinery Sale Proceeds, and exercise, directly or indirectly through GEO Importex, any legal action (including judicial and administrative actions) necessary for such purposes;
- (g) use the Available Amounts as provided in this Offering Memorandum;
- (h) invest any and all amounts part of the Trust Estate in Permitted Investments;
- (i) transfer the Trust Estate to GEO Maquinaria if GEO Maquinaria exercises its right to purchase the Trust Estate;

(j) pursuant to the instructions delivered by the Designated Engineer at the request of GEO Importex under the Designated Engineer Agreement and the Operation, Administration and Maintenance Agreement, release from the Trust Estate such Machinery to be sold in the ordinary course of business and execute any and all contracts, agreements, instruments or documents required for such purposes; provided, however, that in such an event, the Issuer shall transfer such Machinery to GEO Maquinaria for its simultaneous transfer to any third party;

(k) pursuant to the instructions delivered by the Designated Engineer at the request of GEO Importex under the Designated Engineer Agreement and under the Operation, Administration and Maintenance Agreement, or by the Indenture Trustee, release from the Trust Estate such Machinery as is necessary to sell in order to pay any Indemnity Amount, in the event the amounts maintained in the Reserve Account are not sufficient for such purposes, and execute any and all contracts, agreements, instruments or documents required for such purposes; provided, however, that in such event, the Issuer shall transfer such Machinery to GEO Maquinaria for its simultaneous transfer to any third party;

(l) pursuant to the instructions delivered by the Designated Engineer at the request of GEO Importex under the Designated Engineer Agreement and the Operation, Administration and Maintenance Agreement, release from the Capital Expenses Account in favor of GEO Maquinaria such amounts as may be necessary for the purchase of Additional and Replacement Machinery; provided that such Machinery will be contributed to the Trust Estate;

(m) if a Declared Event of the Default occurs and the Issuer is instructed in terms of the Trust Agreement and the Indenture, to proceed as provided under the Trust Agreement and under the Indenture, including in respect of the exercise of available remedies;

(n) upon payment in full of the Notes, dispose of the Trust Estate as instructed by the holder of the Certificate;

(o) maintain all such records as are necessary and adequate for the preparation and delivery to the parties to the Trust Agreement and to the Indenture Trustee of any reports provided under the Trust Agreement and the other Transaction Document;

(p) execute such agreements, contracts instruments or documents as may be necessary or convenient to comply and fulfill the purpose of the Trust Agreement, including without limitation (i) the Indenture, the Notes, the Certificate, the Assignment and Transfer Agreement, the Operation, Administration and Maintenance Agreement, the Designated Engineer Agreement, the Purchase Agreement and those other agreements necessary to open the Trust Accounts, (ii) all other agreements, contracts, instruments or documents specifically referred to in the Trust Agreement and in any other Transaction Document, (iii) those other agreements, contracts, instruments and documents (including service agreements similar to the Service Agreement) requested jointly by GEO Maquinaria and the Indenture Trustee when such documents are not contemplated in the Transaction Documents, as long as they are necessary to fulfill the purpose of the Trust Agreement, and no Event of Default has occurred under the Trust Agreement, in which case, such agreements, contracts, instruments and documents may be requested only by the Indenture Trustee and, upon the full payment of any outstanding amounts under the Notes, such agreements, contracts, instruments and documents may only be requested by the holder of the Certificate, and (iv) any amendments, additions or restatements of such agreements, contracts, instruments and documents, requested jointly by GEO Maquinaria and the Indenture Trustee, as long as no Event of Default has occurred under the Trust Agreement, in which case, such agreements, contracts, instruments and documents may be requested only by the Indenture Trustee and, upon the full payment of any outstanding amounts under the Notes, such agreements, contracts, instruments and documents may be requested by the holder of the Residual Certificate;

(q) undertake any action necessary or convenient to fulfill the purpose of the Trust Agreement as well as those actions requested by GEO Maquinaria and the Indenture Trustee when such actions are not contemplated in the Transaction Documents, as long as they are necessary to fulfill the purpose of the Trust Agreement, and no Event of Default under the Trust Agreement has occurred, in which case, such instructions may only be given by the Indenture Trustee; and

(r) grant the general and special powers of attorney required in order to fulfill the purpose of the Trust Agreement, including without limitation (i) those contemplated in the Transaction Documents, and (ii) those requested jointly by GEO Maquinaria and the Indenture Trustee when such powers of attorney are not contemplated in the Transaction Documents, as long as they are necessary to fulfill the purpose of the Trust Agreement, and no

Event of Default has occurred under the Trust Agreement, in which case, such powers of attorney may be only granted by the Indenture Trustee.

Trust Estate

The Trust Estate will consist of the following:

- (a) an initial cash contribution in the amount of Ps.10,000 made by GEO Maquinaria;
- (b) the Service Agreement, the Machinery, the Insurance and all ancillary documents related thereto transferred to the Issuer pursuant to the Assignment and Transfer Agreement;
- (c) all rights and obligations of the Issuer under the Transaction Documents and any other agreement, contract, instrument or document entered into by the Issuer;
- (d) the unapplied proceeds received from the issuance of the Notes and from the sale of the Certificate;
- (e) Collections and any other amounts received from any person with respect to any of the assets that form the Trust Estate, including with respect to the Services Payment and the Termination Fees;
- (f) any sums received as the Reacquisition Price, if any;
- (g) any instrument resulting from the investment of funds maintained by the Trust in Permitted Investments and the related proceeds;
- (h) any cash amounts and other assets held at any time in Trust Accounts; and
- (i) any cash amounts and other assets and rights received by the Issuer related to the Trust Agreement.

The Noteholders represented by the Indenture Trustee will be the first beneficiaries of the Trust and the Trust Estate.

Trust Accounts

The Issuer will open and operate the Trust Accounts as described in the section entitled "Summary of Terms—Allocation of Receipts and Payments" of this Offering Memorandum.

In addition to such Trust Accounts as are described in the Section entitled "Summary of Terms—Allocation of Receipts and Payments" of this Offering Memorandum, the Issuer shall open a Tax Account which shall be used to segregate all amounts that the Issuer may be required to withhold for the payment of taxes, rights, duties, contributions or similar obligations to the respective tax authorities, with respect to any payment made by the Issuer with funds from the Trust Accounts.

Reacquisition and Prepayment

GEO Maquinaria is entitled to make an offer to repurchase the Trust Estate as provided in the section entitled to "Summary of Terms—The Offering—Reacquisition and Prepayment" of this Offering Memorandum.

Liquidation of the Trust Estate

Upon the complete and full payment of the Notes, on or about the date that occurs three (3) months thereafter, all cash held in the Trust Estate, as well as any proceeds from the sale or liquidation of the Trust Estate shall be applied as follows:

- (a) first, to pay the Maintenance Expenses, any amounts remaining due under the Transaction Documents and to pay the Trustee and the Indenture Trustee any indemnity applicable under the Trust Agreement and the Indenture, respectively;

(b) second, to pay GEO Importex or the Substitute Operator any Servicing Fee due and payable under the Operation, Administration and Maintenance Agreement; and

(c) third, any remaining amounts shall be paid to the holder of the Certificate, unless the latter instructs the Issuer otherwise.

Once the Notes have been paid in full, if there are assets other than cash in the Trust Estate, the holder of the Certificate may instruct the Issuer how to allocate or dispose of such assets; provided, however, that the delivery of the proceeds or such assets to such Certificate holder will not occur as long as there is any amount outstanding under any Transaction Document other than the rights described above, the Certificate holder does not have other rights.

Events of Default

The Events of Default included in the Trust Agreement are set out in the Section entitled "Summary of Terms—Events of Default and Substitution Events – Events of Default" of this Offering Memorandum.

Upon acceleration of the Notes, the Indenture Trustee may:

(a) initiate judicial procedures to collect all amounts outstanding under the Notes or under any other Transaction Documents, enforcing, through the competent authorities, any judgment or resolution and collecting from the Issuer any outstanding amounts owed pursuant to such judgment or resolution;

(b) instruct the Issuer to sell or in any other matter liquidate the Trust Estate through one or more public or private sales pursuant to applicable laws and regulations;

(c) instruct the Issuer to maintain possession of the Trust Estate; and

(d) instruct the Issuer to deliver to the Noteholders, as payment of any outstanding amounts under the Notes, any assets that form the Trust Estate.

Reporting Obligations

The Issuer is required to provide certain reports under the terms of the Trust Agreement. Such provisions require that the Issuer deliver the following reports and information:

(a) to GEO Maquinaria, GEO Importex and the Indenture Trustee, within the first ten (10) Business Days of every month, a detailed report reflecting all assets that conform the Trust Estate and the balance of each Trust Account as of the last day of the preceding calendar month;

(b) to GEO Maquinaria, GEO Importex and the Indenture Trustee, within the first ten (10) Business Days of every month, a statement reflecting all transactions made in respect of each Trust Account during the previous calendar month;

(c) to GEO Maquinaria, GEO Importex and the Indenture Trustee, on each Calculation Date, the respective Payment Report;

(d) within the fifteen (15) calendar days immediately following the receipt of a written request, (i) to the Indenture Trustee, GEO Maquinaria and GEO Importex, all information received from the Designated Engineer pursuant to the Designated Engineer Agreement, and (ii) to the Indenture Trustee, all information received from GEO Importex pursuant to the Operation, Administration and Maintenance Agreement;

(e) prior written request submitted at least two (2) Business Days in advance, the Issuer shall (i) allow the Indenture Trustee, GEO Maquinaria and GEO Importex, and, once all outstanding amounts under the Notes have been paid in full, the holder of the Certificate, complete and free access to all records, files and correspondence of the Issuer in any way related with the Trust Agreement, the Trust Estate or the Transaction Documents, to take notes and make copies of said records, files and correspondence, and (ii) assist the Indenture Trustee, GEO Maquinaria and GEO Importex, and, once all outstanding amounts under the Notes have been paid in full, the holder of the Certificate, for such purposes;

(f) to the Indenture Trustee, GEO Maquinaria and GEO Importex, and, once all outstanding amounts under the Notes have been paid in full, to the holder of the Certificate, within the two (2) Business Days after the Issuer becomes aware, any and all information regarding any event that could materially affect the Trust Estate or the capacity of any of the parties to the Transaction Documents to comply with their corresponding obligations;

(g) any report containing the information required under applicable laws and regulations in the terms provided therein;

(h) to the Indenture Trustee, all additional information required by the Indenture Trustee pursuant to the Indenture; and

(i) to the rating agencies, certain information received by the Trustee from the Designated Engineer under the Designated Engineer Agreement or from the Operator under the Operation, Administration and Maintenance Agreement.

Limitation of Liability

The Issuer shall not be liable nor shall assume any obligation or responsibility except for:

- (a) any liability resulting from the provisions established in the Trust Agreement;
- (b) any liability resulting from applicable law;
- (c) any liability resulting from the Issuer's default under the Trust Agreement; and
- (d) any liability resulting from the Issuer's negligence, bad faith or willful misconduct, as determined in a final judgment issued by a competent court.

The Issuer shall not be liable for the accuracy or quality of the information received from GEO Maquinaria, GEO Importex, the Indenture Trustee, the Designated Engineer, the Noteholders, the holder of the Certificate or any third party. If the Issuer is authorized to provide to any person information prepared by GEO Maquinaria, GEO Importex, the Indenture Trustee, the Noteholders, the holder of the Certificate or any third party, it will not be liable for the accuracy of said information. If the information provided to the Issuer is inconsistent with the information that the Issuer possesses, the Issuer will give notice to the parties as soon as possible.

The Issuer will depend on the Operator and the Designated Engineer to perform under the Service Agreement. To the extent the Operator and/or the Designated Engineer need to be replaced under the Transaction Documents, if a Substitute Operator or a successor to the Designated Engineer cannot be appointed, the parties will be deemed to have released the Issuer from any liability resulting from any breach by the Issuer under the Service Agreement.

Resignation and Removal of the Trustee

See the section entitled "The Issuer" of this OM for information as to resignation and removal of the Trustee.

Governing Law

The Trust Agreement is governed by Mexican law.

The Service Agreement

On or before the Closing Date, GEO Maquinaria, as service provider, Corporación GEO, as customer, and the GEO Subsidiaries, collectively, as joint and several obligors, have or will have entered into the Service Agreement. See "Summary of Terms – Principal Transaction Documents – Service Agreement".

As a result of the Assignment and Transfer Agreement, the Issuer will assume all rights and obligations of GEO Maquinaria under the Service Agreement. All references to the Issuer contained herein refer to the Issuer as assignee of GEO Maquinaria.

Description of the Services

Pursuant to the Service Agreement, the Issuer, acting through the Operator, must provide to Corporación GEO and/or its consolidated subsidiaries, the services described in the Section entitled "Summary—Principal Transaction Documents" of this Offering Memorandum.

The services rendered under the Service Agreement are to be rendered in accordance with the Annual Utilization Program, which shall specify: (a) the services and the type of Machinery needed, (b) an estimate of the necessary service hours for such services per Quarter, (c) the location of the housing development where the corresponding services will be provided, (d) the timetable in which the services will be provided, (e) the personnel from Corporación GEO responsible for receiving the services, and (f) any other important information, specifications or instructions that the Issuer or the Operator should be aware of, in order to render the corresponding services efficiently. The Annual Utilization Program is prepared and delivered by Corporación GEO and must be prepared following the guidelines set forth in the Service Agreement. Such guidelines specify limits in the ability of Corporación GEO to request such services. Once delivered, the ability of Corporación GEO to amend the Annual Utilization Program without the consent of the Issuer is limited to instances where any increase in hours of Machinery availability does not exceed 4% of the hours contained in the original Annual Utilization Program, any adjustment to the Additional and Replacement Machinery program that can be implemented by the Issuer pursuant to the Annual Utilization Program that does not result in a negative economic impact and any adjustment that does not result in a significant change to the original program.

Consideration for the Services

The Issuer will receive such compensation as is described in the section entitled "Summary—Principal Transaction Documents—Quarterly Payment," of this Offering Memorandum.

Termination

The Service Agreement may be terminated, either upon expiration of its term or upon the occurrence of a number of other circumstances.

Corporación GEO will have the right to terminate the Service Agreement only in the event of an Issuer Termination Event. See "Summary—Principal Transaction Documents—Service Agreement—Issuer Termination Event Termination Fee" of this Offering Memorandum. The Issuer will have the right to terminate the Service Agreement upon the occurrence of a Corporación GEO Termination Event. See "Summary—Principal Transaction Documents—Service Agreement—Corporación GEO Termination Event Termination Fee" of this Offering Memorandum. In each instance the Issuer and Corporación GEO, as applicable, must notify the other party in writing of its intention to terminate the Service Agreement, stating the effective termination date, which shall be sixty (60) calendar days after the delivery of such notice; provided, however that if the party receiving such notice objects in writing to the existence of any such failure, the Service Agreement shall remain in full force and effect and it shall be only terminated after a final court order resolving such termination dispute is obtained.

Upon an early termination as a result of an Issuer Termination Event, Corporación GEO shall pay to the Issuer the Issuer Termination Event Termination Fee as described in the section entitled "Summary—Principal Transaction Documents—Service Agreement—Issuer Termination Event Termination Fee" of this Offering Memorandum. Upon an early termination as a result of a Corporación GEO Termination Event, Corporación GEO shall pay to the Issuer the Corporación GEO Termination Event Termination Fee as described in the section entitled "Summary—Principal Transaction Documents—Service Agreement—Corporación GEO Termination Event Termination Fee" of this Offering Memorandum.

Civil Liability

The Service Agreement contains provisions allocating liability between the Issuer and Corporación GEO in respect of third party claims and other liabilities.

As a general proposition, the Issuer will be solely responsible for any damage or loss caused to third parties in the operation of the Machinery and for any partial or total damage to such Machinery, including those damages to the Machinery as a result of actions of the Issuer, its personnel or any Subcontractor or their respective operators.

The Issuer has provided certain indemnities to Corporación GEO, its officers, directors, board members, employees, agents and advisors in respect of any such potential liability.

Corporación GEO shall be liable for any damage or loss caused to third parties as a consequence of any instruction given to the Issuer or its personnel with respect to the rendering of Machinery services. Corporación GEO has agreed to indemnify the Issuer, its officers, directors, board members, employees, agents and advisors in respect of any such potential liability.

GEO Subsidiaries

The GEO Subsidiaries have agreed, under the terms of the Service Agreement, to jointly and severally guarantee the payment obligations of Corporación GEO under the terms of the Service Agreement, including the Quarterly Payments, payments for Additional Hours and the Termination Fees.

The GEO Subsidiaries have also agreed to subordinate any claim for reimbursement which they may have against Corporación GEO or any other GEO Subsidiary until the Issuer has received all amounts to which it is entitled to receive under such Service Agreement.

In addition to the GEO Subsidiaries, Corporación GEO has agreed to cause any of its subsidiaries, different from the GEO Subsidiaries that individually represents more than 10% of the consolidated assets or consolidated EBITDA of Corporación GEO and its subsidiaries to adhere to the Service Agreement as an additional joint and several obligor.

Insurance

The Issuer, as assignee of GEO Maquinaria, is required to maintain insurance policies on the Machinery in an amount that the Issuer believes is standard in the housing construction industry throughout the term of the Service Agreement, in the form and substance described in the Service Agreement. The insurance policies must be issued by insurers who maintain a long-term credit rating of mxAA by S&P and/or AA(mex) by Fitch or another rating agency with similar prestige. In the event that a particular insurance policy required under the Service Agreement is not available in the Mexican market or is not available for a reasonable commercial price, the Issuer must obtain insurance that it believes is as similar as possible to that required under the Service Agreement. In the event the Issuer determines that a similar coverage is not available, the absence of the required insurance will not constitute a default by the Issuer under the Service Agreement.

Term

The effective term of the Service Agreement is 10 years.

Governing Law

The Service Agreement will be governed by Mexican law.

The Assignment and Transfer Agreement

Assignment of Assets

Pursuant to the Assignment and Transfer Agreement, on the Closing Date, GEO Maquinaria will contribute, transfer and assign to the Issuer the following assets and liabilities:

- (a) all of GEO Maquinaria's rights and obligations under the Service Agreement;
- (b) the Machinery (including all Additional and Replacement Machinery to be acquired and contributed by GEO Maquinaria after the Closing Date); and
- (c) all the rights derived from the Insurance.

Perfection

GEO Maquinaria and the Issuer, to the extent applicable, will undertake certain actions under the Assignment and Transfer Agreement as may be necessary to perfect the contribution, transfer and assignment of the assets listed above to the Issuer. Such requirements will include the granting of the Assignment and Transfer Agreement by means of a public deed, the delivery of original documentation and endorsed Machinery invoices, the delivery of endorsed Insurance policies, among others.

Depository

Upon the execution and delivery of the Assignment and Transfer Agreement, GEO Maquinaria will be designated depository of the documentation related with the Machinery and the Insurance, including, without limitation, the endorsed Machinery invoices and the corresponding Insurance policies. Additionally, GEO Maquinaria will also assume a depository role in respect of any Collections, Insurance Proceeds and Machinery Sale Proceeds until GEO Maquinaria delivers such amounts to the Issuer as provided under such Assignment and Transfer Agreement.

Consideration

As consideration for the assignment and transfer of the abovementioned assets, the Issuer will pay to GEO Maquinaria the sum of approximately U.S.\$119,500,000.

Governing Law

The Assignment and Transfer Agreement will be governed by the Mexican law.

The Operation, Administration and Maintenance Agreement

On the Closing Date, the Issuer and GEO Importex, with the acknowledgement of Corporación GEO, will enter into the Operation, Administration and Maintenance Agreement.

Description of the Services

Pursuant to the Operation, Administration and Maintenance Agreement, GEO Importex, as Operator, will agree, for the benefit of the Issuer, to:

- (a) procure performance of the obligations of the Issuer under the Service Agreement, as assignee, and the Designated Engineer Agreement;
- (b) manage the release and transfer of Machinery from the Trust Estate, pursuant to the terms of the Transaction Documents and manage the purchase of Additional and Replacement Machinery, pursuant to the Terms of the Transaction Documents;
- (c) supervise the Machinery availability services, the maintenance of the Machinery and other ancillary activities in respect of the Machinery;
- (d) obtain and supervise maintenance of the Insurance on the Machinery;
- (e) procure receipt of all Collections, Insurance Proceeds and Machinery Sale Proceeds and allocation of such amounts; and
- (f) coordinate its activities with the Designated Engineer so as to enable the Designated Engineer to perform under the Designated Engineer Agreement.

GEO Importex may subcontract all or part of its obligations under the Operation, Administration and Maintenance Agreement but will not be released from any such obligations.

Servicing Fee

The Operator will be entitled to receive the Servicing Fee as is described in the section entitled Summary—Principal Transaction Documents—Servicing Fee" of this Offering Memorandum.

Reports

GEO Importex is required to deliver certain reports under the Operation, Administration and Maintenance Agreement. Such reporting obligations include the following:

(a) GEO Importex must deliver to the Issuer and the Designated Engineer, within the first ten (10) calendar days of each month, with respect to the Service Agreement, a detailed report identifying: (i) the date, the amounts, and any other details of each payment made by Corporación GEO or the GEO Subsidiaries under the Service Agreement, (ii) any delay, including the number of days and any justification, of Corporación GEO or the GEO Subsidiaries in paying any amount due under the Service Agreement, (iii) any dispute with Corporación GEO for the services provided by the Issuer under the Service Agreement, and (iv) any obstacle or impediment that GEO Importex may have to fully comply with its obligations under the Service Agreement;

(b) GEO Importex must deliver to the Issuer and the Designated Engineer within the first ten (10) calendar days of each Quarter, with respect to the Machinery, a detailed report identifying: (i) the Machinery usage hours for the preceding Quarter; (ii) if applicable, the percentage of hours actually provided below the Minimum Hours Required and the causes of such shortfall; (iii) any preventive or corrective maintenance provided to each unit of Machinery during the preceding Quarter, (iv) any sale of Machinery made during the preceding Quarter, including the corresponding date of sale and the price, (v) acquisitions of Additional and Replacement Machinery made during the preceding Quarter, and (vi) any additional event that affected the services rendered under the Service Agreement;

(c) GEO Importex must deliver to the Issuer and the Designated Engineer within the first ten (10) calendar days of each month, with respect to the Insurance, a detailed report identifying: (i) the Insurance maintained as of the last day of the preceding calendar month, (ii) any claim made under the Insurance, (iii) any Insurance Proceeds received during the preceding month and details thereof, and (iv) and any relevant communication received from any Insurance company during the preceding month. Together with this report, GEO Importex must deliver a certificate issued by its General Director stating that as of the last day of the preceding month all Insurance policies were in full force and effect and complied with all requirements of the Service Agreement;

(d) GEO Importex must deliver to the Issuer within the first ten (10) calendar days of each month, with respect to the Designated Engineer Agreement, a detailed report containing: (i) any default by the Designated Engineer of its obligations under the Designated Engineer Agreement during the preceding month, and (ii) any relevant observation made by the Designated Engineer during the preceding month;

(e) GEO Importex must deliver to the Issuer on a yearly basis and at the latest on each March 31, (i) a certificate issued by its Chief Executive Officer certifying that GEO Importex has complied in full with all its obligations under the Operation, Administration and Maintenance Agreement, or if a default has occurred, the measures taken to cure such default, and (ii) a report prepared by the Designated Engineer stating the compliance level of GEO Importex with respect to its obligations under the Operation, Administration and Maintenance Agreement;

(f) GEO Importex must deliver to the Issuer, the Indenture Trustee and the Designated Engineer within two (2) Business Days after GEO Importex has knowledge thereof, a report containing a description of any event that could adversely and materially affect the Service Agreement, the Machinery, the Insurance and the Designated Engineer Agreement or the capacity of any of the parties thereto to comply with their respective obligations under the Transaction Documents;

(g) GEO Importex must deliver to the Issuer and the Indenture Trustee within five (5) calendar days after GEO Importex acquires knowledge, a certificate informing regarding the occurrence of a Substitution Event and the steps that have been taken to cure such substitution event;

(h) GEO Importex must deliver to the Issuer and the Indenture Trustee any information that may be reasonably requested with respect to the Service Agreement, the Operation, Administration and Maintenance Agreement, the Machinery, the Insurance and the Designated Engineer Agreement, within the following ten (10) Business Days after the delivery to GEO Importex of the request;

(i) GEO Importex must periodically, deliver to the Issuer and the Designated Engineer Agreement a list with the names and signatures of the officers authorized to sign the mentioned reports and to deal with the Issuer in any other matter related to the Operation, Administration and Maintenance Agreement; and

(j) GEO Importex must deliver to the Issuer all information requested for the preparation of the Payment Report within two (2) Business Days of the receipt of the relevant request.

Substitution Events

Upon the occurrence of a Substitution Event, the Trustee, at the direction of the Indenture Trustee (in accordance with the written direction of the Controlling Party), may elect to remove the Operator and replace the Operator with the Substitute Operator as described in the section "Summary—Events of Default and Substitution Events—Substitution Events."

If GEO Importex is replaced by a Substitute Operator, the Servicing Fee will be deemed to be such consideration payable to the Substitute Operator as agreed with such Substitute Operator.

Governing Law

The Operation, Administration and Maintenance Agreement is governed by Mexican law.

The Designated Engineer Agreement

The Designated Engineer must provide to the Issuer the following services under the Designated Engineer Agreement:

(a) with respect to the preventive and corrective maintenance activities undertaken in respect of the Machinery, the Designated Engineer has agreed to:

- (i) review and approve, on an annual basis, preventive maintenance program;
- (ii) approve, on a quarterly basis, any amendment to the preventive maintenance program, if required;
- (iii) if required, assist GEO Importex in determining the need to provide corrective maintenance to the Machinery;
- (iv) deliver to the Issuer on a yearly basis and on March 31 at the latest, a report containing GEO Importex's level of compliance with the preventive maintenance program;
- (v) carry out once every semester, an inspection of the Machinery identified by the Designated Engineer (which may only be a sample of equivalent to 15% or less of all the Machinery), in order to evaluate the operating capacity of such Machinery and the due implementation of the preventive maintenance program and deliver to GEO Importex and to the Issuer a report regarding such inspection; and
- (vi) if required, supervise and approve corrective maintenance of the Machinery.

(b) with respect to Insurance Proceeds and Machinery Sale Proceeds, the Designated Engineer must review all information provided by GEO Importex and instruct the Issuer, within ten (10) Business Days after the receipt of a request from GEO Importex, to apply such proceeds to the Capital Expenses Account;

(c) analyze and approve, if applicable, requests from GEO Importex to release Machinery from the Trust Estate for purposes of replacing such Machinery, selling obsolete Machinery, procuring funds for payment of Indemnity Amounts or as otherwise permitted under the Transaction Documents;

(d) with respect to Additional and Replacement Machinery, the Designated Engineer must evaluate the feasibility of the corresponding acquisition, considering the availability of the relevant Machinery, and the funds that are available in the Capital Expenses Account;

(e) in accordance with the Assignment and Transfer Agreement, the Designated Engineer must:

(i) perform audits of the documentation provided by GEO Importex in order to confirm and approve the acquisition of Additional and Replacement Machinery, Machinery sale transactions performed by GEO Importex with respect to the Machinery under the Operation, Administration and Maintenance Agreement; and

(ii) execute any assignment supplement to confirm the Machinery owned by the Trust at such times set forth in the Assignment and Transfer Agreement;

(f) with respect to the operation of the Machinery, the Designated Engineer must:

(i) conduct a monthly visit to one of the sites where the Machinery services are being rendered, in order to verify (1) that such services are being rendered pursuant to the Annual Utilization Program and the weekly statements and (2) in case such services are not being rendered pursuant to the Annual Utilization Program and the weekly statements, the existence or absence of any Justified Cause; and

(ii) deliver to GEO Importex and the Issuer, on a monthly basis, within the ten (10) Business Days after the end of each Quarter, a report regarding such visit;

(g) validate that the following Operator Deficiency Event has occurred: failure by the Issuer to provide between 1 and 205,199 hours of Machinery availability services below the Minimum Hours Required in any Quarter, as required pursuant to the Service Agreement;

(h) the Designated Engineer must confirm, on a yearly basis, that the documentation held by GEO Maquinaria regarding the Machinery is consistent with the Machinery owned by the Issuer by issuing a report regarding such confirmation, and must verify that the Insurance covers the Machinery as provided in the Service Agreement;

(i) the Designated Engineer must provide to the Issuer reports and notices regarding:

(i) any default under the Service Agreement or any situation that could result in a default within the following five (5) calendar days after acquiring knowledge of such event,

(ii) documentation audits and site visits,

(iii) within the sixty (60) calendar days after the end of each semester, a report describing the semi-annual inspections of the Machinery conducted by the Designated Engineer,

(iv) any information obtained while providing its services within five (5) Business Days after the corresponding request is made;

(j) the Designated Engineer shall confirm that any insurance companies suggested by GEO Importex satisfy the requirements of the Service Agreement, and will provide GEO Importex such confirmation; and

(k) the Designated Engineer must review and confirm the compliance of all the deliveries and conditions under the Trust Agreement regarding GEO Maquinaria's offer to reacquire the Trust Estate as described in "Summary of Terms—The Offering—Reacquisition and Prepayment."

(l) in case there is any dispute between Corporación GEO and the Operator regarding the weekly statements or any other settlement, determine such settlement based on operating records (and others) regarding the Machinery.

Consideration for the Services to be rendered

Under the Designated Engineer Agreement, the Designated Engineer shall receive a fee on a quarterly basis, which amount shall be the amount that corresponds to each period, as set forth in the following table, plus the applicable value-added tax and less the corresponding deductions.

Period	Amount (Quarterly) (in U.S.\$)
From May 2, 2011 to May 1, 2012	Up to U.S.\$21,000
From May 2, 2012 to May 1, 2013	Up to U.S.\$21,000
From May 2, 2013 to May 1, 2014	Up to U.S.\$21,000
From May 2, 2014 to May 1, 2015	Up to U.S.\$21,000
From May 2, 2015 to May 1, 2016	Up to U.S.\$21,000
From May 2, 2016 to May 1, 2017	Up to U.S.\$21,000
From May 2, 2017 to May 1, 2018	Up to U.S.\$21,000
From May 2, 2018 to May 1, 2019	Up to U.S.\$21,000
From May 2, 2019 to May 1, 2020	Up to U.S.\$21,000
From May 2, 2020 to May 1, 2021	Up to U.S.\$21,000

If at the end of any calendar year, including 2011, until the Designated Engineer Agreement is terminated, U.S. Inflation is greater than 3.5% in the same calendar year, the amount of the consideration applicable to the following calendar year shall be adjusted by increasing such amount by the U.S. Inflation minus 3.5%.

Substitution of the Designated Engineer

The Designated Engineer may be removed from his position with cause if he (a) fails to comply with his contractual obligations under the Designated Engineer Agreement or any other Transaction Document for a continued period of twenty (20) days from the initial occurrence of such failure, (b) acts or omits to act in respect of his contractual obligations under the Designated Engineer Agreement in a way that is fraudulent or in bad faith, (c) dies or is temporarily (for more than forty-five days) or permanently incapacitated, or (d) becomes the subject of an insolvency or bankruptcy proceeding (each, a "Substitution With Cause"). The Designated Engineer may, additionally, be removed without cause by the Indenture Trustee (a "Substitution Without Cause" together with a "Substitution With Cause," the "Designated Engineer Substitution Events").

If any Designated Engineer Substitution Event occurs, the Indenture Trustee may, in accordance with the instructions of the Noteholders and in compliance with the Indenture, decide whether to substitute the Designated Engineer and must notify the Operator of its decision. Within fifteen (15) Business Days of such notice the Operator must propose three (3) potential substitutes for the Indenture Trustee to consider. The proposed substitutes shall comply with the standards set forth in the Trust Agreement and each, in the opinion of the Operator, must have sufficient experience and technical capacity to substitute and carry out the role of the Designated Engineer. The Indenture Trustee will have thirty (30) Business Days to designate a substitute for the Designated Engineer from among the substitutes proposed by the Operator.

If the Indenture Trustee rejects all three of the substitutes proposed by the Operator the aforementioned process must repeat itself up to three more times. The Indenture Trustee may not reject any proposed substitute without justified cause. If at the end of this process none of the proposed substitutes are satisfactory to the Indenture Trustee, the Indenture Trustee may replace the Designated Engineer without any further input from the Operator. The Indenture Trustee may substitute the Designated Engineer without any input from the Operator if an Event of Default under the Trust Agreement has occurred and is continuing.

Term

The effective term of the Designated Engineer Agreement will be 10 years.

Governing Law

The Designated Engineer Agreement will be governed by Mexican law.

TAXATION

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences under the tax laws of the country of which they are residents in connection with the purchase, ownership and disposition of the Notes, including, without limitation, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local and foreign tax laws.

General Mexican Tax Considerations

The following is a summary of the main Mexican federal income tax consequences for both Mexican and non-Mexican tax residents in connection with the purchase, ownership or disposition of the Notes, and is based upon the federal tax laws of Mexico as in effect on the date of this Offering Memorandum, all of which are subject to change. This summary does not purport to be a comprehensive description of all Mexican tax considerations that may be relevant to a decision to purchase, hold or dispose of the Notes. The summary does not address any tax consequences under the laws of any state, municipality or locality of Mexico; neither does it address any tax consequences under the laws of the United States, Ireland nor under the laws of any other taxing jurisdiction.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE MEXICAN AND FOREIGN CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES, INCLUDING, IN PARTICULAR, THE EFFECT OF ANY FOREIGN (NON-MEXICAN), STATE OR LOCAL TAX LAWS.

The tax implications described herein may vary depending on the applicability of a treaty for the avoidance of double taxation. Mexico has entered into or is negotiating several treaties regarding the avoidance of double taxation with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of Notes. **PROSPECTIVE PURCHASERS OF NOTES, WHO ARE NON-MEXICAN RESIDENTS, SHOULD CONSULT THEIR TAX ADVISORS ON THE ENTITLEMENT TO BENEFITS AFFORDED BY TAX TREATIES EXECUTED BY MEXICO, IF ANY.**

Mexican Federal Tax Considerations

An individual is a resident of Mexico for tax purposes if such person has established his or her domicile in Mexico. When such person has a home in another country, the individual will be considered a resident of Mexico for tax purposes if his/her center of vital interests is located in Mexico, which is deemed to occur if (a) more than 50% of such individual's total income, in any calendar year, is from a Mexican source, or (b) such individual's principal center of professional activities is located in Mexico. Mexican nationals that are employed by the Mexican government are deemed residents of Mexico for tax purposes, even if his/her center of vital interests is located outside of Mexico. Unless otherwise proven, Mexican nationals are deemed residents of Mexico for tax purposes. A legal entity is a resident of Mexico for tax purposes if it maintains the principal administration of its business or the effective location of its management in Mexico. Furthermore, a permanent establishment in Mexico of a foreign person will be required to pay taxes in Mexico in accordance with applicable tax laws, for income attributable to such permanent establishment. Mexican tax residents—both individuals and legal entities—are taxed on worldwide income regardless of the location of its source. Mexican resident individuals are subject to income tax at progressive rates while legal entities are subject to income tax at the applicable corporate tax rate. The current maximum income tax rate for both individuals and legal entities is 30% (except for taxpayers subject to preferential tax regime rules (tax haven rules) in which case the maximum tax rate could be 40%).

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of the Notes by holders that are not residents of Mexico for tax purposes and that do not hold the Notes through a permanent establishment in Mexico to which the holding of the Notes is attributable for tax purposes. Non-Mexican tax residents obtaining income from sources located in Mexico that do not constitute a permanent establishment are subject to income tax in Mexico on all income arising from Mexican sources. In general, non-Mexican tax residents with no permanent establishment in Mexico are subject to withholding rates that vary depending on the type of income obtained.

Taxation of Interest

Interest Received by Non-Mexican Tax Residents. Pursuant to the Mexican Income Tax Law, payments of interest (including original issue discount and premiums, which are deemed interest under the Law) on the Notes made by the Issuer to a foreign holder will generally be subject to Mexican withholding tax at a rate of 4.9%, if, as expected, the following requirements are met:

- (a) a notice has been filed before the CNBV describing the main characteristics of the Notes offering as required in the second paragraph of article 7 of the Mexican Securities Market Law;
- (b) the Notes, as expected, are placed in a public offering outside of Mexico through banks or brokerage houses, in a country with which Mexico has in force a treaty for the avoidance of double taxation (which currently includes the United States of America and Ireland); and
- (c) the information requirements specified from time to time by the Mexican Tax Administration Service under its general rules, including, after completion of the offering of the Notes, certain information related to the Notes offering and this Offering Memorandum are duly complied with.

If any of the above-mentioned requirements is not met, the Mexican withholding tax will be at a rate of 10% or higher.

In addition, if the effective beneficiaries, whether acting directly or indirectly, severally or jointly, with related parties receiving more than 5% of the aggregate amount of each interest payment under the Notes are (a) shareholders holding 10% or more of the Trustee's voting stock, directly or indirectly, or (b) corporations or other entities having more than 20% of their stock owned directly or indirectly, jointly or severally, by persons related to the Trustee the Mexican withholding tax will be applied at a rate of 30%.

As of the date of this Offering Memorandum, neither the U.S.-Mexico Tax Treaty nor the Irish-Mexico Tax Treaty is expected to have any effect on the Mexican tax consequences described in this summary, because, as described above, under Mexico's Income Tax Law, the Issuer expects to be entitled to withhold taxes in connection with interest payments under the Notes at a 4.9% rate.

Payments of interest on the Notes made by the Issuer to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax provided that:

- (a) such fund is duly incorporated pursuant to the laws of its country of residence and is the beneficial owner of the interest payment;
- (b) such income is exempt from taxes in its country of residence; and
- (c) such fund is registered in the Registry of Banks, Financing Entities, Pension and Retirement Funds and Investment Funds from Abroad, of the Mexican Ministry of Finance and Public Credit in accordance with the rules issued by the Mexican Tax Administration Service for such purposes.

Holders or beneficial owners of the Notes may be requested to, subject to specified exceptions and limitations, provide certain information or documentation necessary to enable the Issuer to apply the appropriate Mexican withholding tax rate on interest payments under the Notes made by the Issuer to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not timely provided completely or at all, the Issuer may withhold Mexican tax from that interest payments on the Notes to that holder or beneficial owner at the maximum applicable rate, but its obligation to pay Additional Amounts relating to those withholding taxes will be limited as described under "Description of the Notes and the Indenture—Additional Amounts."

Payments of Principal. Under existing Mexican law and regulations, payments of principal made by the Issuer in respect of the Notes will not be subject to Mexican withholding tax.

Gains obtained from the Disposition of the Notes. Pursuant to the Mexican Income Tax Law, in certain cases gains realized by a non-Mexican tax resident from the disposition of Notes may be subject to income tax in Mexico. In this regard, if Notes are transferred by a non-Mexican tax resident investor to a Mexican resident for tax

purposes or to a permanent establishment in Mexico of a non-Mexican tax resident, gains, if any, would be subject to Mexican income tax pursuant to the rules described above in respect of interest payments. The amount of deemed interest income will be determined according to the rules established in the Mexican Income Tax Law.

On the other hand, gains realized by a non-Mexican tax resident investor from the sale or other disposition of Notes, if transferred to another non-Mexican tax resident would not be subject to income tax withholding in Mexico, provided that neither transferor nor transferee have a permanent establishment in Mexico.

Imputed Interest on the Acquisition of Notes. Under the Mexican Income Tax Law, any discount received by a non-Mexican tax resident upon purchase of the Notes, if acquired from a Mexican resident for tax purposes or a non-Mexican tax resident with a permanent establishment in Mexico, is treated as deemed interest income, and therefore, subject to taxes in Mexico. Such interest income is calculated as the difference between the face value (plus accrued interest not yet subject to withholding) and the purchase price of such Notes. The Mexican seller must determine, pay and collect the tax on behalf of the non-resident purchaser within fifteen (15) calendar days after the sale. In such case, the applicable income tax rate would be 10%.

Notes acquired at a discount by a non-Mexican tax resident with no permanent establishment in Mexico from another non-Mexican tax resident with no permanent establishment in Mexico would not be subject to income tax on imputed interest on the acquisition of Notes.

The Issuer has agreed, subject to certain limitations and exceptions, to pay additional amounts in respect of the above-mentioned Mexican withholding taxes in connection with interest payments on the Notes. See "Description of the Notes and the Indenture—Additional Amounts."

Interest Received by Mexican Residents. Payments of interest made by the Issuer in respect of the Notes, where the recipient of such interest is a Mexican tax resident investor will be subject to income tax in Mexico. Also, gains obtained from the sale or disposition of the Notes as well as imputed income on Notes acquired at a discount by a Mexican resident investor, would be considered taxable income and will be subject to income tax in Mexico. In general, recipients of interest that are Mexican residents for tax purposes would be required to report any income arising from the Notes in their corresponding tax returns. Taxable income and the tax applicable thereupon would be determined according to the rules established in the Mexican Income Tax Law.

Specific tax consequences may vary depending on the tax regime and particular characteristics of the recipients of the interest (corporation, non-profit organization, financial entity, pension fund, individual with business activities, individual obtaining only interest income, etc.).

NOTE THAT PURSUANT TO THE MEXICAN SECURITIES MARKET LAW, NOTES MUST NEITHER BE OFFERED NOR NEGOTIATED WITHIN MEXICO EXCEPT IN ACCORDANCE WITH THE PRIVATE PLACEMENT EXEMPTION PROVIDED IN THE MEXICAN SECURITIES MARKET LAW. THE SUMMARY OF TAX CONSEQUENCES FOR MEXICAN RESIDENTS IS ONLY A BRIEF DESCRIPTION OF THE TAX CONSEQUENCES IN CASE NOTES ARE ACQUIRED BY MEXICAN RESIDENTS OUTSIDE OF MEXICO OR UNDER SUCH EXEMPTION, BUT SHALL NOT BE CONSIDERED TO BE AN OFFER OF THE NOTES IN MEXICO. MEXICAN TAX RESIDENTS SHOULD CONSULT WITH THEIR TAX ADVISORS ON THE TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES.

Other Mexican Taxes. Under current Mexican tax laws and regulations, investors are not subject to estate, gift, inheritance or similar taxes in connection with the execution of the transaction documents (such as the purchase agreement) prepared in connection with the issuance of the Notes or as a result of the enforcement of any thereof, nor will they be liable for Mexican stamp, registration or similar taxes with respect to Notes.

THE ABOVE SUMMARY IS INTENDED TO OUTLINE CERTAIN MEXICAN TAX LAWS AND REGULATIONS AND IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE NOTES. PURSUANT TO ARTICLE 89 OF THE MEXICAN TAX CODE, RECIPIENTS OF THIS OFFERING MEMORANDUM ARE HEREBY ADVISED THAT THE INFORMATION CONTAINED HEREIN MAY BE CONTRARY TO THE INTERPRETATION OF THE MEXICAN FISCAL AUTHORITIES. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

U.S. Federal Income Taxation

To ensure compliance with Internal Revenue Service Circular 230, investors are hereby notified that: (a) any discussion of federal tax issues contained or referred to in this Offering Memorandum is not intended or written to be used, and cannot be used, by investors for the purpose of avoiding penalties that may be imposed on them under the Code; (b) such discussion is written to support the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

The following is a general summary of certain material U.S. federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Notes. This summary addresses only the U.S. federal income tax considerations of holders that acquire the Notes in the original offering at their original issue price and that will hold the Notes as capital assets.

It is not a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Notes. In particular, this summary does not address tax considerations applicable to holders that are subject to special tax rules, including, without limitation, the following (a) financial institutions; (b) insurance companies; (c) dealers or traders in securities or currencies or notional principal contracts; (d) tax-exempt entities; (e) regulated investment companies; (f) real estate investment trusts; (g) investors that mark their securities to market; (h) persons that will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic security" or other integrated transaction for U.S. federal income tax purposes; (i) partnerships or pass-through entities or persons who hold the Notes through partnerships or other pass-through entities; (j) persons that own (or are deemed to own) 10% or more of the voting shares (or interests treated as equity) of the Issuer; (k) persons (or their "qualified business units") that have a "functional currency" other than the U.S. dollar; and (l) certain U.S. expatriates and former long-term residents of the United States. Furthermore, this summary does not address alternative minimum tax consequences or the indirect effects on the holders of equity interests in a holder of the Notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the federal income tax laws of the U.S. federal government. This summary does not discuss any U.S. state or local considerations.

This summary is based on the Code, U.S. Treasury Regulations, and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this Offering Memorandum. All of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below. No rulings have been sought from the U.S. Internal Revenue Service (the "IRS") regarding the matters discussed herein and there can be no assurance that the IRS or the courts will agree with the conclusions expressed. This discussion is a general summary and does not cover all tax matters that may be important to a particular investor. **Prospective investors should consult their own tax advisors with respect to the U.S. federal, state, local, and foreign tax consequences of acquiring, owning or disposing of the Notes with respect to their particular circumstances.**

For the purposes of this summary, a "U.S. Holder" is a beneficial owner of the Notes, that is, for U.S. federal income tax purposes: (a) a citizen or individual resident of the United States; (b) a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (d) a trust if (i) a court within the United States is able to exercise primary supervision over its administration and (ii) one or more U.S. persons have the authority to control all of the substantial decisions of such a trust. As provided in U.S. Treasury Regulations, certain trusts in existence on August 20, 1996 and treated as United States persons prior to that date that maintain a valid election to continue to be treated as United States persons are also U.S. Holders. A "Non-U.S. Holder" is a beneficial owner of the Notes that is not a U.S. Holder. If a partnership holds a Note, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding any Notes should consult its tax advisors regarding the U.S. federal income tax considerations of owning and disposing of the Notes in its particular situation.

Characterization of the Notes

The proper U.S. federal income tax treatment of the Notes will depend upon whether the Notes are classified as debt or equity for U.S. federal income tax purposes. However, there are no authorities addressing similar transactions involving instruments issued by an entity such as the Issuer with terms similar to those of the Notes. As a result, certain aspects of the U.S. federal income tax consequences of an investment in the Notes are not

certain. Based upon, among other things, the structure and terms of the Notes and the related underlying transactions, the Notes should be treated as debt for U.S. federal income tax purposes and each holder, by purchasing the Notes agrees to treat, in the absence of an administrative determination or judicial ruling to the contrary, such Notes as indebtedness for U.S. federal income tax purposes.

No ruling will be sought from the IRS regarding this, or any other, aspect of the U.S. federal income tax treatment of the Notes. Accordingly, there can be no assurances that the IRS will not contend, and that a court will not ultimately hold, that the Notes are equity in the Issuer or that any of the other items discussed below are treated differently. If the Notes were treated as equity in the Issuer for U.S. federal income tax purposes there could be adverse U.S. federal income tax consequences to a U.S. Holder of such Notes upon the sale, redemption, retirement or other disposition of, or the receipt of certain types of distributions on, the Notes. Prospective investors should consult their own tax advisors as to the proper characterization of the Notes for U.S. tax purposes. The balance of the discussion below assumes that the Notes are treated as indebtedness for U.S. federal income tax purposes.

Taxation of U.S. Holders

Payments of Interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. In the event that any Additional Amounts are paid on the Notes, a U.S. Holder will be required to include such Additional Amounts and any tax withheld from interest payments in income in the same manner as described above, notwithstanding that such withheld tax is not in fact received by such U.S. Holder. Interest income (including Additional Amounts and any tax withheld) on the Notes will be treated as foreign source income for U.S. federal income tax purposes. A U.S. Holder may be entitled to deduct or credit any tax withheld against its U.S. federal income tax liability, subject to applicable limitations. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. The rules relating to the foreign tax credit are complex. Prospective investors are urged to consult their tax advisors regarding the availability of the foreign tax credit in their particular circumstances.

Sale, Exchange or Other Disposition

A U.S. Holder will generally recognize gain or loss on the sale, exchange or other disposition of the Notes equal to the difference between the amount realized on the sale, exchange or other disposition (except to the extent the amount realized is attributable to accrued but unpaid interest, which will be taxable as such) and such holder's tax basis of the Notes. A U.S. Holder's tax basis in a Note will generally equal its cost. Any gain or loss recognized by a U.S. Holder on the sale, exchange or other disposition of a Note will generally be taxed as U.S. source capital gain or loss (except to the extent attributable to accrued but unpaid interest, which will be taxable as such). Prospective investors should consult their own tax advisors with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that held the Notes for more than one year) and capital losses (the deductibility of which is subject to limitations).

Taxation of Non-U.S. Holders

Subject to the backup withholding tax discussion below, a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, exchange, or other disposition of the Notes, unless: (a) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States; (b) in the case of any gain realized on the sale, exchange or other disposition of a Note by an individual Non-U.S. Holder, that holder is present in the United States for 183 calendar days or more in the taxable year of the sale, exchange or other disposition and certain other conditions are met; or (c) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates. Non-U.S. Holders should consult their own tax advisors regarding the U.S. federal income and other tax consequences of owning Notes.

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments on the Notes and to proceeds of the sale, exchange or other disposition of the Notes made within the United States to U.S. Holders. The Issuer, its agent, a broker, or any paying agent, as the case may be, may be required to withhold tax

from any payment that is subject to backup withholding if the U.S. Holder fails to furnish the U.S. Holder's taxpayer identification number to certify that such U.S. Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules.

Payment of the proceeds from the sale of a Note effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of a Note that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if (a) the proceeds are transferred to an account maintained by the holder in the United States, (b) the payment of proceeds or the confirmation of the sale is mailed to the holder at a United States address, or (c) the sale has some other specified connection with the United States as provided in U.S. Treasury regulations, unless the holder establishes an exemption.

In addition, a sale of a Note effected at a foreign office of a broker will be subject to information reporting if the broker is (a) a United States person, (b) a controlled foreign corporation for U.S. tax purposes, (c) a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, (d) a U.S. branch of a foreign bank or a foreign insurance company, or (e) a foreign partnership, if at any time during its tax year (i) one or more of its partners are "U.S. persons," as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or (ii) such foreign partnership is engaged in the conduct of a U.S. trade or business, unless the holder establishes an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that the Holder is a U.S. person.

Certain U.S. Holders are not subject to backup withholding and information reporting requirements. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be claimed as a credit against such U.S. Holder's U.S. federal income tax liability provided that the required information is furnished to the IRS. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Individual U.S. Holders may be required to report to the IRS certain information with respect to their beneficial ownership of the Notes not held through an account with a financial institution. Investors who fail to report required information could be subject to substantial penalties.

IRS Disclosure Reporting Requirements

U.S. Treasury Regulations (the "Disclosure Regulations") meant to require the reporting of certain tax shelter transactions ("Reportable Transactions") could be interpreted to cover transactions generally not regarded as tax shelters. Under the Disclosure Regulations, it may be possible that certain transactions with respect to the Notes may be characterized as Reportable Transactions requiring a holder of Notes to disclose such transaction, such as a sale, exchange, or other taxable disposition of a Note that results in a loss that exceeds certain thresholds and other specified conditions are met. Prospective investors in the Notes should consult their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Statement).

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes requirements on employee benefit plans (as defined in Section 3(3) of ERISA) subject to ERISA and on entities, such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (all of which are hereinafter referred to as "ERISA Plans"), and on persons who are fiduciaries (as defined in Section 3(21) of ERISA) with respect to such ERISA Plans. The Code also imposes certain requirements on ERISA Plans and on other retirement plans and arrangements, including individual retirement accounts and Keogh plans (such ERISA Plans and other "Plans" as defined in Section 4975 of the Code are hereinafter referred to as "Plans"). Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA), if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the prohibited transaction rules of ERISA or the Code but may be subject to similar rules under other applicable laws or documents. Accordingly, assets of such plans may be invested in the Notes without regard to the prohibited transaction considerations under ERISA and the Code described below, subject to the provisions of other applicable federal, state or non-U.S. law.

Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification, requirements respecting delegation of investment authority and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. Each ERISA Plan fiduciary, before deciding to invest in the Notes, must be satisfied that investment in the Notes is a prudent investment for the ERISA Plan, that the investments of the ERISA Plan, including the investment in the Notes, are diversified so as to minimize the risk of large losses and that an investment in the Notes complies with the ERISA Plan and related trust documents.

Section 406 of ERISA and/or Section 4975 of the Code prohibits Plans from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Plans (collectively, "Parties in Interest"). The types of transactions between Plans and Parties in Interest that are prohibited include: (a) sales, exchanges or leases of property, (b) loans or other extensions of credit and (c) the furnishing of goods and services. Certain Parties in Interest that participate in a non-exempt prohibited transaction may be subject to an excise tax under ERISA or the Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the Plan for any losses realized by the Plan or profits realized by such persons and certain other liabilities could result that have a significant adverse effect on such persons. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA (relating to certain transactions between a plan and a non-fiduciary service provider), Prohibited Transaction Class Exemption ("PTCE") 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Any insurance company proposing to invest assets of its general account in the Notes of the Issuer should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). In particular, such an insurance company should consider the extent of the relief granted by the U.S. Department of Labor in PTCE, and the effect of Section 401(c) of ERISA as interpreted by the regulations issued thereunder by the U.S. Department of Labor in January 2000. There can be no assurance that any of the exceptions to the look-through rule applies or that PTCE 95-60 will be available.

Under a "look-through rule" set forth in regulations issued by the U.S. Department of Labor at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA ("Plan Assets Regulation"), if a Plan invests in an "equity interest" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by "benefit plan investors" is not "significant." The Plan Assets Regulation defines equity participation in an entity by "benefit plan investors" as "significant" if 25 percent or more

of the value of any class of equity interest in the entity is held by "benefit plan investors." "Benefit Plan Investors" include any (a) employee benefit plan as defined in Section 3(3) of ERISA, that is subject to Title I of ERISA, (b) plan described in Section 4975 of the Code, that is subject to Section 4975 of the Code, including without limitation, an individual retirement account or Keogh plan or (c) entity whose underlying assets include assets of a plan described in (a) or (b) by reason of a plan's investment in such entity, including but not limited to, as applicable, an insurance company general account, an insurance company separate account or a collective investment fund.

If the assets of the Issuer were deemed to be plan assets of a Plan, the Issuer would be subject to certain fiduciary obligations under ERISA and certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA or Section 4975 of the Code and might have to be rescinded.

The Notes should not be considered to be "equity interests" for purposes of the Plan Assets Regulation and will be treated as indebtedness. Nevertheless, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes are acquired by a Benefit Plan Investor with respect to which the Issuer is a Party in Interest. Accordingly, each purchaser and subsequent transferee of any Note will be deemed by such purchase or acquisition of any Note to have represented and warranted, on each day from the date on which the purchaser or transferee acquires the Note through and including the date on which the purchaser or transferee disposes of such Note, that either (a) it is not, is not using the assets of and shall not at any time hold such Note for or on behalf of a Benefit Plan Investor or a governmental, church or non-US plan or (b) its acquisition, holding and disposition of such Note or of any interest therein, will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-U.S. plan, a violation of any applicable Similar Laws.

Any Plan fiduciary that proposes to cause a Plan to purchase any Notes or any interest therein, should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA. Similarly, fiduciaries of any governmental, church or non-U.S. plans should consult with their counsel before purchasing any of the Notes or any interest therein.

TRANSFER RESTRICTIONS

Investors in the U.S. Offering

Because of the following restrictions, investors are advised to consult legal counsel before making any offer, resale, pledge or other transfer of the Notes (or beneficial interests therein) offered hereby.

Each investor (and if such investor is an insurance company general account, insurance company separate account, bank collective investment fund or investment fund managed by a qualified professional asset manager or an in-house asset manager, each fiduciary with respect to the assets used to acquire the Notes (or beneficial interests therein)) in the U.S. Offering will be deemed to have represented and agreed as follows:

1. Such investor (or if it is acting for the account of another person, such investor has had confirmed to it in writing that such other person) understands and acknowledges that the Notes (or beneficial interests therein) have not been and will not be registered under the Securities Act or any other applicable securities law and that the Notes (or beneficial interests therein) are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws, pursuant to any exemption therefrom or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. Such investor (or if it is acting for the account of another person, such investor has had confirmed to it in writing that such other person) is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Issuer, is (1) a QIB within the meaning of Rule 144A who is purchasing such Notes (or beneficial interests therein) for its own account or for the account of a QIB with respect to which the transferee exercises sole investment discretion, in each case in a transaction meeting the requirements of Rule 144A; (2) a "qualified purchaser" ("QP") within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction; (3) not a dealer of the type described in paragraph (a)(1)(ii) of Rule 144A unless it owns and invests on a discretionary basis not less than \$25,000,000 in securities of issuers that are not affiliated to it; (4) not a participant-directed employee plan, such as a 401(k) plan, or any other type of plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; and (5) was not formed for the purpose of investing in the Issuer (except where each beneficial holder of the holder is a QP), is aware that any sale of Notes (or beneficial interests therein) to it will be made in reliance upon Rule 144A and represents that such acquisition will be for its own account or for the account of another QIB (which is also a QP satisfying the foregoing qualifications) who is also aware that the sale to it is being made in reliance upon Rule 144A.
3. Such investor agrees on its own behalf and on behalf of any investor account for which it is investing in the Notes (or beneficial interests therein), and each subsequent investor by its purchase or other acquisition of a Note (or of beneficial interests therein), will be deemed to have agreed to offer, sell or otherwise transfer such Notes (or beneficial interests therein) before the date that is one year after the later of the date of last issue (i.e., the Closing Date) and the last date that the Issuer or any affiliate thereof was the owner of such Notes (or beneficial interests therein or any predecessor thereto) (the "Resale Restriction Termination Date") only: (a) to the Issuer or any Affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the Notes (or beneficial interests therein) are eligible for resale pursuant to Rule 144A, to a person who is a QP whom the seller reasonably believes is (1) a QIB within the meaning of Rule 144A who is purchasing such Notes (or beneficial interests therein) for its own account or for the account of a QIB with respect to which the transferee exercises sole investment discretion, in each case in a transaction meeting the requirements of Rule 144A; (2) a QP under the Investment Company Act of 1940, as amended and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction; (3) not a dealer of the type described in paragraph (a)(1)(ii) of Rule 144A unless it owns and invests on a discretionary basis not less than \$25,000,000 in securities of issuers that are not affiliated to it; (4) not a participant-directed employee plan, such as a 401(k) plan, or any other type of plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a

trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; and (5) was not formed for the purpose of investing in the Issuer (except where each beneficial holder of the holder is a QP), (d) pursuant to Rule 903 or 904 of Regulation S for offers and sales that occur outside the United States or (e) pursuant to another available exemption from the registration requirements of the Securities Act and other applicable securities laws. Each investor acknowledges that the Trustee, the Issuer and the Indenture Trustee reserve the right, before any offer, sale or other transfer of the Notes (or beneficial interests therein) pursuant to clause (e) before the Resale Restriction Termination Date, to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer and the Indenture Trustee. Such investor acknowledges that the Note held by it (or with respect to which it has a beneficial interest) will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA, MEXICO OR ANY OTHER JURISDICTION. THE HOLDER HEREOF (OR OF A BENEFICIAL INTEREST HEREIN) BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) BEFORE THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE BANK OF NEW YORK MELLON, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, ACTING EXCLUSIVELY AS TRUSTEE OF THE IRREVOCABLE TRUST AGREEMENT NO. F/00762 (THE "ISSUER") OR ANY AFFILIATE THEREOF, WAS THE OWNER OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN OR ANY PREDECESSOR HERETO), ONLY: (A) TO THE ISSUER OR ANY AFFILIATE THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A ("RULE 144A") UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS (1) A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A (A "QIB") WHO IS PURCHASING SUCH NOTES (OR BENEFICIAL INTERESTS THEREIN) FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB WITH RESPECT TO WHICH THE TRANSFEREE EXERCISES SOLE INVESTMENT DISCRETION, IN EACH CASE IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (2) A QUALIFIED PURCHASER UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION; (3) NOT A DEALER OF THE TYPE DESCRIBED IN PARAGRAPH (A)(1)(II) OF RULE 144A UNLESS IT OWNS AND INVESTS ON A DISCRETIONARY BASIS NOT LESS THAN \$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED TO IT; (4) NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, OR ANY OTHER TYPE OF PLAN REFERRED TO IN PARAGRAPH (A)(1)(I)(D) OR (A)(1)(I)(E) OF RULE 144A, OR A TRUST FUND REFERRED TO IN PARAGRAPH (A)(1)(I)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN; AND (5) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHERE EACH BENEFICIAL HOLDER OF THE HOLDER IS A QUALIFIED PURCHASER), (D) PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT FOR OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS, SUBJECT TO THE RIGHT OF THE ISSUER, THE TRUSTEE AND THE BANK OF NEW YORK MELLON, AS INDENTURE TRUSTEE (THE "INDENTURE TRUSTEE"), BEFORE ANY OFFER, SALE OR OTHER TRANSFER

PURSUANT TO CLAUSE (E), TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER AND THE INDENTURE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER HEREOF AFTER THE RESALE RESTRICTION TERMINATION DATE.

4. Either (a) such investor is not (i) an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to Title I of ERISA, (ii) a plan described in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended or (iii) a non-U.S. plan, governmental plan or church plan that is subject to any non-U.S., federal, state or local laws or regulations that are substantially similar to Title I of ERISA or Section 4975 of the Code, and is not acting on behalf or investing the assets of any such plan, or (b) such investor's purchase and holding of the Notes will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of any Similar Law. See "Certain ERISA Considerations."
5. If such investor is acquiring any Note (or beneficial interests therein) as a fiduciary or agent for one or more investor account(s), then it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
6. Such investor acknowledges that the Issuer, the Indenture Trustee, the Initial Purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by it by virtue of its purchase of the Notes (or beneficial interests therein) is no longer accurate, then it shall promptly so notify the Issuer, the Indenture Trustee and the Initial Purchaser in writing.

Investors in the International Offering

Because of the following restrictions, investors are advised to consult legal counsel before making any offer, resale, pledge or other transfer of the Notes (or beneficial interests therein) offered hereby in reliance upon Regulation S.

Each investor (and if such investor is an insurance company general account, insurance company separate account, bank collective investment fund or investment fund managed by a qualified professional asset manager or an in-house asset manager, each fiduciary with respect to the assets used to acquire the Notes (or beneficial interests therein)) in the International Offering will be deemed to have represented and agreed as follows:

1. The Notes (or beneficial interests therein) have not been registered under the Securities Act and if, before the expiration of the Distribution Compliance Period, such investor decides to re-offer, resell, pledge or otherwise transfer such Notes (or beneficial interests therein), then such Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only: (a) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S, (b) pursuant to a registration statement that has been declared effective under the Securities Act, or (c) to a person whom the seller reasonably believes is both (1) a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance upon Rule 144A and (2) a QP under the Investment Company Act of 1940, as amended.
2. Such investor acknowledges that each Temporary Regulation S Note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA, MEXICO OR ANY OTHER JURISDICTION, UNTIL THE EXPIRATION OF THE PERIOD ENDING 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE ORIGINAL ISSUE DATE OF THIS NOTE (SUCH PERIOD, THE "DISTRIBUTION COMPLIANCE PERIOD") IN CONNECTION WITH THE OFFERING OF THIS NOTE (AND BENEFICIAL INTERESTS HEREIN) IN

AND OUTSIDE OF THE UNITED STATES OF AMERICA, THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDER HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), ACKNOWLEDGES THAT THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND AGREES THAT THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES OF AMERICA GOVERNING THE OFFER AND SALE OF SECURITIES, AND, BEFORE THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, ONLY: (A) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, OR (C) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS BOTH (1) A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A (A "QIB") THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE UPON RULE 144A AND (2) A QUALIFIED PURCHASER UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

3. At the closing of the Offering, the Notes (or beneficial interests therein) sold in offshore transactions to non-U.S. Persons pursuant to Regulation S will be evidenced by beneficial interests in a Temporary Regulation S Note. After the expiration of the Distribution Compliance Period, holders of such beneficial interests may transfer such interests to interests in the corresponding Permanent Regulation S Note upon certification as to non-U.S. Person status or upon certification that such beneficial owner is a U.S. Person who purchased its interest in a transaction that did not require registration under the Securities Act. No payments (including payments of interest) will be made on a Temporary Regulation S Note (or beneficial interests therein) until exchanged for an interest in the corresponding Permanent Regulation S Note or Rule 144A Note.
4. If such investor is acquiring any Note (or beneficial interest therein) as a fiduciary or agent for one or more investor account(s), then it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
5. Such investor acknowledges that, the Issuer, the Indenture Trustee, the Initial Purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by it by virtue of its purchase of the Notes (or beneficial interests therein) is no longer accurate, then it shall promptly so notify, the Issuer, the Indenture Trustee and the Initial Purchaser in writing.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement among the Issuer, GEO Maquinaria, Corporación GEO, the GEO Subsidiaries and the Initial Purchaser dated April 20, 2011 (the "Purchase Agreement"), the Issuer has agreed to sell to the Initial Purchaser and the Initial Purchaser has agreed to purchase, the respective principal amounts of Notes set forth opposite its name below.

Initial Purchaser	Principal Amount
Santander Investment Securities Inc.....	U.S.\$160,000,000
Total	U.S.\$160,000,000

If the Initial Purchaser defaults, the Purchase Agreement may be terminated. The Purchase Agreement provides that the Issuer, Corporación GEO, and the GEO Subsidiaries, jointly and severally, will indemnify the Initial Purchaser against liabilities under the Securities Act, and will contribute to payments the Initial Purchaser may be required to make in respect thereof.

The Initial Purchaser has advised the Issuer that it proposes initially to offer the Notes (or beneficial interests therein) at the price listed on the cover page of this Offering Memorandum. After the initial offering, the offering price to investors may be changed. The Issuer has agreed to reimburse the Initial Purchaser for certain expenses incurred in connection with the offering of the Notes.

The Initial Purchaser is offering the Notes (or beneficial interests therein), subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchaser of officers' certificates and legal opinions. The Initial Purchaser reserves the right to withdraw, cancel or modify offers and to reject orders in whole or in part.

The Notes have not been registered under the Securities Act and may not be offered, transferred or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except under an exemption from the registration requirements of the U.S. Securities Act or under a registration statement declared effective under the U.S. Securities Act and in accordance with the restrictions under "Transfer Restrictions."

The Initial Purchaser proposes to offer the Notes (or beneficial interests therein) in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S under the Securities Act. The Initial Purchaser will not offer or sell the Notes (or beneficial interest therein) except:

- (a) within the United States in reliance on Rule 144A to persons they reasonably believe to be both QIBs and QPs, or
- (b) outside the United States to persons who are not, and are not acting for the account or benefit of, U.S. persons (as defined in Regulation S).

Investors in the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price of the Notes (or beneficial interests therein) so purchased.

Prior to this offering, there has been no established market for the Notes. The Initial Purchaser is not obligated to make a market or otherwise facilitate trading in the Notes (or beneficial interests therein) and any such activities, if commenced, may be discontinued at any time, for any reason, without notice. If the Initial Purchaser does not facilitate trading in the Notes (or beneficial interests therein) for any reason, there can be no assurance that another firm or person will do so.

In connection with this Offering Memorandum, the Initial Purchaser may, but is not obligated to, engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for an Initial Purchaser. Stabilizing transactions permit bids to purchase the underlying security so long as the

stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit an Initial Purchaser to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may have the effect of raising or maintaining the market price of the Notes or of preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes might be higher than the price that might otherwise exist in the open market. These transactions, if commenced, may be discontinued at any time.

In the ordinary course of its businesses, the Initial Purchaser and its affiliates have engaged, and in the future may engage, in commercial and investment banking or other business with Corporación GEO and its respective affiliates, including the extension of credit facilities. Banco Santander (Mexico) S.A., an affiliate of the Initial Purchaser, will receive via a third party a payment of approximately U.S.\$28 million, from proceeds of this transaction, with respect to the cancellation of machinery leases in place at or before the Closing Date.

It is expected that delivery of the Notes will be made against payment therefor on or about the Closing Date, which will be the 5th Business Day following the date of pricing of the Notes (without giving effect to the May 2, 2011 holiday in Ireland). Investors should note that trading of the Notes (or beneficial interests therein) on the date of pricing and the next Business Days may be affected by the T+5 settlement.

LEGAL MATTERS

The validity of the Notes will be passed upon for the Issuer by Santamarina y Steta, S.C., its special Mexican counsel, and for the Initial Purchaser by Ritch Mueller, S.C., special Mexican counsel to the Initial Purchaser. The validity of the Notes under New York law are being passed upon for the Issuer by Allen & Overy LLP, its special New York counsel, and for the Initial Purchaser by Hogan Lovells US LLP, special U.S. counsel to the Initial Purchaser. With respect to certain matters governed by Mexican law, Allen & Overy LLP may rely on the opinion of Santamarina y Steta, S.C. and Hogan Lovells US LLP may rely on the opinion of Ritch Mueller, S.C.

INDEPENDENT AUDITORS

The consolidated financial statements of Corporación GEO, S.A.B. de C.V., as of and for the years ended December 31, 2008, 2009 and 2010, included in this Offering Memorandum, have been audited by Galaz, Yamazaki, Ruiz Urquiza S.C. (member of Deloitte Touche Tohmatsu Limited) ("Galaz"), independent auditors, as stated in their report appearing herein. Galaz is also a member of the Association of Public Accountants of Mexico (*Colegio de Contadores Públicos de Mexico, A.C.*).

GENERAL INFORMATION

1. The issue of the Notes was authorized on or about.
2. It is expected that the Notes will be admitted to trading on the Official List of the Irish Stock Exchange on May 3, 2011 subject only to the issue of the Global Notes. The Notes admitted to trading will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in U.S. dollars or pesos, as applicable, and for delivery on the 5th working day after the day of the transaction. The estimated cost of the application for admission to the Official List and admission to trading on the Irish Stock Exchange's market for listed securities is €4,940.
3. The Notes have been accepted for clearance through DTC, Euroclear and Clearstream as follows:

	Rule 144A ISIN	Rule 144A CUSIP	Reg S ISIN	Reg S CUSIP
Notes	US06405AAA34	06405A AA3	USU0664NAA10	U0664N AA1

4. Save as disclosed in this Offering Memorandum, the Issuer is not, and has not been, involved in any legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, since the date of establishment of the Trust, a significant effect on the Issuer's financial position.
5. The Issuer has not entered into any material contracts or arrangements in connection with the Trust, other than those disclosed in this Offering Memorandum, since April 20, 2011 (being the date of establishment of the Trust).
6. Save as disclosed in this Offering Memorandum, since April 20, 2011 (being the date of establishment of the Trust), the Issuer has not commenced operations, no financial statements of the Issuer have been made up as at the date of this Offering Memorandum and there has been no material adverse change in the financial position or prospects of the Issuer in and no significant change in the trading or financial position of the Issuer.
7. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.
8. Each of the Indenture and the Trust Agreement will provide that the Indenture Trustee and Trustee may rely on reports or other information from professional advisors or other experts in accordance with the provisions of the Indenture and the Trust Agreement, respectively, whether or not such report or other information, engagement letter or other document entered into by the Indenture Trustee or the Trustee, as applicable and the relevant professional advisor or expert in connection therewith contains any limit on the liability of that relevant professional advisor or expert.
9. Copies of the following documents may be physically inspected during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the offices of the Indenture Trustee at 101 Barclay Street, Floor 4 East, New York, New York 10286 and at the specified offices of The Bank of New York Mellon (Ireland) Limited located at Hanover Building, Windmill Lane, Dublin 2, Republic of Ireland, for so long as the Notes are listed on the Irish Stock Exchange from the date of this Offering Memorandum:
 - The Indenture;
 - The Trust Agreement;
 - The Service Agreement;
 - The Assignment and Transfer Agreement;

- The Designated Engineer Agreement;
- Appraisal Reports by Ingenial S.A. de C.V. dated December 31, 2010; and
- Report provided by Murguía Consultores, dated as of April 1, 2011.

DEFINED TERMS

Unless the context otherwise indicates, the following Defined Terms have the meanings specified below.

"\$" has the meaning set forth on page xi of this Offering Memorandum.

"2020 Bonds" has the meaning set forth on page A-31 of this Offering Memorandum.

"Accelerated Principal Amount" has the meaning set forth on page 10 of this Offering Memorandum.

"Additional Amounts Subaccount" has the meaning set forth on page 25 of this Offering Memorandum.

"Additional and Replacement Machinery" has the meaning set forth on page 64 of this Offering Memorandum.

"Additional Hours" has the meaning set forth on page 14 of this Offering Memorandum.

"Affiliate" has the meaning set forth on page 21 of this Offering Memorandum.

"Affordable Housing," for purposes of describing Corporación GEO's business, means housing units with sales prices lower than Ps.655,044 (U.S.\$53,042). The Affordable Housing segment, as defined by Corporación GEO, can be further divided into four categories: (a) economic (with sales prices up to Ps.219,570 (U.S.\$17,780)), (b) lower affordable (with sales prices between Ps.219,571 (U.S.\$17,780) and Ps.275,992 (U.S.\$22,348)), (c) affordable (with sales prices between Ps.275,993 (U.S.\$22,348) and Ps.401,760 (U.S.\$32,532)) and (d) affordable plus (with sales prices between Ps.401,761 (U.S.\$32,532) and Ps.655,044 (U.S.\$53,042)). The sales price ranges may change on an annual basis, as they are adjusted based on VSM.

As described above, Affordable Housing includes the economic, lower affordable, affordable and affordable plus categories. Corporación GEO updates these criteria for these categories from time to time to reflect changes in the Mexican housing market, inflation and other factors related to its business. In Corporación GEO's regular reports, they include separate line items for each of the economic, lower affordable, affordable and affordable plus categories, and distinguish between "affordable plus" and the other classes of Affordable Housing. For ease of reference throughout this Offering Memorandum, these four categories were combined. The tables below illustrate the break down of its results in each of these four sub-categories.

Number of Homes Sold in the Affordable Housing Sector

	Year Ended December 31,		
	2008	2009	2010
Economic.....	3,219	4,196	5,889
Lower Affordable.....	15,804	20,010	24,288
Affordable.....	6,229	11,617	13,798
Sub-total.....	25,252	35,823	43,975
Affordable Plus.....	9,198	10,747	9,255
Total.....	34,450	46,570	53,230

Percentage of Corporación GEO's Total Homes Sold in the Affordable Housing Sector

	Year Ended December 31,		
	2008	2009	2010
Economic.....	7.7%	8.2%	10.5%
Lower Affordable.....	37.8%	39.1%	43.3%
Affordable.....	14.9%	22.7%	24.6%
Sub-total.....	60.4%	70.0%	78.4%
Affordable Plus.....	22.0%	21.0%	16.5%
Total.....	82.4%	91.0%	94.9%

Other homebuilders in Mexico use different thresholds and terminology in defining the components of the developer housing market; specifically, they may define "Affordable Housing" to include only the economic, lower affordable and affordable categories. While each company uses different criteria, Corporación GEO believes that its definitions are reasonably consistent with comparable companies in their industry.

"Allianz" has the meaning set forth on page A-3 of this Offering Memorandum.

"Annual Utilization Program" has the meaning set forth on page 13 of this Offering Memorandum.

"Assignment and Transfer Agreement" (*Contrato de Cesión y Aportación*) has the meaning set forth on page 12 of this Offering Memorandum.

"Available Amounts" has the meaning set forth on page 23 of this Offering Memorandum.

"Benefit Plan" has the meaning set forth on page 29 of this Offering Memorandum.

"Benefit Plan Investors" has the meaning set forth on page 98 of this Offering Memorandum.

"Business Day" means any day, other than a Saturday, a Sunday or a day on which banking institutions are authorized or obligated by law or executive order (including an order by the CNBV) to remain closed in Dublin, Ireland, Mexico City, Mexico, New York City, New York, or in any other city in which the Corporate Trust Office of the Indenture Trustee or the principal trust office of the Trustee are located.

"Calculation Date" has the meaning set forth on page 22 of this Offering Memorandum.

"Capital Expenses Amount" has the meaning set forth on page 26 of this Offering Memorandum.

"Capitalized Interest" has the meaning set forth on page 9 of this Offering Memorandum.

"CBs" has the meaning set forth on page A-30 of this Offering Memorandum.

"Central Bank" has the meaning set forth on page iv of this Offering Memorandum.

"Certificate" (*Constancia*) has the meaning set forth on page 8 of this Offering Memorandum.

"CIDOC" has the meaning set forth on page A-39 of this Offering Memorandum.

"CINIF" has the meaning set forth on pages x and 119 of this Offering Memorandum.

"Clearstream" has the meaning set forth on the cover page of this Offering Memorandum.

"Clearstream Participants" has the meaning set forth on page 75 of this Offering Memorandum.

"Closing Date" has the meaning set forth on the cover page of this Offering Memorandum.

"CNBV" means the *Comisión Nacional Bancaria y de Valores*, the Mexican National Banking and Securities Commission.

"CNFV" has the meaning set forth on page A-44 of this Offering Memorandum.

"Code" has the meaning set forth on page 29 of this Offering Memorandum.

"Collections" has the meaning set forth on page 7 of this Offering Memorandum.

"Commercial Value" has the meaning set forth on page 62 of this Offering Memorandum.

"Common Depository" has the meaning set forth on page ii of this Offering Memorandum.

"CONAPO" means *Consejo Nacional de Población*, the Mexican Population Council.

"CONAVI" means *Consejo Nacional de la Vivienda*, the Mexican National Housing Board.

"Consolidated Financial Statements" has the meaning set forth on page x of this Offering Memorandum.

"Controlling Party" has the meaning set forth on page 21 of this Offering Memorandum.

"Corporación GEO" has the meaning set forth on the cover page of this Offering Memorandum.

"Corporación GEO Termination Event" has the meaning set forth on page 15 of this Offering Memorandum.

"Corporación GEO Termination Event Termination Fee" has the meaning set forth on page 14 of this Offering Memorandum.

"Corporate Trust Office" has the meaning set forth on page 71 of this Offering Memorandum.

"Current Capitalized Interest" has the meaning set forth on page 9 of this Offering Memorandum.

"Current Interest Due" has the meaning set forth on page 9 of this Offering Memorandum.

"Declared Event of Default" has the meaning set forth on page 7 of this Offering Memorandum.

"Depreciated Machinery" has the meaning set forth on page 41 of this Offering Memorandum.

"Designated Engineer" has the meaning set forth on page 6 of this Offering Memorandum.

"Designated Engineer Agreement" (*Contrato de Ingeniero Designado*) has the meaning set forth on page 20 of this Offering Memorandum.

"Directive" has the meaning set forth on page 70 of this Offering Memorandum.

"Disclosure Regulations" has the meaning set forth on page 96 of this Offering Memorandum.

"Distribution Compliance Period" has the meaning set forth on page ii of this Offering Memorandum.

"Distribution Date" has the meaning set forth on page 22 of this Offering Memorandum.

"DOL" has the meaning set forth on page 29 of this Offering Memorandum.

"dollars" has the meaning set forth on page xi of this Offering Memorandum.

"DTC" has the meaning set forth on the cover page of this Offering Memorandum.

"Ecological Law" has the meaning set forth on page A-17 of this Offering Memorandum.

"Eligible Account" has the meaning set forth on page 25 of this Offering Memorandum.

"Eligible Financial Institution" has the meaning set forth on page 21 of this Offering Memorandum.

"employee benefit plan" has the meaning set forth on page 29 of this Offering Memorandum.

"equity interest" has the meaning set forth on page 97 of this Offering Memorandum.

"ERISA" has the meaning set forth on pages 29, 97 and 101 of this Offering Memorandum.

"ERISA Plans" has the meaning set forth on page 97 of this Offering Memorandum.

"ERP system" has the meaning set forth on page A-4 of this Offering Memorandum.

"Euroclear" has the meaning set forth on the cover page of this Offering Memorandum.

"Euroclear Participants" has the meaning set forth on page 74 of this Offering Memorandum.

"Euroclear Terms and Conditions" has the meaning set forth on page 74 of this Offering Memorandum.

"Events of Default" has the meaning set forth on page 27 of this Offering Memorandum.

"Exchange Act" has the meaning set forth on page vii of this Offering Memorandum.

"Excluded Taxes" has the meaning set forth on page 70 of this Offering Memorandum.

"Fitch" has the meaning set forth on the cover page of this Offering Memorandum.

"FONHAPO" means *Fideicomiso Fondo Nacional de Habitaciones Populares*, the Mexican Fund for Popular Housing.

"FOVI" means *Fondo de Operación y Financiamiento Bancario a la Vivienda*, the Mexican Housing Operation and Bank Financing Fund, the predecessor of SHF.

"FOVISSSTE" means the *Fondo de la Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*, the Mexican Social Security and Services Institute of the Public-Sector Workers' Housing Fund.

"FSMA" has the meaning set forth on page iii of this Offering Memorandum.

"Galaz" has the meaning set forth on page 106 of this Offering Memorandum.

"GEO Entities" or "GEO Entity" has the meaning set forth on page 13 of this Offering Memorandum.

"GEO Importex" has the meaning set forth on page iv of this Offering Memorandum.

"GEO Maquinaria" has the meaning set forth on the cover page of this Offering Memorandum.

"GEO Subsidiaries" has the meaning set forth on page iii of this Offering Memorandum.

"Global Notes" has the meaning set forth on page ii of this Offering Memorandum.

"GNP" has the meaning set forth on page 65 of this Offering Memorandum.

"IETU" means *Impuesto Empresarial a Tasa Única*, the Single Rate Corporate Tax.

"IFRIC" has the meaning set forth on page 120 of this Offering Memorandum.

"IFRS" has the meaning set forth on page x of this Offering Memorandum.

"Indemnity Amounts" has the meaning set forth on page 26 of this Offering Memorandum.

"Indenture" has the meaning set forth on page 12 of this Offering Memorandum.

"Indenture Beneficiaries" has the meaning set forth on page 25 of this Offering Memorandum.

"Indenture Trustee" means The Bank of New York Mellon.

"Indenture Trustee Fee" has the meaning set forth on page 71 of this Offering Memorandum.

"Indenture Trustee Payment Account" has the meaning set forth on page 24 of this Offering Memorandum.

"INEGI" means the *Instituto Nacional de Estadística, Geografía e Informática*, the Mexican Institute of Statistics, Geography and Computer Sciences.

"INFONAVIT" means the *Instituto del Fondo Nacional de la Vivienda para los Trabajadores*, the Mexican National Workers' Housing Fund Institute.

"in-house asset manager" has the meaning set forth on page 30 of this Offering Memorandum.

"Initial Principal Balance" has the meaning set forth on page 11 of this Offering Memorandum.

"Initial Purchaser" has the meaning set forth on pages v and 6 of this Offering Memorandum.

"Insolvency Event" has the meaning set forth on page 28 of this Offering Memorandum.

"Insurance" has the meaning set forth on page 7 of this Offering Memorandum.

"Insurance Proceeds" has the meaning set forth on page 27 of this Offering Memorandum.

"Interest Amount" has the meaning set forth on page 9 of this Offering Memorandum.

"Interest Period" has the meaning set forth on page 9 of this Offering Memorandum.

"Interest Subaccount" has the meaning set forth on page 25 of this Offering Memorandum.

"International Offering" has the meaning set forth on the cover page of this Offering Memorandum.

"Investment Company Act" has the meaning set forth on the cover page of this Offering Memorandum.

"Irish Paying Agent" has the meaning set forth on page 12 of this Offering Memorandum.

"IRS" has the meaning set forth on page 94 of this Offering Memorandum.

"ISR" has the meaning set forth on page 120 of this Offering Memorandum.

"Issuer" has the meaning set forth on the cover page of this Offering Memorandum.

"Issuer Termination Event" has the meaning set forth on page 17 of this Offering Memorandum.

"Issuer Termination Event Termination Fee" has the meaning set forth on page 18 of this Offering Memorandum.

"Justified Cause" has the meaning set forth on page 17 of this Offering Memorandum.

"Leased Machinery" has the meaning set forth on page 41 of this Offering Memorandum.

"Machinery" has the meaning set forth on the cover page of this Offering Memorandum.

"Machinery Liability Policy" has the meaning set forth on page 65 of this Offering Memorandum.

"Machinery Loss Policy" has the meaning set forth on page 65 of this Offering Memorandum.

"Machinery Sale Proceeds" has the meaning set forth on page 27 of this Offering Memorandum.

"Maintenance Expenses" has the meaning set forth on page 24 of this Offering Memorandum.

"Maintenance Hours" has the meaning set forth on page 14 of this Offering Memorandum.

"Mexican FRS" has the meaning set forth on page x of this Offering Memorandum.

"Mexican Transaction Documents" has the meaning set forth on page 30 of this Offering Memorandum.

"Mexico" has the meaning set forth on the cover page of this Offering Memorandum.

"Middle Income Housing," as we define it for purposes of our business, means housing units with sales prices that range from Ps.655,045 (U.S.\$51,989) to Ps.1,290,873 (U.S.\$102,451). The sales price range may change on an annual basis, as it is adjusted based on VSM.

"Minimum Hours Required" has the meaning set forth on page 15 of this Offering Memorandum.

"Model" has the meaning set forth on page 66 of this Offering Memorandum.

"NAAEC" has the meaning set forth on page 49 of this Offering Memorandum.

"Nacional Financiera" has the meaning set forth on page A-30 of this Offering Memorandum.

"NaFin Trust" has the meaning set forth on page A-30 of this Offering Memorandum.

"NAFTA" means the North America Free Trade Agreement.

"NCPI" means the *Indice Nacional de Precios al Consumidor*, the Mexican National Consumer Price Index.

"Non-ERISA Plan" has the meaning set forth on page 30 of this Offering Memorandum.

"Non-U.S. Holder" has the meaning set forth on page 94 of this Offering Memorandum.

"Noteholders" has the meaning set forth on page 8 of this Offering Memorandum.

"Notes" has the meaning set forth on the cover page and page 6 of this Offering Memorandum.

"NY Trusts" has the meaning set forth on page A-9 of this Offering Memorandum.

"Offering" has the meaning set forth on the cover page of this Offering Memorandum.

"Offering Memorandum" has the meaning set forth on the cover page of this Offering Memorandum.

"Official Gazette" means *Diario Oficial de la Federación*.

"Operation, Administration and Maintenance Agreement" (*Contrato de Operación, Administración y Mantenimiento*) has the meaning set forth on page 19 of this Offering Memorandum.

"Operator" has the meaning set forth on page 6 of this Offering Memorandum.

"Operator Deficiency Event" has the meaning set forth on page 15 of this Offering Memorandum.

"our" has the meaning set forth on page iii of this Offering Memorandum.

"Overdue Capitalized Interest" has the meaning set forth on page 9 of this Offering Memorandum.

"Overdue Interest" has the meaning set forth on page 9 of this Offering Memorandum.

"Overdue Principal" has the meaning set forth on page 9 of this Offering Memorandum.

"Parties in Interest" has the meaning set forth on page 97 of this Offering Memorandum.

"Payment Account" has the meaning set forth on page 24 of this Offering Memorandum.

"Payment Date" has the meaning set forth on page the cover page and page 8 of this Offering Memorandum.

"Payment Report" has the meaning set forth on page 24 of this Offering Memorandum.

"Permanent Regulation S Note" has the meaning set forth on page ii of this Offering Memorandum.

"Permitted Investments" has the meaning set forth on page 7 of this Offering Memorandum.

"Person" has the meaning set forth on page 21 of this Offering Memorandum.

"Peso Portion of the Quarterly Payment" has the meaning set forth on page 14 of this Offering Memorandum.

"pesos" has the meaning set forth on page xi of this Offering Memorandum.

"Plan Assets Regulation" has the meaning set forth on pages 29 and 97 of this Offering Memorandum.

"Plans" has the meaning set forth on page 97 of this Offering Memorandum.

"Premium Subaccount" has the meaning set forth on page 25 of this Offering Memorandum.

"Prepayment Amount" has the meaning set forth on page 11 of this Offering Memorandum.

"Prepayment Premium" has the meaning set forth on page 11 of this Offering Memorandum.

"Principal Amount" has the meaning set forth on page 9 of this Offering Memorandum.

"Principal Balance" has the meaning set forth on page 10 of this Offering Memorandum.

"Principal Subaccount" has the meaning set forth on page 25 of this Offering Memorandum.

"Prospectus Directive" has the meaning set forth on page iii of this Offering Memorandum.

"Prudential" has the meaning set forth on page 48 of this Offering Memorandum.

"Ps." has the meaning set forth on page xi of this Offering Memorandum.

"PTCE" has the meaning set forth on page 97 of this Offering Memorandum.

"Purchase Agreement" has the meaning set forth on page 103 of this Offering Memorandum.

"QIB" has the meaning set forth on the cover page of this Offering Memorandum.

"QP" has the meaning set forth on the cover page and page 99 of this Offering Memorandum.

"Qualified Institutional Buyers" has the meaning set forth on page 100 of this Offering Memorandum.

"qualified professional asset manager" has the meaning set forth on pages 30 and 97 of this Offering Memorandum.

"qualified purchaser" has the meaning set forth on page 99 of this Offering Memorandum.

"Quarter" has the meaning set forth on page 13 of this Offering Memorandum.

"Quarterly Payment" has the meaning set forth on page 13 of this Offering Memorandum.

"Rating Agency" and "Rating Agencies" has the meaning set forth on page 8 of this Offering Memorandum.

"Reacquisition Price" has the meaning set forth on page 8 of this Offering Memorandum.

"Record Date" has the meaning set forth on page 8 of this Offering Memorandum.

"Regulation S" has the meaning set forth on the cover page of this Offering Memorandum.

"Regulation S Book-Entry Interests" has the meaning set forth on page 73 of this Offering Memorandum.

"Relevant Implementation Date" has the meaning set forth on page ii of this Offering Memorandum.

"Relevant Member State" has the meaning set forth on page ii of this Offering Memorandum.

"Reportable Transactions" has the meaning set forth on page 96 of this Offering Memorandum.

"Required Payments" has the meaning set forth on page 26 of this Offering Memorandum.

"Resale Restriction Termination Date" has the meaning set forth on page 99 of this Offering Memorandum.

"Reserve Account" has the meaning set forth on page 26 of this Offering Memorandum.

"Reserve Account Balance" has the meaning set forth on page 26 of this Offering Memorandum.

"Reserve Account Draw Amount" has the meaning set forth on page 26 of this Offering Memorandum.

"Reserve Account Required Balance" has the meaning set forth on page 26 of this Offering Memorandum.

"Reserve Account Shortfall" has the meaning set forth on page 26 of this Offering Memorandum.

"Residential Housing," as we define it for purposes of our business, means housing units with sales prices above Ps.1,290,873 (U.S.\$102,452). The sales price range may change on an annual basis, as it is adjusted based on VSM.

"Residential Investment Program" has the meaning set forth on page A-9 of this Offering Memorandum.

"Rights" has the meaning set forth on page A-30 of this Offering Memorandum.

"RMBS" has the meaning set forth on page 46 of this Offering Memorandum.

"Rule 12g3-2(b)" has the meaning set forth on page vii of this Offering Memorandum.

"Rule 144A" has the meaning set forth on the cover page of this Offering Memorandum.

"Rule 144A Book-Entry Interests" has the meaning set forth on page 73 of this Offering Memorandum.

"Rule 144A Notes" has the meaning set forth on page ii of this Offering Memorandum.

"Sale Price" has the meaning set forth on page 11 of this Offering Memorandum.

"Scheduled Principal Amount" has the meaning set forth on page 9 of this Offering Memorandum.

"SEC" has the meaning set forth on page iv of this Offering Memorandum.

"Securities Act" has the meaning set forth on the cover page of this Offering Memorandum.

"SEDESOL" means the *Secretaría de Desarrollo Social*, the Mexican Ministry of Social Development.

"SEMARNAT" has the meaning set forth on page A-17 of this Offering Memorandum.

"Senior Guaranteed Notes" has the meaning set forth on page A-31 of this Offering Memorandum.

"Service Agreement" (*Contrato de Servicios*) has the meaning set forth on page 12 of this Offering Memorandum.

"Service Provider" has the meaning set forth on page 6 of this Offering Memorandum.

"Services Payment" has the meaning set forth on page 17 of this Offering Memorandum.

"Servicing Fee" has the meaning set forth on page 20 of this Offering Memorandum.

"SHF" means the *Sociedad Hipotecaria Federal, S.N.C., Institución de Banca de Desarrollo*, the Mexican Federal Mortgage Bank, the successor of FOVI.

"Similar Law" has the meaning set forth on page 30 of this Offering Memorandum.

"Sofoles" means *Sociedades Financieras de Objeto Limitado* or limited purpose financial companies.

"Sofomes" means *Sociedades Financieras de Objeto Múltiple* or multi-purpose financial companies.

"Softec" means Softec, S.C.

"Sólida" has the meaning set forth on page 48 of this Offering Memorandum.

"Substitute Operator" has the meaning set forth on page 20 of this Offering Memorandum.

"Substitution Events" has the meaning set forth on page 28 of this Offering Memorandum.

"T+5" has the meaning set forth on page iv of this Offering Memorandum.

"Taxes" has the meaning set forth on page 69 of this Offering Memorandum.

"Temporary Regulation S Notes" has the meaning set forth on page ii of this Offering Memorandum.

"Termination Fees" has the meaning set forth on page 18 of this Offering Memorandum.

"Tiendas GEO" has the meaning set forth on page A-4 of this Offering Memorandum.

"TIIE" refers to the 28-day Mexican interbank rate (*Tasa de Interés Interbancaria de Equilibrio*), which was 4.8750 as of December 31, 2010.

"Transaction Accounts" has the meaning set forth on page 25 of this Offering Memorandum.

"Transaction Documents" has the meaning set forth on page 12 of this Offering Memorandum.

"Transfer Date" has the meaning set forth on page 22 of this Offering Memorandum.

"Trust" has the meaning set forth on the cover page of this Offering Memorandum.

"Trust Accounts" has the meaning set forth on page 21 of this Offering Memorandum.

"Trust Agreement" (*Fideicomiso*) has the meaning set forth on the cover page of this Offering Memorandum.

"Trust Estate" has the meaning set forth on page 7 of this Offering Memorandum.

"Trustee" has the meaning set forth on the cover page of this Offering Memorandum.

"UDI" or "UDIs" means *Unidades de Inversión*, a synthetic currency and unit of account the value of which in pesos is indexed to inflation on a daily basis, as measured by the change in the NCPI. One UDI was equal to 4.526308 pesos as of December 31, 2010.

"United States" has the meaning set forth on the cover page of this Offering Memorandum.

"us" has the meaning set forth on page iii of this Offering Memorandum.

"U.S." has the meaning set forth on the cover page of this Offering Memorandum.

"U.S.S" has the meaning set forth on page iii of this Offering Memorandum.

"U.S. dollars" has the meaning set forth on page xi of this Offering Memorandum.

"U.S. GAAP" has the meaning set forth on page x of this Offering Memorandum.

"U.S. Holder" has the meaning set forth on page 94 of this Offering Memorandum.

"U.S. Inflation" has the meaning set forth on page 14 of this Offering Memorandum.

"U.S. Offering" has the meaning set forth on the cover page of this Offering Memorandum.

"U.S. persons" has the meaning set forth on page 96 of this Offering Memorandum.

"VSM" means *Veces Salarios Mínimos*, and is the amount in pesos corresponding to one day of the general minimum wage in the Federal District of Mexico, as determined from time to time by the *Comisión Nacional de los Salarios Mínimos*, the National Minimum Wage Commission, multiplied by 30.4 days. As of December 31, 2010, the daily minimum wage was Ps.57.46 in metropolitan areas and Ps.54.47 in rural areas.

"Waterfall" has the meaning set forth on page 24 of this Offering Memorandum.

"we" has the meaning set forth on page iii of this Offering Memorandum.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN MEXICAN FRS, U.S. GAAP AND IFRS

Corporación GEO's Consolidated Financial Statements have been prepared in accordance with Mexican FRS, which differs in certain significant respects from U.S. GAAP and IFRS. Such differences might be material to the consolidated financial information contained in this Offering Memorandum. Corporación GEO has not made an attempt to identify or quantify the impact of those differences.

In making an investment decision, investors must rely on their own examination of the Issuer, the Trust Estate, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Mexican FRS, U.S. GAAP and IFRS, and how those differences might affect the financial information herein.

Set forth below is a description of certain differences between Mexican FRS, U.S. GAAP and IFRS that could be significant to Corporación GEO. This summary should not be taken as exhaustive of all differences between Mexican FRS, U.S. GAAP and IFRS.

Effects of Inflation

Through December 31, 2007, Mexican FRS required that effects of inflation be recorded in financial information and that such financial statements be restated to constant pesos as of the latest balance sheet date presented. Beginning January 1, 2008, new standards under Mexican FRS require companies to consider whether or not the environment they operate in is inflationary. An inflationary environment is one where cumulative inflation over the preceding three-year period is 26% or more, in which case, the effects of inflation need to be recognized; a non-inflationary environment is one where inflation is less than 26% in the same period, in which case, the effects of inflation are not recognized in the financial statements.

Based on the above, beginning January 1, 2008, financial information is presented in nominal pesos, such that inflationary effects are not recognized, nor is the financial information restated to constant pesos. . However, assets, liabilities and stockholders' equity include the comprehensive effects of inflation recognized through December 31, 2007.

The historical cost basis is generally required under U.S. GAAP.

IFRS requires recognition of the effects of inflation only in hyperinflationary economies, which is generally considered to be an economy with cumulative inflation of more than 100% over the preceding three-year period. The Mexican economy ceased to be considered hyperinflationary in 1999. IFRS 1, "First-time Adoption of International Financial Reporting Standards", allows for certain optional exemptions from retrospective application of other IFRS, for instance, as it relates to measurement of items of property, plant and equipment and the inclusion of inflation through an entity's first adoption of IFRS.

Revenue Recognition

Through December 31, 2009, revenues under Corporación GEO's sales of real estate were recognized using the percentage-of-completion method.

In December 2008, Interpretation of Financial Information Standards ("INIF 14"), "Construction Contracts, Sale of Real Estate and Rendering of Related Services," was issued by the Mexican Board for the Research and Development of Financial Information Standards ("CINIF") to complement Bulletin D-7, "Construction and Manufacturing Contracts for Certain Capital Assets." INIF 14 provides guidance with respect to the recognition of revenues, costs and expenses for all entities that undertake the construction of capital assets directly or through subcontractors.

INIF 14 requires entities to identify the components of construction contracts to determine if they contemplate the construction of real estate, the sale of real estate or the rendering of related services and establishes the rules for recognizing revenue and related costs and expenses in each instance. With respect to sales of real estate, INIF 14 permits recognition of revenue only when all of the following conditions are fulfilled:

- (i) the entity has transferred to the home buyer the control and significant risks and benefits of the property or ownership of the asset;
- (ii) the entity does not maintain any continuing involvement or participation with respect to management of the related asset, in the usual manner associated with the property, nor does it retain effective control of the asset sold;
- (iii) the amount of revenues can be estimated reliably;
- (iv) it is probable that the entity will receive the economic benefits associated with the transaction; and
- (v) the costs and expenses incurred or to be incurred related to the transaction can be estimated reliably.

INIF 14 is effective for all entities that enter into construction and related real estate sale agreements beginning January 1, 2010. The accounting changes arising from the initial application of this INIF, if any, are required to be recognized retrospectively. Accordingly, beginning January 1, 2010, and applied retrospectively to financial information for all periods presented, sales of real estate are recognized by Corporación GEO when risks and rewards of the property are transferred to the customer, which generally occurs when the sale contract is notarized and legal title has passed to the buyer.

Under U.S. GAAP, sales of real estate can only be recognized when a sale is consummated, a significant down payment is received, the earnings process is complete and the collection of any remaining receivables is reasonably assured. All such conditions are met at the time title passes to the buyer. The percentage-of-completion method for recognition of revenues is prohibited for real estate sales under U.S. GAAP.

Interpretation 15 of International Financial Reporting Interpretations Committee ("IFRIC"), establishes the recognition of revenues and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. IFRIC establishes that within a single agreement, an entity may contract to construct real estate, deliver goods and/or services or both. Accordingly, agreements need to be evaluated to determine the components contained therein and separated into those components as applicable. IFRIC 15 provides guidance with respect to determining if the agreement contains a construction contract, delivery of goods and/or services or both. When the agreement is for the construction of real estate, revenues are recognized when the following criteria have been met:

- The entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deferred Taxes and Employee Profit Sharing

Mexican FRS requires the recognition of deferred tax assets and liabilities using an asset and liability approach, similar to U.S. GAAP. However, Mexican FRS requires a net presentation of deferred tax assets and liabilities either as a non-current asset or long-term liability. Any deferred tax assets recorded must be reduced by a valuation allowance if it is "highly probable" that some portion or all of the deferred tax assets will not be realized.

In addition, during 2007, the Mexican Business Flat Tax ("IETU") Law was enacted, which became effective in 2008. Companies must determine whether they will be subject to regular Mexican income tax ("ISR") or

IETU and calculate and recognize deferred taxes based on such determination. When, based on its projections, a company determines that it will be subject to ISR in some years and IETU in others, the deferred tax asset or liability is recorded as the larger deferred tax liability or the smaller deferred tax asset.

Mexican FRS also requires the calculation of current and deferred statutory employee profit sharing. These amounts are included within other income and expense in results of operations.

U.S. GAAP also requires an asset and liability approach for financial accounting and reporting for income taxes. However, U.S. GAAP requires separate presentation of current and non-current income tax assets or liabilities, depending on the classification of the asset or liability to which the deferred tax item relates. Any deferred tax assets recorded must be reduced by a valuation allowance if it is "more likely than not" that some portion or all of the deferred tax assets will not be realized.

With respect to ISR and IETU, when an entity determines, based on its projections, that it will be subject to ISR in some years and IETU in others, it must apply a hybrid approach. This approach requires the scheduling of the reversal of temporary differences for both ISR and IETU to determine, by year, whether the applicable reversing temporary difference should be based on ISR or IETU. The corresponding deferred tax asset or liability is determined by applying the applicable rate to the temporary differences in each year.

With respect to statutory employee profit sharing, U.S. GAAP prohibits the recognition of net deferred statutory employee profit-sharing assets; liabilities can be recognized. Additionally, under U.S. GAAP, the provision for current and deferred employee profit sharing is included as an operating expense.

IFRS also requires the asset and liability approach when calculating deferred income taxes. However, deferred income tax assets are only recognized when it is "probable" that all or a portion of the deferred tax asset will be realized.

In addition, with respect to IETU, IFRS is similar to U.S. GAAP in that when a company's projections indicate that it will be subject to both IETU and ISR in the future, it is required to record deferred taxes in each year according to the regime it expects to pay in that year. Such methodology results in the recognition of a deferred tax asset or liability that includes both income tax and IETU effects.

IFRS does not permit the recognition of deferred employee profit sharing, whether an asset or a liability.

Consolidation

Under Mexican FRS, an entity should consolidate all subsidiaries over which it exercises control, based on corporate governance and economic risks and benefits despite not holding a majority of the voting common stock of the subsidiary.

Under U.S. GAAP, an entity should consolidate all subsidiaries in which it has a controlling financial interest represented by the direct or indirect ownership of a majority voting interest or the existence of other control factors, except for those subsidiaries in which control is temporary, or when the non-controlling interest holders have substantive rights that provide them the right to effectively participate in significant decisions that would be expected to be related to the investee's ordinary course of business.

IFRS requires an entity to consolidate those subsidiaries over which it exercises control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Associated Companies

Mexican FRS requires the use of the equity method whenever the investor is able to exercise significant influence. Significant influence is presumed to occur when the investor holds between 10% and 50% of the investee, unless the contrary is demonstrated. Significant influence can also be demonstrated with a holding of less than 10% if a specific set of requirements is fulfilled.

U.S. GAAP requires the equity method of accounting whenever the investor is able to exercise significant influence. Significant influence is presumed if the investor holds between 20% and 50% of the investee. A holding

of less than 20% leads to the presumption that the investor does not have the ability to exercise significant influence unless that ability can be demonstrated otherwise.

IFRS establishes that investments in associates should be accounted for using the equity method of accounting when significant influence exists. Significant influence is presumed to exist when the entity holds 20% to 50% of the investee, unless it can be clearly demonstrated that such investment does not constitute significant influence. In addition, investments of less than 20% can be accounted for using the equity method of accounting if the ability to exercise significant influence can be clearly demonstrated.

Joint Ventures

Under Mexican FRS, investments in joint ventures where the investor has shared control are allowed to be accounted for under the gross proportionate consolidation method.

Under U.S. GAAP, investments in joint ventures are generally accounted for under the equity method. Gross proportionate consolidation is allowed only within certain industries and under certain specified circumstances.

IFRS permits investments in joint ventures to be accounted for under the equity method or the gross proportionate consolidation method at the election of the entity.

Preoperating and Development Costs

Under Mexican FRS through December 31, 2008, preoperating and development costs that meet certain specific requirements are permitted to be capitalized and amortized over a period of time estimated to generate the income necessary to recover such expenses. With respect to preoperating costs, beginning January 1, 2009, any preoperating costs that are still being amortized must be offset against retained earnings; future preoperating costs will be expensed as incurred.

Under U.S. GAAP, all preoperating and development costs are expensed as incurred.

Under IFRS, certain development costs can be recognized as intangible assets only when the entity can demonstrate certain characteristics, including the technical feasibility of completing the intangible asset, the entity's intention, ability and availability of technical, financial and other resources to complete and sell or use the intangible asset, how the intangible asset will generate probable future economic benefits and its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized Financing Costs

Mexican FRS requires the capitalization of financing costs incurred on debt during construction. Financing costs capitalized include interest expense, foreign exchange gains and losses and monetary position gains generated by such financings. A company may consider the proportional financing costs incurred on debt specifically obtained to finance the construction, or it may calculate capitalizable interest by applying its average cost of borrowing to the balance of construction in-progress to determine the amount to be capitalized.

U.S. GAAP requires the capitalization of interest during construction on qualifying assets and does not allow the capitalization of foreign exchange gains and losses or monetary position gains. Additionally, U.S. GAAP requires that interest on all interest-bearing debt, not just specific new borrowings, during construction be capitalized as a part of the historical cost of acquiring the asset.

Beginning January 1, 2009, under IFRS entities are required to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. Borrowing costs include interest and other costs that an entity incurs in connection with the borrowing of funds, including interest calculated using the effective interest method, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Labor Obligations

Liabilities and costs related to pension plans, seniority premiums and severance payments are accounted in a similar manner under both Mexican FRS and U.S. GAAP. The primary difference is that Mexican FRS does not require recognition of the over- or under-funded status of a defined post-retirement plan as is required by U.S. GAAP as discussed below.

Under U.S. GAAP, the accounting for defined benefit post-retirement plans, which include seniority premiums within Mexico, was amended in 2006 such that an employer is required to recognize the over-funded or under-funded status of a defined benefit post-retirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position, recognizing changes in that funded status in the year in which the changes occur through other comprehensive income. Accordingly, unrecognized items may exist in Mexican FRS which are included as part of the employee benefit liability under U.S. GAAP.

Under IFRS, the accounting for pension plans and seniority premiums is similar to that of MFRS, except that IFRS offers additional options with respect to the amortization of certain items, including actuarial gains and losses. Additionally, with respect to severance payments, IFRS requires the recognition of a provision only when an entity has a present obligation as a result of a past event and certain other conditions are met, for which reason, severance payments are generally not provisioned for using actuarial calculations.

Statement of Cash Flows

Beginning January 1, 2008, new Mexican FRS standards require the presentation of a cash flow statement, using either the direct or indirect method, presented in nominal pesos.

U.S. GAAP also requires a statement of cash flows describing the cash flows provided by or used in operating, investing and financing activities, similar to that presented under Mexican FRS beginning January 1, 2008. Non-cash transactions are excluded from the statement of cash flows. Presentation of certain items differ between U.S. GAAP and Mexican FRS. For example, interest capitalized within qualifying assets is included within investing activities under U.S. GAAP but forms part of interest paid within financing activities within Mexican FRS. Additionally, Mexican FRS requires income taxes paid to be reconciled within operating activities, presenting actual income taxes paid. U.S. GAAP presents the change in the income taxes payable liability and only requires actual income taxes paid as a supplemental disclosure.

IFRS also requires a statement of cash flows describing the cash flows provided by or used in operating, investing and financing activities, similar to that presented under U.S. GAAP and MFRS beginning January 1, 2008. Non-cash transactions are excluded from the statement of cash flows. Additionally, classification of certain items within the operating, investing and financial activities sections of the statement of cash flow under IFRS may differ from that required by Mexican FRS and U.S. GAAP.

Impairment and Sales of Long-Lived Assets

Mexican FRS requires that all long-lived assets be evaluated periodically for potential impairment. The calculation of impairment losses requires the determination of the recoverable value of assets, which is defined as the greater of the net selling price of a cash-generating unit and its value in use, which is the present value of discounted future net cash flows. In addition, under certain limited circumstances, the reversal of previously recognized impairment losses is permitted. Any recorded impairment losses are presented in other expenses.

The gain or loss on sales of long-lived assets is recorded within other income (expense).

U.S. GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of an asset is not recoverable when the estimated future undiscounted cash flows expected to result from the use of the asset are less than the carrying value of the asset. The impairment loss is measured as the difference between the carrying value of the asset and its fair value. Any impairment loss recorded for an asset to be held and used establishes a new cost basis and, therefore, cannot be reversed in the future. Any recorded impairment losses are presented in operating expenses.

Gains or losses on sales of long-lived assets are recorded within operating income (expense).

Under IFRS, an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, an entity shall also test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually. An asset is considered impaired when its carrying amount exceeds its recoverable amount. Recoverable amount of an asset is the higher of fair value less costs to sell or the asset's value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. The reversal of previously recognized impairment losses is permitted except with respect to those recognized on goodwill.

Gains or losses on sales of long-lived assets are recorded within operating income (expense).

Recognition and Measurement of Provisions

Under Mexican FRS, provisions are recognized for current obligations that result from a past event, are likely to result in the use of economic resources and can be reasonably estimated. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation as of the balance sheet date. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities using the "expected value" method. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the liability. Provisions are discounted if the effect of the time value of money is material.

Under U.S. GAAP, an estimated loss from a loss contingency shall accrue by a charge to income only if information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements (it is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss) and the amount of loss can be reasonably estimated. If a range of estimates is present and no amount in the range is more likely than any other amount in the range, the minimum amount should be used to measure the liability. However, if any amount in the range is a better (more likely) estimate than other amounts in the range, that amount is used to measure the liability. Certain amounts recorded as provisions are not discounted.

U.S. GAAP also requires the recognition of a liability at the inception of certain guarantees for the fair value of the obligation taken in issuing the guarantee as well as requires specific disclosures regarding obligations under certain guarantees that it has issued.

Under IFRS, a provision shall be recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Contingent liabilities shall not be recognized but rather disclosed. The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. This may be the "most likely outcome" when analyzing a single obligation or an "expected value" when dealing with a large population of obligations.

Factoring

Under Mexican FRS, a risk and rewards approach is used to determine the appropriateness of derecognition of a financial asset. Under certain circumstances, derecognition may apply even when the asset is not transferred, but rather the entity has an offsetting obligation to pass through the cash flows of a particular asset.

Under U.S. GAAP, a control-based model is used in which each party to a transfer of financial assets recognizes or continues to recognize the assets that it controls, and derecognizes assets when control is surrendered.

Under IFRS, a risk and rewards and a test of control approach. An entity shall derecognize a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or it transfers the asset and the transfer qualifies for derecognition, based on the specific definitions of "transfer" and "derecognition" as contained in IFRS.

**ANNEX A
CORPORACIÓN GEO**

Corporación GEO's Business

Founded in 1973, Corporación GEO is one of the largest homebuilders in Mexico, based on revenues for 2010. Corporación GEO believes it is the leader in the Affordable Housing market segment, based on the number of its clients who receive INFONAVIT mortgages, according to publicly available information and internal estimates. To a lesser extent, Corporación GEO also participates in the Middle Income Housing and Residential Housing segments. Corporación GEO is a vertically integrated homebuilder engaged in the design, development, construction and marketing of single-family housing. Since its founding, it has built and sold more than 560,000 homes, and estimates that approximately 2.0 million people currently live in houses it has built. In 1994, Corporación GEO became the first Mexican homebuilding company to be publicly listed in Mexico (under the ticker GEOB-MX). As of December 31, 2010, Corporación GEO had a market capitalization value of Ps.24,878.8 million (approximately U.S.\$2,014.5 million).

Despite the 6.5% contraction of the Mexican economy in 2009, a 29% decrease in housing starts in 2009 compared to 2008, as well as the economic disruption caused by the A-H1N1 influenza virus, Corporación GEO's sales during 2009 and 2010 continued to grow. It believes this growth was primarily a result of its continued focus on Affordable Housing. Its total number of homes sold and revenues grew by 9.6% and 8.1%, respectively, in 2010 compared to 2009. Similarly, Corporación GEO's EBITDA and net income attributable to controlling interests increased by 8.9% and 9.2%, respectively, in 2010 compared to 2009. Corporación GEO believes this growth was facilitated by its ability to gain market share from smaller competitors, as construction financing for smaller homebuilders was substantially reduced during this time, and its execution capability, which stems in large part from its experienced management team. In addition, Corporación GEO's scale also affords it greater access to capital and long-term funding opportunities and allows it to build larger blocks of houses at a lower cost.

The following table summarizes Corporación GEO's number of homes sold, revenues, EBITDA and consolidated net income for the periods indicated.

	For the year ended December 31,			
	2008	2009	2010	CAGR(1)
	(millions of Ps., except Number of Homes Sold)			
Total Number of Homes				
Sold.....	41,811	51,177	56,093.0	15.8%
Revenue.....	14,613.7	17,713.2	19,154.4	14.5%
EBITDA.....	3,140.8	3,959.9	4,310.5	17.2%
Consolidated Net Income.....	1,025.5	1,450.8	1,677.9	27.9%

(1) CAGR from December 31, 2008 to December 31, 2010. CAGR is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

Corporación GEO believes it has a prudent financial capital structure, with a total debt to EBITDA ratio of 2.1 as of December 31, 2010, and a net debt (total debt less cash, cash equivalents and restricted cash) to EBITDA ratio of 1.6 as of December 31, 2010. Corporación GEO has maintained 58 consecutive quarters of positive net income. Furthermore, it believes that it has strong operational and financial controls.

Corporación GEO has focused on the Affordable Housing segment in Mexico, which it believes to be the largest and most stable segment of the Mexican housing industry for the following reasons:

Mexico's strong and consistent demand for Affordable Housing. There is a sizable target demographic that remains under-served due to an existing housing deficit in Mexico of approximately 8.9 million houses, according to SHF, which includes both those people who do not own a home and those living in substandard housing. Corporación GEO believes this deficit will continue due to the addition of approximately 530,000 new households each year.

Demand for Affordable Housing is supported by continued mortgage availability. Corporación GEO benefits from a significant supply of government-organized mortgages for its target markets that has been established through mandatory payroll contributions by employers on behalf of their employees. This has allowed

industry participants to rely less on capital markets or direct government funding. INFONAVIT and FOVISSSTE provided 447,481 and 100,082 mortgages, respectively, in 2009. INFONAVIT and FOVISSSTE surpassed their 2010 goals for mortgage originations with 475,072 and 91,050, respectively, for 2010.

Corporación GEO's industry is strategic for Mexico's economic development. The homebuilding industry plays a critical role in Mexico's development due to its size and its political and socio-economic importance. Corporación GEO and its competitors directly employ more than 3.3 million people, according to INEGI, making its sector an important component of Mexico's overall employment. In addition, the Affordable Housing segment is seen as directly addressing one of the key social welfare needs in Mexico: adequate housing.

Corporación GEO's Competitive Strengths

It is a leader in the Affordable Housing market. Corporación GEO's success in focusing on the Affordable Housing segment of the Mexican housing market is evidenced by its leading market shares in mortgages issued by INFONAVIT (8.2% as of December 31, 2010, based on its analysis of data provided by CONAVI). Mortgages issued by INFONAVIT and FOVISSSTE represented approximately 93.9% of the total amount lent in mortgages for new homes in Mexico in 2010, according to CONAVI, and this market historically has been resilient during economic downturns due to its reliance on payroll deductions for financing.

It has a strong track record of operating success and an experienced management team. Corporación GEO operates in a highly complex industry in which a large number of processes need to be coordinated simultaneously. It believes that due to its extensive experience and its recent system improvements, it has one of the lowest working capital cycles (149%, as of December 31, 2010) as a percentage of sales among its publicly traded industry peers. Corporación GEO believes it has a track record of achieving its financial targets, a management team with substantial experience in its industry and comprehensive corporate governance controls.

It maintains a superior brand recognition. With "CASAS GEO," Corporación GEO believes it operates one of the leading brands in its industry. It enjoys national name recognition, which is particularly important in its target segment, which includes a large percentage of the Mexican population. Corporación GEO believes it achieves high customer satisfaction through the most developed marketing channels in the industry and its reputation for quality and post-sales services. Recent surveys conducted in Mexico by *Estudios de Comunicación, Medios y Audiencias, S.A. de C.V. (Moctezuma y Asociados)* have shown that Corporación GEO has the most publicly recognized name in its industry; Corporación GEO is the "top of mind" leader, with 36% of respondents naming it first when asked to name a company in its industry and, when asked to name several companies in its industry, 57% of respondents included Corporación GEO in their response.

It benefits from large scale and nationwide operations. As one of the two largest homebuilders in Mexico by volume of homes sold, Corporación GEO believes it benefits from economies of scale, including a better negotiating position with suppliers, the ability to launch nationwide advertising campaigns, better access to land and enhanced relationships with financial institutions. It has also developed standardized procurement specifications, which allow it to reduce inventories and the cost of building materials, such as windows and doors, by reducing the number of different models used. It believes its nationwide presence reduces certain risks, such as exposure to local politics, by allowing it to shift its operations across multiple regions. Given that securing land and permits depends on local and municipal governments, Corporación GEO considers this an important differentiator.

It believes it is at the forefront of the modernization of the Mexican homebuilding industry through its ongoing focus on innovation. Corporación GEO introduced several important innovations to its industry and has recently embarked on the following initiatives:

- *Growing its land bank through joint ventures.* Corporación GEO believes it is one of the first companies to implement joint ventures to acquire land reserves, beginning with Prudential in 2003 and more recently with Sólida in 2006. In June 2009, it signed an additional fully funded U.S.\$545 million phase of the Prudential joint venture, increasing the total joint venture value to approximately U.S.\$1 billion. Corporación GEO's joint ventures are designed to grow its land bank while decreasing its own risk and working capital requirements, and it believes that its experience with Prudential and Sólida provides benefits in discussions with other strategic partners, and enables it to buy larger blocks of land more cost effectively.

- *Entering the Macroprojects market.* In 2006, Corporación GEO entered the new "Macroprojects" market. Macroprojects are six government-supported developments, which total approximately 31,450 hectares of land. They include industrial areas and urban services (such as parks, recreational and neighborhood centers, waste management and sustainable water systems, and transportation systems), and are expected to be developed in stages over the next 10 to 12 years. Corporación GEO is one of the partners of the Mexican government in developing the Zumpango Macroproject (which is the first and largest Macroproject, and will have up to 120,000 homes), and it has already sold approximately 30,000 homes in Zumpango. It believes there are two primary advantages of participating in the Macroprojects market: the infrastructure financed by the Mexican government facilitates sales, and the required licenses and permits are substantially easier to obtain due to the strong support of the Mexican government.
- *Development of GEO Fácil.* Corporación GEO developed the "GEO Fácil" program together with its financial partner, Allianz Fónдика, S.A. de C.V. ("Allianz"), to assist clients who do not meet all of the traditional requirements to obtain an INFONAVIT or FOVISSSTE mortgage (in particular, people who are not traditional wage earners). Through this program, potential clients enroll in a savings program with Allianz in order to establish proof of income so that they can qualify for a mortgage from participating Mexican financial institutions. GEO Fácil allows Corporación GEO to give more people access to its products without compromising its eligibility criteria, and, as a result, it believes this program will increase the number of potential clients in its target market.
- *Implementing Project Alpha, a fully automated production facility for housing components.* Launched in 2007, Project Alpha consists of a standardized manufacturing line of key structural components of a house, which are then assembled on site. This facility is customized to Corporación GEO's needs and implements best practices. Upon completion, Corporación GEO believes that Project Alpha will reduce building and delivery time by approximately 30% and as a consequence improve Corporación GEO's working capital cycle. It expects each Project Alpha plant to be able to produce 10,000 houses per year. Project Alpha targets areas with a large demand for housing. Consequently, as of May 2010, Corporación GEO began operations at its Project Alpha plant in Baja California, which is one of its largest markets. It is also currently operating a Project Alpha facility in Mexico City that it expects to expand in the future. Finally, it is planning the development of two additional Project Alpha facilities in Jalisco and Nuevo Leon. The technology used in Project Alpha has been used in Europe for several years, and Corporación GEO believes it is the first company to successfully implement it in the Americas, with two testing facilities that have produced approximately 1,000 homes.
- *Initiating GEO Más.* In 2009, Corporación GEO began an initiative known as GEO Más under which it seeks to increase the value of the homes it sells. Through GEO Más, Corporación GEO is beginning to offer larger homes, more appliances and more outdoor space without increasing its prices, but also without reducing its margins. Corporación GEO believes that this initiative should result in an improved quality of life for its customers and a higher resale value for the homes that they purchase.

Corporación GEO's Five Step Strategy

Approximately four years ago, Corporación GEO adopted a new strategy of focusing on the Affordable Housing segment of the housing market. In order to align its business with this strategy, Corporación GEO manages its business as a value chain comprised of five key components. It focuses on achieving the best value for its clients as well as optimizing cost management and capital usage in each link of its value chain. Its main goals are customer satisfaction and achieving the highest level of service for its clients, both before and after the sale of a home. Corporación GEO continuously aims to monitor, align and improve its processes and to seek new solutions through an innovative approach. It believes its innovative approach is demonstrated by its initiatives such as joint ventures for land bank acquisitions, the "GEO Fácil" program, a comprehensive commercial strategy, its post-sales programs (including the formation and organization of local community boards for its developments) and financing aid for clients. Corporación GEO's commitment to innovation is also evidenced by Project Alpha, which is expected to improve its production efficiency. Corporación GEO believes that it was among the first in its industry to implement these initiatives and similar technologies. In order to accomplish Corporación GEO's aims, it implemented a strategy that consists of the following five main goals:

Development, Planning and Land Sourcing. Joint ventures enable Corporación GEO to acquire larger land parcels and benefit from the appreciation of land values around its developments once core infrastructure has been constructed. In July 2009, it announced a new phase in its joint venture with Prudential that targets the development

of Macroprojects. This U.S.\$545 million phase is already fully funded. In addition, Corporación GEO acquired land directly through its subsidiaries and through option agreements with land owners. As of December 31, 2010, its land bank reserve totaled Ps.6,072.1 million and it had a land bank of homes to be developed and collected totaling 387,904 homes, which it estimates is sufficient for five years of development. On July 15, 2010, Corporación GEO announced a Ps.2.4 billion (U.S.\$190.5 million) development (the Hacienda Margarita development) in Mexico's Hidalgo state, which will see the construction of some 9,000 affordable homes.

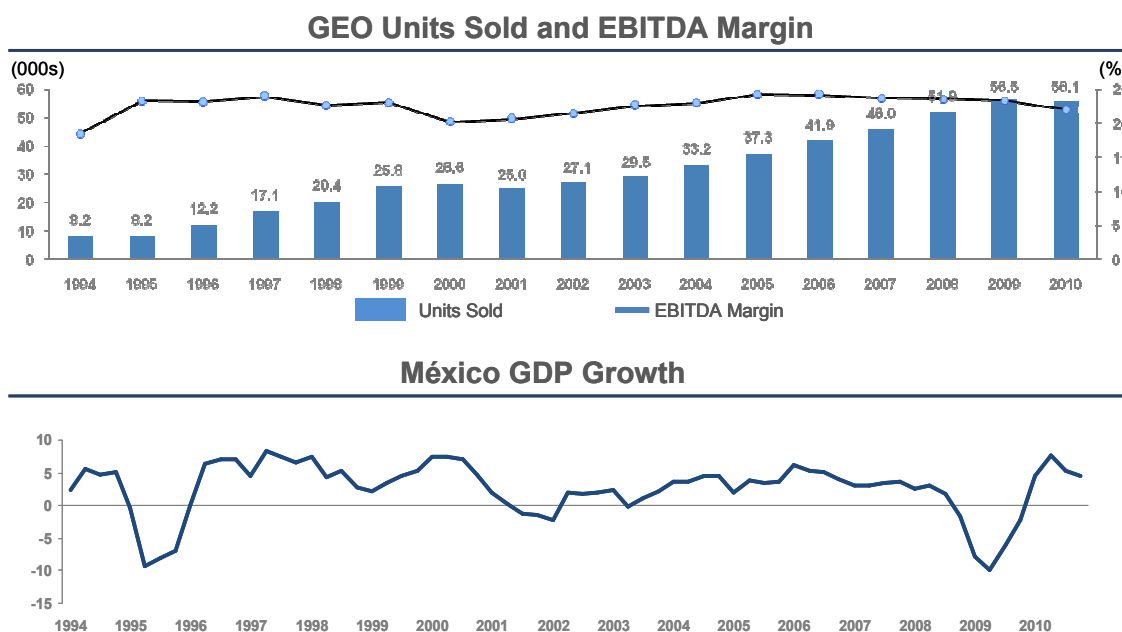
Commercialization: "Go to the client." Corporación GEO's penetration strategy is highly focused on its target customers, and it has introduced the concept of "Tiendas GEO." These are stores that are strategically located throughout Mexico, generally in locations with high pedestrian traffic that are frequented by its target group of clients. As of December 31, 2010, Corporación GEO had 22 of these centers, and it plans to increase this number to 37 by the end of 2011. Corporación GEO estimates that approximately 25% of its sales for the year 2010 were generated through "Tiendas GEO." Corporación GEO also expanded its client base to include individuals who are not traditional wage earners through its "GEO Fácil" program. It is focused on providing the best housing product possible and it offers add-on products such as furniture, triple play media services and self-storage through its subsidiaries K-BE and Equipa-T and its partner Telecapital. Corporación GEO initiated a nationwide advertising campaign to further strengthen its brand.

Production. Through its "GEO 200" initiative, Corporación GEO developed, together with Oracle, an Enterprise Resource Planning System ("ERP system") that has standardized processes further, reduced costs and improved internal communication across its company. This system provides Corporación GEO with real-time information, giving it increased control over its operations. Over the past four years, it has invested Ps.362.4 million in information technology, and it intends to continue to streamline its operational and production efficiencies in the future. Corporación GEO is further improving its production efficiency with its "House Factories" project. The House Factories project focuses on its existing production facilities and targets a more efficient and rapid completion and delivery of the houses it produces. In addition to these efficiency programs, Corporación GEO implemented Project Alpha, as described above, which specifically targets high density areas and should reduce its required capital expenditures per house.

Emphasis on Collections/Titling and Cash Flow. Corporación GEO developed new techniques that have reduced the time between the initial sale of a home and the titling of the home in the client's name (which is required before the proceeds from the sale can be disbursed to us). Its strategy is to moderate sales volume growth in order to prioritize free cash generation. Its cash and cash equivalents as of December 31, 2010, was Ps. 2,228.4, a decrease of 34.3% from Ps.3,393.4 million available at December 31, 2009. This decrease is primarily due to the payment of certain short-term debt.

Post-Sale Service. Corporación GEO's "Bienestar" program is a unique approach in post-sales services that assures the clients that the development and house they move into will be maintained and security standards will be kept. This is an important part of its strategy as it translates into a sustained high quality of life for its clients and also into a long-term increase in the value of their home. Corporación GEO believes that its high referral rates are a reflection of the success of this strategy.

The following chart shows Corporación GEO's historical performance compared to the growth of the Mexican economy between the year 1994 and 2010:



Source: Banco de México

Note: For purposes of comparability, the calculations of units sold and EBITDA margin as of January 1, 2010 used to prepare this table reflect the application of INIF 14, and thus, is not comparable to prior periods. See "Selected Consolidated Financial and Other Information of Corporación GEO – Significant Changes in Mexican FRS."

Activities

Currently, Corporación GEO's principal activities include: (a) land acquisition through outright purchase or land outsourcing; (b) procurement of required permits and licenses; (c) installation of all infrastructural improvements required for each housing development; (d) designing, constructing and marketing housing developments; (e) assisting potential home buyers in obtaining mortgage financing from housing agencies; (f) conveyance of title; and (g) post-sale services such as the processing of any complaints or claims by the client, the organization of condominium associations within each development, the delivery of common areas within each development to the condominium associations and community training and related services.

In a typical housing development, Corporación GEO undertakes socioeconomic studies at the outset of the project to determine housing demand and identify land purchasing or land outsourcing opportunities. Once a particular site is identified, it often enters into option arrangements with the land owner for purchase of the land at a future date. It then commences obtaining the necessary permits and licenses for building homes on the site. Once all of the licenses and permits are assured or are in place, it decides whether it will acquire the site by either paying cash or utilizing, in whole or in part, seller financing, land credits from a financial institution or one of its land outsourcing programs. Increasingly, Corporación GEO has sought strategic partners to acquire the land through its land outsourcing program.

The next step in the development process requires Corporación GEO's design and technical teams to create the design and technical specifications for the development, including all of the homes, clusters, commercial areas and recreational, medical and educational facilities, which form part of the development process. In addition, Corporación GEO begins the process of receiving commitments from commercial banks, Sofoles or Sofomes to provide the necessary bridge loan financing for the project. It also completes the process of obtaining mortgage financing commitments from the housing agencies for its potential customers. Once obtained, it then finalizes and commits for the construction financing. See "—Corporación GEO's Business—Operations—Assisting Buyers with Mortgage Financing."

As infrastructure development commences, Corporación GEO begins to draw upon the construction financing in proportion to the stage of the development process it has achieved. Typically, marketing and sales activities for a project are initiated prior to construction by assisting prospective buyers through the application and

qualification process for mortgage financing. When a customer is approved for a mortgage, from either a governmental or a private financial institution, Corporación GEO enters into a sales contract with the customer and generally collects a cash down payment from the customer. See "—Management's Discussion and Analysis of Financial Condition and Results of Operations of Corporación GEO." Construction of the project is undertaken in clusters and initiated in phases depending on the number of homes sold in order to minimize its cost of financing and construction risk.

As clusters are completed and delivered and title is transferred to buyers, it collects from the housing agencies or financial institutions on behalf of its customers, with proceeds of each home buyer's mortgage loan used to repay bridge loan financing and land outsourcing arrangements.

Corporación GEO intends to continue to decrease development costs and capital requirements through its "House Factories" approach. The goal of this program is to reduce working capital requirements by establishing levels of development according to the demand for homes, thereby minimizing the time between completion of construction and payment from mortgage providers.

Projects. As of December 31, 2010, Corporación GEO's management estimates that it had 100 projects under development in the states of Mexico, Morelos, Querétaro, Jalisco, Guerrero, Veracruz, Puebla, Tampico, Nuevo Leon, Tamaulipas, Coahuila, Durango, Baja California and the Federal District. It expects to complete these projects during 2011.

Operations

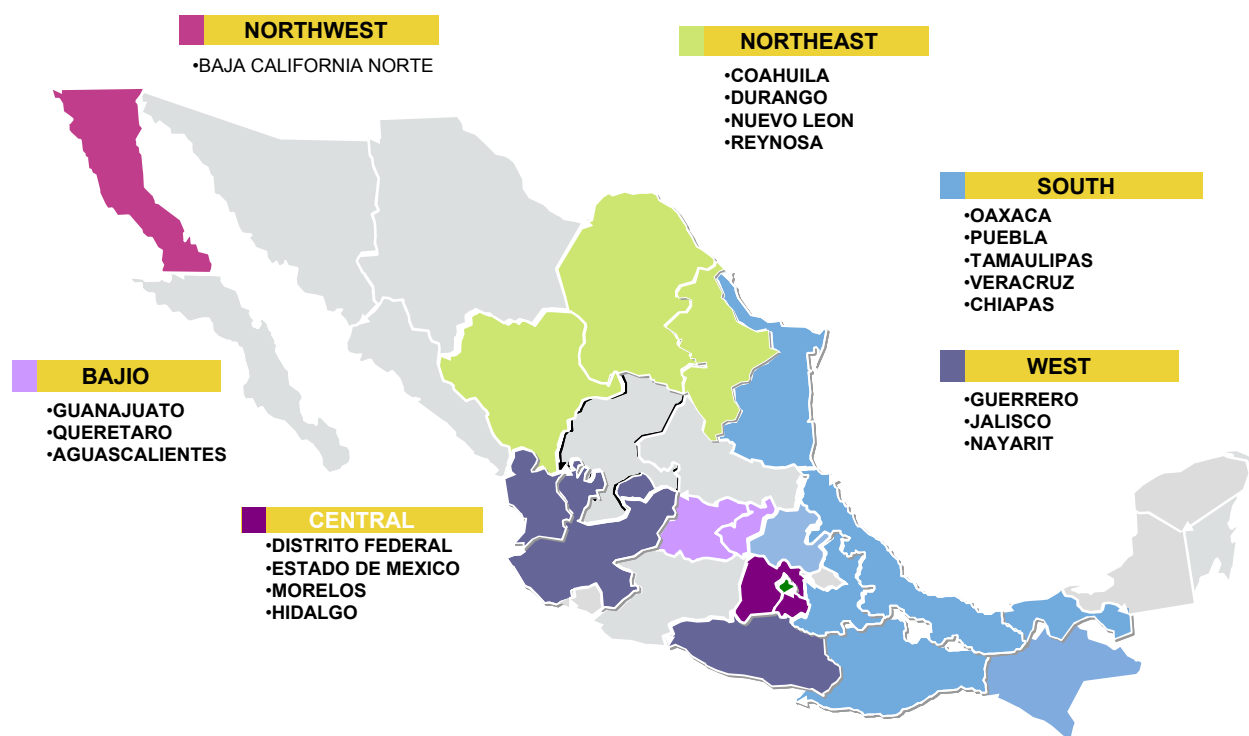
Organization. GEO is a holding company that operates across 20 states in Mexico, including the Federal District (Mexico City), through 35 consolidated subsidiaries, of which 32 are wholly owned and it holds between 98% and 99% of the equity of the other three. Of the 32 wholly owned subsidiaries, only those that operate as developers and promoters that are deemed to be GEO Subsidiaries, as provided in this Offering Memorandum and the Transaction Documents, are listed in the table below. These entities account for substantially all of its operations, including 98.6% of its total revenues in 2010 and 99.0% of its total assets as of December 31, 2010.

Subsidiaries	State(s) of Operation	Homes Sold for the Year Ended December 31, 2010	% of Total Homes Sold
GEO del Noroeste, S.A. de C.V.	Baja California California Sur	4,797	8.6%
GEO Hogares Ideales, S.A. de C.V.	State of Mexico	8,426	15.0%
GEO Edificaciones, S.A. de C.V.	State of Mexico	8,463	15.1%
GEO Guerrero, S.A. de C.V.	Guerrero	4,343	7.7%
GEO Jalisco, S.A. de C.V.	Jalisco, Nayarit	3,624	6.5%
GEO Veracruz, S.A. de C.V.	Veracruz	4,738	8.4%
GEO Casas del Bajío, S.A. de C.V.	Querétaro	3,843	6.9%
GEO Tamaulipas, S.A. de C.V.	Tamaulipas	4,390	7.8%
GEO Monterrey, S.A. de C.V.	Nuevo León	4,175	7.4%
GEO Morelos, S.A. de C.V.	Morelos	4,069	7.3%
GEO Noreste, S.A. de C.V.	Coahuila, Durango	956	1.7%
GEO Puebla, S.A. de C.V.	Puebla	3,095	5.5%
GEO D.F., S.A. de C.V.	Federal District	77	0.1%
GEO Urbanizadora Valle de las Palmas, S.A. de C.V.	Guanajuato	47	0.1%
Promotora Turística Playa Vela, S.A. de C.V.	Nayarit, Jalisco	1,050	1.9%
Total Number of Homes Sold		56,093	100%

Source: Corporación GEO

In July 1998, Corporación GEO formed a partnership with Ingenieros Civiles Asociados S.A. de C.V., one of the largest construction companies in Mexico, to expand its presence in Mexico City through development of vertical condominiums. It holds 50% of this company, GEOICA, S.A. de C.V., which currently has two projects under development in Mexico City with a total of 566 houses.

The map below shows Corporación GEO's geographic markets, which consist of the *Noroeste* (Northwest), *Noreste* (Northeast), *Oeste* (West), *Central* (Central), *Sur* (Southern) and *Bajío* (Bajío) regions of Mexico:



Source: Corporación GEO

Each operating subsidiary conducts the full range of development activities in its respective region. However, Corporación GEO's executive committee, which is comprised of its senior executive officers together with its senior management, is responsible for (a) authorizing all land acquisitions and development projects; (b) relations with the Mexican government and all sources of mortgage and other financing, including SHF, FOVISSSTE and INFONAVIT, private sector banks and financial institutions; (c) allocating resources and purchasing fixed assets; and (d) authorizing all transactions for the supply of raw materials and construction services. In addition, all of Corporación GEO's planning and budgeting systems and internal auditing and legal procedures, among other functions, are centralized through its corporate headquarters located in Mexico City.

The following is general corporate information for certain subsidiaries of Corporación GEO:

- GEO Baja California, S.A. de C.V., is a stock corporation organized on September 12, 1985, under the laws of Mexico with its principal executive offices located at Misión San Javier 10661, interior 6A Colonia Zona Río C.P. 22320, Tijuana, Baja California, and with an indefinite corporate life according to its by-laws;
- GEO Casas del Bajío, S.A. de C.V., is a stock corporation organized on April 14, 1989, under the laws of Mexico with its principal executive offices located at Avenida Ignacio Zaragoza Poniente 280, Colonia Centro C.P. 76000, Querétaro, Querétaro, and with an indefinite corporate life according to its by-laws;
- GEO D.F., S.A. de C.V., is a stock corporation organized on March 3, 1989, under the laws of Mexico with its principal executive offices located at Av. Revolución 1586, Colonia San Angel C.P. 0100, Mexico, D.F., and with an indefinite corporate life according to its by-laws;

- GEO Edificaciones, S.A. de C.V., is a stock corporation organized on July 4, 1973, under the laws of Mexico with its principal executive offices located at Av. Revolución 1586, Colonia San Angel C.P. 01000, Mexico, D.F., and with an indefinite corporate life according to its by-laws;
- GEO Guerrero, S.A. de C.V., is a stock corporation organized on March 28, 1985, under the laws of Mexico with its principal executive offices located at Rotonda 24, Colonia Fraccionamiento Club Deportivo C.P. 39690, Acapulco, Guerrero, and with an indefinite corporate life according to its by-laws;
- GEO Hogares Ideales, S.A. de C.V., is a stock corporation organized on January 23, 1980, under the laws of Mexico with its principal executive offices located at Avenida Revolución 1586, Colonia San Angel C.P. 01000, Mexico D.F., and with an indefinite corporate life according to its by-laws;
- GEO Jalisco, S.A. de C.V., is a stock corporation organized on March 19, 1985, under the laws of Mexico with its principal executive offices located at Avenida Americas 1254, Colonia Country Club C.P. 44637, Guadalajara, Jalisco, and with an indefinite corporate life according to its by-laws;
- GEO Noreste, S.A. de C.V., is a stock corporation organized on March 9, 1987, under the laws of Mexico with its principal executive offices located at Avenida Allende 295, Oriente Colonia Centro C.P. 27000, Torreón, Coahuila, and with an indefinite corporate life according to its by-laws (previously operating under the name of GEO Laguna, S.A., de C.V.);
- GEO Monterrey, S.A. de C.V., is a stock corporation organized on June 16, 1986, under the laws of Mexico with its principal executive offices located at Adolfo Ruíz Cortines 576, Colonia Industrial las Américas CP 67128, Guadalupe, Nuevo León, and with an indefinite corporate life according to its by-laws;
- GEO Morelos, S.A. de C.V., is a stock corporation organized on March 2, 1985, under the laws of Mexico with its principal executive offices located at Av. Palmira 104, Colonia Palmira C.P. 62490, Cuernavaca, Morelos, and with an indefinite corporate life according to its by-laws;
- GEO del Noroeste, S.A. de C.V., is a stock corporation organized on June 12, 2006, under the laws of Mexico with its principal executive offices located at Misión San Javier 10661, interior 6A Colonia Zona Río C.P.22320, Tijuana, Baja California, and with an indefinite corporate life according to its by-laws;
- GEO Puebla, S.A. de C.V., is a stock corporation organized on May 28, 1984, under the laws of Mexico with its principal executive offices located at Boulevard Atlixco 902 esq. 9 Poniente, Colonia La Paz C.P. 72160, Puebla, Puebla, and with an indefinite corporate life according to its by-laws;
- GEO Tamaulipas, S.A. de C.V., is a stock corporation organized on March 20, 1985, under the laws of Mexico with its principal executive offices located at Avenida Hidalgo 2501, Colonia Reforma C.P. 89140, Tampico, Tamaulipas, and with an indefinite corporate life according to its by-laws;
- GEO Urbanizadora Valle de las Palmas, S.A. de C.V., is a stock corporation organized on March 20, 1998, under the laws of Mexico with its principal executive offices located at Boulevard Adolfo Lopez Mateos 1018, Colonia Centro C.P. 38060, Celaya, Guanajuato, and with an indefinite corporate life according to its by-laws;
- GEO Veracruz, S.A. de C.V., is a stock corporation organized on September 30, 1981, under the laws of Mexico with its principal executive offices located at Boulevard Manuel Avila Camacho 3855, Fraccionamiento Costa Verde y Mar Adriatico C.P. 94294, Boca del Río, Veracruz, and with an indefinite corporate life according to its by-laws; and

- Promotora Turística Playa Vela, S.A. de C.V., is a stock corporation organized on September 18, 1987, under the laws of Mexico with its principal executive offices located at Rotonda 24, Colonia Fraccionamiento Club Deportivo C.P. 39690, Acapulco, Guerrero, and with an indefinite corporate life according to its by-laws.

Copies of all of the above subsidiaries' statutory documents are available free of charge at Corporación GEO's principal office.

Access to Land, Land Inventory and Land Outsourcing. Corporación GEO implemented a land acquisition strategy designed to decrease working capital requirements by entering into strategic arrangements with landowners and other investors for the acquisition of real property so that just a small percentage of funds is required from Corporación GEO. The strategy seeks to improve operating free cash flow by reducing property inventory costs, mitigating the risk of ownership of undeveloped land and allowing it to pay for the land at a pace that better matches its receipt of cash proceeds from the sale of homes. It is Corporación GEO's objective to control, at all times, a land bank sufficient to meet anticipated project requirements for not less than five years of expected development. Corporación GEO's land bank consists of owned land, land obtained through outsourcing arrangements and investment funds and land that may be acquired through option agreements.

Corporación GEO recognizes that access to land is fundamental to the housing industry and has therefore implemented a land outsourcing initiative to reduce its capital requirements. This strategy involves acquiring land through strategic partnerships with a minimum initial outlay of funds. It typically begins a land outsourcing arrangement by conducting extensive market research to determine whether a particular parcel of real property should be purchased. Once Corporación GEO determines that it is desirable to purchase land in a land outsourcing arrangement, the property owner or an investor who invests in the project or the land agrees to transfer the land to an independent trust and further agrees to not receive payment for the land until Corporación GEO receives payment from its customers for homes sold on the designated parcel. Before the start of construction, Corporación GEO acquires all necessary licenses and permits and develops the property according to its strategic development plan. It pays for the land as a fixed percentage of sales after collection. Corporación GEO typically builds developments in areas that are not yet highly developed. Due to the infrastructure it builds there, the price of surrounding land often increases. Therefore, it is beneficial for Corporación GEO to purchase large parcels of land at once, in order to benefit from these price increases. For that reason, Corporación GEO has begun to outsource land purchases through joint ventures.

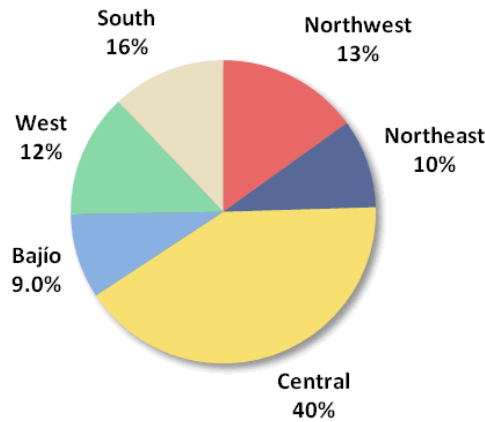
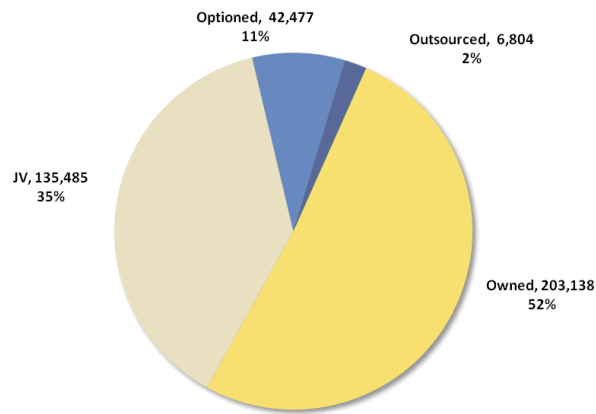
For purposes of land outsourcing, Corporación GEO has formed strategic alliances and has entered into outsourcing agreements with Prudential and Sólida, a subsidiary of Grupo Financiero Banorte, one of the largest private commercial banks in Mexico. Corporación GEO's obligation under these outsourcing agreements is to present potential development projects to Prudential and Sólida for their approval. In turn, Prudential and Sólida fund the approved projects and provide Corporación GEO with a right of first refusal to purchase the land acquired by Prudential or Sólida to further the project. The strategy seeks to improve operating free cash flow by reducing property inventory costs and working capital requirements, mitigating the risk of ownership of undeveloped land and allowing Corporación GEO to pay for the land at a pace that better matches its receipt of cash proceeds from the sale of homes. Corporación GEO believes that its land outsourcing will enable it to control property in strategic areas and, together with other land acquisition activities, allow it to maintain adequate real property reserves to cover regional needs for not less than five years of developments.

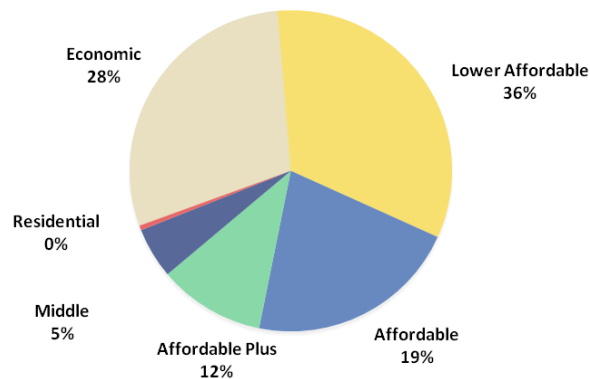
Corporación GEO's outsourcing agreement with Prudential (the "Residential Investment Program") established an investment program for developing real estate projects that includes, among other activities, the purchase of land, the construction of homes in the Affordable Housing segment, and the development of shopping malls. The program's structure includes the creation of trusts established under the laws of the State of New York (the "NY Trusts"), whose principal participants are Corporación GEO, Prudential and other institutional investors. Phase One of the program consisted of contributions from investors in a total amount of U.S.\$175 million and Phase Two in a total amount of U.S.\$280 million. In June 2009, Corporación GEO entered into Phase Four of the program, which consists of total contributions of U.S.\$545 million into the NY Trusts. Corporación GEO's participation in the Residential Investment Program allows it to exert significant influence on the projects, but not control them. As Corporación GEO holds a minority interest in the NY Trusts, they are accounted for under the equity method within its Consolidated Financial Statements.

As of December 31, 2010, Corporación GEO's land bank reserve totaled Ps.6,072.1 million, compared with Ps.4,900.8 million as of December 31, 2009 and Ps.4,537.4 million as of December 31, 2008. As of December 31,

2010, Corporación GEO has a land bank of homes to be developed and collected totaling approximately 387,904 homes, through a combination of owned land, land outsourcing, optioned land and joint ventures. With this, it controls a land bank equivalent to five years of development assuming a constant annual growth in units with a low financial cost and limited ownership risk. Corporación GEO has developed internal procedures for determining the suitability of land it intends to acquire, or control through other arrangements, for future development. Corporación GEO undertakes market research to determine regional demand for houses in the Affordable Housing segment. Each operating subsidiary is responsible for evaluating potential land pursuant to, among other things, the following criteria: (a) light, drainage and water feasibility studies; (b) highway access; (c) urban and environmental impact studies; (d) density level, soil studies and water supply; and (e) lack of encumbrances upon the land. In addition, the process of land acquisition includes: (i) access to necessary infrastructure and utilities; (ii) topographical and geotechnical suitability to housing development; and (iii) the existence of government licenses and development at the desired level of density and acquisition terms permitting the sale of homes at prices within the limits of financing made available by INFONAVIT, FOVISSSTE, SHF or other institutions providing mortgage financing. Each potential property is also subject to a financial review to determine whether the proposed development will meet Corporación GEO's financing criteria. Each proposed acquisition, option agreement or outsourcing initiative is submitted to Corporación GEO's executive committee for final approval. Its executive committee will only approve a purchase after determining that it will be able to obtain from the relevant local authorities all licenses and permits necessary to undertake the proposed development.

Corporación GEO's existing land bank is structured as follows as of December 31, 2010:





Source: Corporación GEO

Design. The building designs Corporación GEO uses for its homes have been developed internally through computerized design systems. One of its main objectives has been and continues to be the reduction of construction time without any adverse impact on cost. It has diverse prototype homes that can be customized to the various needs of a given region or market. A typical housing development has four different family prototypes, and consists of 400 to 15,000 homes.

Corporación GEO currently bases its designs for housing projects on modular design and construction systems and principles. These allow Corporación GEO to maximize the number of town home units (usually two-story) that may be constructed in a specified area. The construction systems are designed to control scheduling, costs and construction quality throughout the different phases of a housing project's development. The most common town home units it builds and sells have a minimum of two bedrooms, one bathroom, one common living space and an adjacent kitchen area, and are built in clusters averaging 40 to 60 units, with each cluster having a central, assigned green space, parking spaces and a security system. In addition, housing developments have commercial areas and recreational, medical and educational facilities. This design promotes maintenance and care of common areas and appeals to what Corporación GEO believes is the market preference for horizontal development as opposed to high-rise structures. In addition, individual homes are built with flexible interior arrangements that may be adjusted based on the needs of a family and may be expanded up to five rooms by the owner through structural additions undertaken with Corporación GEO's guidance.

Furthermore, Corporación GEO believes that an important element in the future of the housing industry in Mexico will be the generation of added value within housing developments. Corporación GEO has been distinguishing itself from its competitors through its design of open-air areas such as gardens, entertainment areas, services and shopping facilities, and it has also developed a service program to promote organized communities and the maintenance of the urban image within each of its developments.

Corporación GEO believes that its comprehensive design and planning system, which significantly reduces the cost of its homes, constitutes one of its most significant competitive advantages in the Affordable Housing market.

Awards. Corporación GEO and its senior management have been awarded various national and international awards. In 2010, it won five (5) different awards in recognition of the quality and innovative design of its developments. These awards included:

- (a) the National Housing Award, presented by the Minister of Social Development, which Corporación GEO won for the eight consecutive year;
- (b) the Socially Responsible Company Award, granted by the Mexican Center for Philanthropy, for the fifth consecutive year, in recognition of integrating socially responsible practices within its strategy and business culture, maximizing the positive impact of its commercial activities to meet clients' expectations and benefiting the communities where it operates;

- (c) the award granted by INFONAVIT for generating the highest number of mortgages in 2009, for the second consecutive year;
- (d) the "Stars to Save Energy" award, presented by the Alliance to Save Energy, for environmentally-friendly initiatives taken in the homebuilding sector that result in economic and environmental benefits; and
- (e) an award in the category of "Work Environment," presented by Obras Cemex, to GEO D.F.

In 2009, it won seven different awards in recognition of the quality and innovative design of its developments. These awards included:

- (a) three awards in the category of "Urban Integration," among which included awards for its developments in Las Garzas (State of Morelos), Santa Teresa (State of Mexico) and Villas Palmira (State of Queretaro); and
- (b) three awards in the "Best Executed Development" category, which included Las Torres in Saltillo, Coahuila for best accessibility; Paseos de San Juan in Zupango, Mexico for conservation; and Residencial San Carlos in Puebla for integral solutions.

In 2008, Corporación GEO received two awards presented to GEO Casas del Bajío, S.A. de C.V., one for its quality and control procedures and a service award for its quality management system, and it was given an award by INFONAVIT for generating the highest number of mortgages for the year. This recognition highlights its leadership among the most important housing institutions in Mexico. In 2008, it generated a record 31,395 mortgages in the lower income segment of the market—28% more than its closest competitor.

Corporación GEO has obtained three separate ISO 9001:2000 certifications. With respect to investor relations, Corporación GEO, S.A.B. de C.V. received this certification in 2006. GEO Casas del Bajío, S.A. de C.V. received ISO certification in 2008 for its Quality Management System. GEO Morelos, S.A. de C.V. received this certification with respect to Sales, Deeding, Post-Sales Service, Marketing and Customer Service in 2009.

Assisting Buyers with Mortgage Financing. Although Corporación GEO does not provide purchase money financing to its customers, it does assist its clients in the mortgage procurement process. As of December 31, 2010, approximately 97.4% of its revenues were from customers who relied on mortgage financing provided by INFONAVIT, FOVISSSTE, SHF or co-financings of these governmental agencies with private financial institutions. Corporación GEO is dedicated to developing creative financing solutions in order to increase home sales and permit individuals who would otherwise be unable to obtain financing to acquire one of its homes.

During 2010, of the total mortgages granted by Corporación GEO for the purchase of housing units, 95% were granted by INFONAVIT and FOVISSSTE and the remaining 5% were granted by other financial institutions, which include mainly private banks and Sofoles and Sofomes, according to CONAVI.

Corporación GEO believes that, in addition to the above, a significant portion of the Mexican Affordable Housing market is composed of individuals who participate in the "informal" economy and who could purchase homes in the Affordable Housing segment, but do not have the necessary documentation or formal affiliations to obtain a mortgage loan from existing lenders such as SHF, FOVISSSTE or INFONAVIT. To increase the sales to this segment, it launched "Credigeo" in 2004 to make strategic alliances with the main mortgage suppliers. Since its creation, Credigeo has granted 45,474 mortgages with banks and non-bank lenders, known as Sofoles and Sofomes.

In addition, through other alliances made with banks, Sofoles and Sofomes, Corporación GEO has improved the mortgage loan conditions for its clients through lower rates and lower credit commissions than those banks, Sofoles and Sofomes would have given to such clients in the open market. This represents an important competitive advantage and an added value to its clients.

At the end of 2008, Corporación GEO launched "GEO Fácil," a savings program scheme created with Allianz, a certified financial institution backed by SHF that grants savings and creditworthiness certificates to potential clients. "GEO Fácil" is aimed at employees in the formal and informal sector who want to buy a home, but cannot make a down payment, have no formal means to prove personal income, and do not meet all of the traditional requirements to obtain an INFONAVIT or FOVISSSTE mortgage. Many of these workers are first-time home buyers whose standard of living would be substantially improved by the purchase of one of its homes; Corporación GEO believes that clients such as these have a strong incentive to obtain a home and keep their mortgage payments

current. As an alternative to a traditional proof of income, such as pay stubs or other documentation, GEO Fácil allows clients to prove their disposable income level through their savings activity over several months in order to obtain a mortgage. This venture between Corporación GEO and Allianz reaffirms its commitment to Mexican families, especially those with low incomes, by offering innovative options to access the credit required to buy a home.

In those cases where Corporación GEO has received a prior commitment from INFONAVIT, FOVISSSTE, SHF and/or a private financial institution, it locates potential eligible clients to assist them in procuring their mortgages.

Marketing and Sales. Corporación GEO markets its homes through a marketing staff who are employed by the marketing departments of its subsidiaries and compensated on a salary-plus-commission basis. Sales personnel are trained by GEO and attend periodic meetings where they are updated on sales techniques, competitive products in the relevant market, the availability of mortgage financing, construction schedules and marketing and advertising plans.

Corporación GEO begins its marketing efforts prior to, or simultaneously with, the commencement of the development of a project. The research department of each regional subsidiary is responsible for identifying potential buyers and compiling information regarding wages, age, qualifications and other relevant information. The sales department of each subsidiary is responsible for all specific sales activities. To facilitate qualifying potential home buyers, Corporación GEO has gained electronic access to the credit reports maintained by the National Bureau of Credit (*Buró de Crédito*). This enables it to give applicants seeking mortgage financing same day responses, thus increasing the efficiency and productivity of its sales staff responsible for qualifying purchasers for mortgage financing.

Corporación GEO operates a total of 22 "Tiendas GEO" located strategically throughout Mexico. Its management estimates that the Tiendas GEO have the capacity to serve, in the aggregate, more than 500,000 potential clients annually. These sales centers are equipped with model homes, provide title services and host public informational sessions. For those developments not marketed through Tiendas GEO, it normally builds, decorates, furnishes and landscapes a model home for each project and maintains an on-site sales office at the project as well as a central sales office in each region of operation. In addition, in connection with INFONAVIT projects, Corporación GEO markets its homes by group sales presentations to major manufacturing companies located in the neighboring urban areas, chambers of commerce and other industrial associations and labor unions.

Corporación GEO's most important sales distribution channels are: its call center (*CAT Centro de Atención Telefónica*), its website (casasgeo.com), corporate accounts (strategic alliances with major corporate offices) and strategically located small Sales Centers (*Tiendas GEO*) that offer all the products available around the country.

Construction. Corporación GEO has developed and continues to develop proprietary low-cost construction techniques that afford Corporación GEO opportunities to reduce working capital needs and development costs. Based on its historical experience, it estimates that 80% of the time and cost of the labor associated with construction of housing units was expended on the transportation and elevation of materials of the construction site. In response to this information, Corporación GEO has acquired technologically advanced, multi-functional equipment and machinery with the capacity to elevate and place large units of blocks and other building materials, thus reducing construction time and costs. Corporación GEO manufactures on-site the cement blocks used in the construction of its houses and prefabricates most of the modular units of its homes, such as staircases, plumbing systems and roof panels. The materials it uses are fire retardant, waterproof and designed to reduce outside noise.

In 1999, Corporación GEO implemented a program that maintains a continuous development of clusters of homes in order to achieve just-in-time assembly-line development processes. This program coordinates all aspects of the planning, sales, development and building of homes through delivery to and collection from the purchaser. Foundations are laid in the first group of clusters and, as the building process advances, the main floors are constructed in the first clusters, while foundations are laid in the next set of clusters, and so forth. Thus, though driven by the requirements of the master plan for the development and the pace of sales, each group of clusters is in a different phase of construction. Upon completion, the homes of a given cluster are delivered to clients and payment is collected from the relevant housing agency or financial institution. Corporación GEO believes that this program allows it to: (a) shorten collection periods, (b) decrease its dependency on leverage and bridge financing, (c) increase the speed of sales, (d) significantly increase the rate of housing development, (e) decrease the average indebtedness per project and (f) optimize utilization of its financial, human and material resources.

Corporación GEO is committed to the development of concrete panel technology, a technique used in the construction of concrete panel homes. Although concrete panel technology is slightly more costly than its brick-based construction technologies, it provides financial savings to Corporación GEO by reducing construction time. Concrete panel technology may not be appropriate for regional markets that experience severe weather conditions because concrete panel homes lack certain thermal features and can lead to extreme temperatures (warm or cold) inside the structure.

In 2006, Corporación GEO entered the new "Macroprojects" market that was created with support from the Mexican government. The Mexican government has approved approximately Ps.1,400 million for the development of infrastructure (such as highways and drainage systems) for the Macroprojects. Additionally, Corporación GEO is currently in the initial stages of developing the "Valle de las Palmas" Macroproject in Baja California, for which it plans to build a total of 5,431 houses in three phases. The first phase consists of 2,001 houses on 20 hectares of land and is scheduled to be completed in December of 2010. The second phase is expected to consist of 1,635 houses on 16.2 hectares of land and is scheduled to be completed in February of 2011. Finally, the third phase is expected to consist of 2,035 houses on 20 hectares of land is scheduled to be completed in April of 2011.

In 2007, Corporación GEO launched Project Alpha, with the purpose of industrializing housing production. Project Alpha consists of a standardized manufacturing line of key structural components of a house, which are then assembled on site. The majority of these components rely heavily on customized technology, which reduces both building and delivery time by approximately 30%. The technology used in Project Alpha has been used in Europe for several years, and Corporación GEO is the first company to successfully implement it in the Americas.

Corporación GEO estimates that each of its two new factories from Project Alpha will produce 10,000 to 12,000 houses per year. Through their fully-automated production line, it can reduce labor, construction and inventory costs. While its current process typically takes 12 weeks from start to finish, with Project Alpha it will be able to complete houses in eight weeks. Corporación GEO expects Project Alpha will improve its working capital cycle and reduce its construction financing costs.

Project Alpha is primarily targeted to the economic sub-segment of the Affordable Housing market, as this segment has smaller projects and house sizes and can be highly standardized.

In 2009, Corporación GEO began an initiative known as GEO Más, by which it seeks to increase the value of the homes it sells. Through GEO Más, Corporación GEO is beginning to offer larger homes, more appliances and more outdoor space without increasing its prices, but also without reducing its margins. It believes that this initiative will result in an improved quality of life for its customers and a higher resale value for the homes that they purchase.

Materials and Suppliers; Labor. Corporación GEO has long-term supply arrangements with large corporate suppliers for the basic materials used in the construction of the housing units, including cement, steel, bricks, windows, doors, roof tiles and plumbing fixtures. It enters into short-term supply contracts with numerous smaller suppliers for additional construction materials on an as-needed basis, generally following competitive bidding. It generally monitors the market continuously in order to identify the best suppliers and subcontractors, both among existing and new market participants. Other than basic construction materials such as cement, steel and the component materials of its prefabricated modular components, it acquires most of its raw materials from local suppliers located near the construction sites, which substantially reduces costs and delivery times. It has experienced no significant construction delays due to shortages of raw materials. Corporación GEO cannot predict, however, the extent to which shortages in necessary materials or labor may occur in the future. It does not maintain significant inventories of construction materials, except for materials to be used for homes under construction.

Corporación GEO utilizes local labor in each region to the extent required for specific housing projects in addition to experienced personnel for supervisory and highly skilled positions. It has not experienced significant delays due to a lack of labor or labor unrest.

Collection and Post-Sales Services. The titling department of each of Corporación GEO's operating subsidiaries is responsible for all documentation and arrangements relating to the titling of property and for compliance with all requirements necessary to finalize the mortgage financing relating to the property. The titling documentation from each operating subsidiary can be electronically communicated to mortgage providers by Corporación GEO. Once it has delivered and conveyed title to the homes, payment on behalf of its customers will be made by the relevant housing agency or financial institution that is providing the purchase money financing. The client service becomes the most essential element for the continuous generation of added value and the improvement

of each client's quality of life. It works under an institutional service norm, an important differentiator that focuses on client satisfaction before, during and after the acquisition of their new homes. Corporación GEO has developed a post-sales service program to promote organized communities, maintain an urban image within each of its developments, deliver the homes and process any claims brought by the client or organization of condominium associations after the sale and delivery of the home.

Customer Service and Warranty. The post-sale department of each of Corporación GEO's operating subsidiaries participates in the pre-sale quality inspection and looks after the needs of customers once the sale of the home is finalized. Before its sale, each unit is inspected by post-sale personnel, and it makes any necessary changes. Corporación GEO believes participation of the post-sale department during the construction and pre-sale period reduces preparation and post-sale costs while providing greater customer satisfaction. Corporación GEO's post-sale department continues to provide customer service after the sale of its houses through community training and related services.

Corporación GEO provides a three-month warranty that covers certain defects in plumbing and electrical systems of the home (excluding defects in appliances, fixtures and equipment) and a one-year warranty that covers latent defects. It makes a provision of approximately 0.75% of the sales price of a home to cover warranty and service expenses. Corporación GEO's historical experience, however, is that warranty expenses are generally less than this amount. It does not currently have any material litigation or claims regarding warranties with respect to the construction of homes, and current claims are expected to be substantially covered by its reserve account.

Information Technology and Research and Development. Corporación GEO's ERP system, designed by Oracle, enables it to monitor and control in real-time four important aspects of its operations: financial resources, human resources, customer relations management, and website design. Corporación GEO's Hyperion system manages project evaluation, financial planning, and land reserves, and it uses PeopleSoft to administer its recruiting, payroll and compensation policies. Its customer relations management, including pre-sale, sale and post-sale operations is organized via Siebel. Customers and investors can access information about Corporación GEO and the homes it produces on its website. Corporación GEO believes its ERP system differentiates it from its competitors, helps it to maintain high quality standards and increases efficiency.

Corporación GEO is committed to continuing its initiatives in the areas of research, development and technology, which it believes is among its most significant competitive advantages. This commitment permits Corporación GEO to increase development volumes, reduce construction costs and maintain profitability while providing its customers with quality and aesthetically attractive housing. Corporación GEO believes this strategy will allow it to achieve higher levels of construction quality and enhance its competitive position in the future.

Competition

The success of the Mexican homebuilders depends on several factors and Corporación GEO believes it is well positioned with respect to each of them:

Execution capabilities: Corporación GEO operates in a highly complex industry in which a large number of processes need to be coordinated simultaneously. It needs to monitor all parts of its business continuously in order to achieve growth, maintain healthy margins and uphold its solid financial structure. It believes that due to its extensive experience and its recent system improvements, it is one of the market participants with the best execution capabilities.

Scale: The larger homebuilders in Mexico benefit from economies of scale, including better negotiating position with suppliers, the ability to launch nationwide advertisement campaigns, better access to land and enhanced relationships with financial institutions. As one of the largest homebuilders in Mexico and number two in terms of revenues in 2010, it is in a position to benefit from these advantages.

Nationwide presence: Corporación GEO's nationwide presence reduces certain risks by allowing it to diversify its operations across multiple regions—for example, its largest region, the Mexico City metropolitan area, comprises only 43% of its land inventory. In addition, because securing land and permits depends on local and municipal governments, Corporación GEO believes its nationwide presence mitigates its exposure to local political risk.

Focus on the Affordable Housing segment: Due to strong support from its solid funding structure, Corporación GEO believes the Affordable Housing sector is the most resilient segment of the Mexican housing market. Corporación GEO believes that market participants that focus on this sector have been, and will be, outperforming the market, particularly in the current economic environment.

Compared to its competitors, Corporación GEO derives the largest percentage of total revenues from clients who relied on mortgage financing provided by INFONAVIT, FOVISSSTE, SHF and co-financings of these governmental agencies with private financial institutions (approximately 97.4% of its total revenues as of December 31, 2010).

Corporación GEO's access to, and experience with, various sources of mortgage financing and the procedures for assisting potential home buyers in obtaining such financing strengthen Corporación GEO's market presence. Corporación GEO believes that its competitive advantages include: an established history of operational success; large scale and nationwide operations; comprehensive design and planning systems; a focus on the Affordable Housing market; utilization of innovative design, construction, technological and commercialization techniques; commitment to the development of its employees; sound financial management; superior brand recognition; direct marketing procedures; assistance with mortgage financing; efficient financing of its land bank through joint ventures; and its reputation for service and quality, including post-sale service.

Corporación GEO believes, based on public information, that, as of December 31, 2010, it was the second largest developer of Affordable Housing in Mexico based on revenues, with a market share of approximately 9.23% of mortgages issued by INFONAVIT. It believes it has achieved this growth in market share by offering a unique product consisting of homes built in neighborhoods that also provide schools, hospitals, common green spaces and other amenities, by focusing on the Affordable Housing and Middle Income segments and by establishing and maintaining a well-recognized brand.

The largest public companies that develop houses in the Affordable Housing market in terms of the number of units sold in 2010 were:

Competitor	GEO	Homex	Urbi	ARA	SARE
Number of States with Operations	19	22	16	19	10
Sectors	A, MI, R	A, MI, R	A, MI, R	A, MI, R	A, MI, R
Home Sales Q4 2010(1)	56,093	48,442	33,478	18,243	2,684
Revenue Q4 2010 (in millions of Ps.)	19,154.4	19,689.1	14,950.7	7,367.6	2,293.7
Net Debt/EBITDA (Annualized Q4 2010)(2)	1.6x	2.2x	1.1x	0.8x	4.9x
Market Share Q4 2010 (%) (3)	8.20%	7.08%	4.89%	2.67%	0.39%
Infonavit Market Share (December 2010)	9.23%	5.56%	3.30%	2.80%	0.51%
Land Reserve Q4 2010 (homebuilding capacity)(4)	387,904	398,590	291,782	176,716	50,589
YTD Stock Performance(5)	30.30%	-4.80%	-1.30%	-16.10%	-23.60%

A: Affordable; MI: Middle Income; R: Residential

Source: Q4 reports of each of the companies listed above, and internal data. Data for the year ended December 31, 2009, are not included because INIF 14 was not adopted by all of the companies listed in this table, and therefore, such data would not be comparable.

- (1) This number represents total home sales across all categories.
- (2) Calculated by multiplying Q4 2010 EBITDA *times* 1.33 for each company. EBITDA for the past four (4) historical quarters is not comparable because of the implementation of INIF 14.
- (3) Based on a total of 684,121 houses sold with mortgage financing in Mexico for the year ended December 31, 2010, by INFONAVIT, FOVISSSTE and AHM, according to CONAVI.
- (4) Figures represent the number of homes each homebuilder believes they can build on land held in their inventory as disclosed in their quarterly report.
- (5) Through December 31, 2010.

Employees and Labor Relations

As of December 31, 2010, Corporación GEO employed 9,505 full-time employees, 44 of whom held executive management positions. The number of temporary workers it employed, which varies substantially and is largely dependent on the level of its construction activities, was approximately 14,245 (5% more than as of December 31, 2009). Corporación GEO's temporary workers are not unionized. It has not experienced any significant labor disputes or strikes in the 37 years since Corporación GEO was founded.

Labor relations with its construction workers are governed by collective bargaining agreements that are limited to the duration of the project for which the workers have been hired. These agreements typically permit the work force to be reduced without severance payments as particular tasks are completed. The agreements are subject to periodic review during the course of the project.

In 1997, Corporación GEO established an employee restricted stock-based incentive plan to help motivate employees to achieve its strategic objectives. Currently, approximately 0.88% of its employees own company stock or restricted stock under this incentive plan. As of December 31, 2010, the total number of restricted shares under the incentive plan that were available for distribution to its employees was 12.7 million. At this time, it has no intention of issuing the shares it holds in reserve for distribution under this incentive plan. In addition to the incentive plan, it provides standard benefits required under Mexican law for full-time workers, including life and medical insurance and paid vacations. It also maintains training programs for all of its personnel, designed to teach and update development, sales and administration techniques.

Governmental Regulation

General. Many aspects of Corporación GEO's operations are subject to Mexican federal, state and local government regulation. See "Risk Factors—Risks Relating to Mexico—Changes in Mexican federal governmental policies or regulations could adversely affect the results of operations and financial condition of the Issuer and Corporación GEO, respectively." Generally, Corporación GEO's activities in Mexico are subject to the laws that affect the operation of the Mexican housing system: (i) the General Law on Human Settlements (*Ley General de Asentamientos Humanos*), a federal law that regulates urban development planning and delegates to state governments the responsibility for regulating urban developments within their jurisdiction; (ii) the Federal Housing Law (*Ley Federal de Vivienda*), which coordinates the operation of the Mexican housing system between the states and municipalities, on the one hand, and the private sector, on the other hand; (iii) various state and municipal development, construction and planning laws, such as the *Reglamento de Construcción para el Distrito Federal* (construction and zoning regulations of the Federal District) and the Urban Development Plan (*Plan de Desarrollo Urbano*); and (iv) the INFONAVIT Law (*Ley del INFONAVIT*), which requires that INFONAVIT construction financing be given only to developers registered with INFONAVIT that participate in a public bidding process.

Environmental Regulation. Corporación GEO's operations are subject to Mexican federal, state and municipal laws and regulations, including federal and local official Mexican standards, having the force of law, relating to the protection of the environment and natural resources. The applicable fundamental environmental laws are the Mexican General Law of Ecological Balance and Environmental Protection and its regulations (*Ley General del Equilibrio Ecológico y la Protección al Ambiente y sus reglamentos*), the National Waters Law and its regulations (*Ley de Aguas Nacionales y su reglamento*) and the General Law for the Prevention and Integral Management of Wastes and its regulations (*Ley General para la Prevención y Gestión Integral de los Residuos y su reglamento*, or the "Ecological Law"). The Ministry of Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales*, or "SEMARNAT"), oversees compliance with the federal environmental laws through PROFEPA, which has the authority to enforce federal environmental laws. As part of its enforcement powers, PROFEPA is empowered to bring administrative and criminal proceedings against companies that violate environmental laws and also has the power to close non-complying facilities.

Corporación GEO has expended, and expects to expend in the future, substantial funds for compliance with and remediation under Mexican federal and state environmental laws and regulations. Since Mexico's environmental laws are becoming increasingly stringent, Corporación GEO's environmental capital expenditures and costs for environmental compliance are likely to increase in the future. In addition, there can be no assurance that modifications of existing environmental laws and regulations or the adoption of more stringent environmental laws and regulations will not result in the need for investments that are not currently provided for in its capital expenditures program and will not otherwise result in a material adverse effect on its business, financial condition or results of operations. There are no material outstanding environmental proceedings against Corporación GEO as of the date of this Offering Memorandum.

Insurance

Corporación GEO maintains insurance policies in amounts covering risks that are usual and customary for similar companies in Mexico. It believes its insurance policies, which provide coverage for earthquake, fire, flood and other occurrences, are adequate and comparable to those of its competitors. Corporación GEO is not the beneficiary of "key person" life insurance policies on any of its directors and officers.

Oversight and Control

Corporación GEO's management team holds weekly meetings to set financial and non-financial goals, monitor Corporación GEO's progress, and develop solutions to any impediments to reaching these goals. As part of this process, it identifies key geographic markets, housing segments, and mortgage financing providers. Generally, it has historically been successful in meeting the goals it has set in these areas.

Corporación GEO has engaged PricewaterhouseCoopers LLC to advise it on its internal oversight and control procedures. This has allowed Corporación GEO to identify and focus on the risks that affect its business and operations, and to modernize its oversight and control procedures.

Facilities

Corporación GEO owns two offices and leases fifteen offices under sale and leaseback arrangements in the following regions: North-West, West, Bajío, Mexico City metropolitan area, North-East and South. As of December 31, 2010, the aggregate annual rent for these offices is Ps.36.3 million.

Litigation

Corporación GEO is and have been involved in various legal proceedings, all of which are or were in the ordinary course of business. In its management's opinion, none of these proceedings has had or is expected to have a material adverse effect on its financial condition or results of its operations.

Community Services

Fundación GEO began operations in 2004 as part of Corporación GEO's effort to operate as a socially responsible business. During its six years, Fundación GEO has implemented several programs to assist the communities in which it operates, including the following activities:

- (a) donations to hospitals, schools and community centers;
- (b) the creation of educational institutions for the professional development of employees of the Mexican housing sector;
- (c) studies for the remodeling of the *Casa de Cortés* and *Patrimonio de la Humanidad* cultural centers; and
- (d) reforestation of more than 118,000 trees in Zumpango.

Environmental Sustainability

Corporación GEO is involved in the program "*Hipotecas Verdes*," which equips the homes it builds with solar-powered heaters, water-saving pipes and faucets and other amenities designed to protect and maintain the environment in which its clients live.

Capitalization of Corporación GEO

The following table sets forth Corporación GEO's capitalization (total liabilities and stockholders' equity) as of December 31, 2010.

As of December 31, 2010, Corporación GEO had fully subscribed and paid-in capital of nominal registered shares with no par value, all of which were common shares.

**Unaudited
As of December 31, 2010**

	Actual	
	(millions of Ps.)	(millions of U.S.\$)⁽²⁾
Total short-term debt and current portion of long-term debt ^(a)	2,783.2	225.4
Long-term debt, excluding current portion ^(b)	6,417.0	519.6
Stockholders' equity:		
Total stockholders' equity ^(c)	11,238.1	910.0
Total capitalization ⁽¹⁾	20,438.3	1,655.0

Source: Corporación GEO

(1) Total Capitalization is equal to (a) + (b) + (c).

(2) Peso amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of 12.3496 pesos per U.S. dollar as of December 31, 2010.

On February 26, 2010, Corporación GEO's board of directors approved the public offer of its shares up to an amount of U.S.\$250,000,000 to U.S.\$300,000,000 in the national and international markets of which about 25% of capital raised will be spent for debt repayment and 75% will be spent for investment in facilities, equipment and land reserves.

Selected Consolidated Financial and Other Information of Corporación GEO

The table below sets forth Corporación GEO's summary consolidated financial data as of and for each of the periods presented. The data as of and for the years ended December 31, 2008, 2009 and 2010 has been derived from its audited consolidated financial statements and notes thereto included elsewhere in this Offering Memorandum.

Corporación GEO's Consolidated Financial Statements have been prepared in accordance with Mexican FRS, issued by CINIF, which differs in certain significant respects from U.S. GAAP. See "Description of Certain Differences between Mexican FRS, U.S. GAAP and IFRS." **No reconciliation to U.S. GAAP or IFRS of the Consolidated Financial Statements or of any other financial information presented herein has been prepared. There can be no assurance that a reconciliation would not identify material quantitative differences between such financial statements or information prepared on the basis of Mexican FRS and as prepared on the basis of U.S. GAAP or IFRS.**

Significant Changes in Mexican FRS

Through December 31, 2007, Mexican FRS required that the effects of inflation be recorded in the financial statements, as well as the restatement of financial information from prior periods to constant pesos as of the end of the most recent period. In order to recognize the effects of inflation, Corporación GEO applied Bulletin B-10, "Recognition of Effects of Inflation on Financial Information," and Bulletin B-15, "Foreign Currency Transactions and the Translation of Financial Statements of Foreign Operations," whereby non-monetary assets were restated at current replacement cost, stockholders' equity was restated using the NCPI and gains and losses in purchasing power from holding monetary liabilities and assets were recognized in results.

Beginning January 1, 2008, Corporación GEO adopted NIF B-10, "Effects of Inflation," whereby the effects of inflation are not recognized unless the economic environment in which the entity operates is considered inflationary, as established within the standard. An environment is considered inflationary when cumulative inflation over the preceding three-year period is 26% or more. Given the low level of inflation in Mexico in the three-year period preceding December 31, 2008, Corporación GEO discontinued the recognition of the effects of inflation on its financial information. Corporación GEO's financial statements as of and for the years ended December 31, 2008, 2009 and 2010 report information in nominal pesos.

As disclosed in Corporación GEO's Consolidated Financial Statements, on January 1, 2010, it adopted the provisions established by INIF 14, "Construction Contracts, Sale of Real Estate and Rendering of Related Services," an interpretation of NIF D-7, "Construction and Manufacturing Contracts for Certain Capital Assets." INIF 14 changed the method according to which Corporación GEO recognizes its revenues from the "percentage-of-

completion" method to recognizing revenues when the contract for sale of a housing unit is notarized and actual, legal title passes to the buyer.

INIF 14 requires separating the different components of contractual agreements in order to identify whether such agreements pertain to construction of real estate, sale of real estate or the rendering of related services, and establishes the rules for recognizing revenue and related costs and expenses in each instance. For real estate sales agreements, according to the criterion established by INIF 14, revenues are recognized when the entity has transferred ownership to the buyer, which generally occurs when the sale contract is notarized and legal title has passed to the buyer.

INIF 14 is effective for all entities that enter into construction and related real estate sale agreements beginning January 1, 2010. The accounting changes from the adoption of INIF 14 are required to be recognized retrospectively. During June 2010, the Company placed debt and equity securities in the domestic and international markets. The offering document in connection with the sales of securities included the annual 2009 and 2008 consolidated financial statements alongside interim condensed consolidated financial statements for the three months ended March 31, 2010. Accordingly, at the time of the offering, the annual 2009 and 2008 consolidated financial statements were reissued to reflect the retrospective change from adopting INIF 14. Those restated amounts are reflected in the consolidated financial information for 2009 and 2008 included within this Offering Memorandum.

The summary consolidated financial information set forth below as of and for the years ended December 31, 2008, 2009 and 2010 should be read in conjunction with, and is qualified in its entirety by reference to, the respective audited condensed consolidated financial statements and the notes thereto included elsewhere in this Offering Memorandum. See "Presentation of Financial and Other Information."

	Year Ended December 31,			
	2008	2009	2010	2010
	(millions of Ps.)		(millions of U.S.\$) ⁽¹⁾	
Income Statement Data:				
Revenues from real estate development activities.....	14,613.7	17,713.2	19,154.4	1,550.0
Costs from real estate development activities.....	10,799.6	13,083.1	14,212.6	1,150.9
Gross margin	3,814.1	4,630.1	4,941.9	400.2
Selling, general and administrative expenses.....	1,640.8	1,691.3	1,838.8	148.9
Income from operations.....	2,173.3	2,938.8	3,103.0	251.3
Other expenses—net.....	31.3	85.5	59.4	4.8
Comprehensive financing cost.....	627.8	616.7	624.9	50.6
Income before income tax, equity in income of associated companies, trusts and discontinued operations.....	1,514.3	2,236.6	2,418.7	195.9
Income taxes.....	485.7	736.9	662.2	53.6
Equity in income (loss) of associated companies, trusts and others.....	5.8	(2.8)	(64.7)	(5.2)
Consolidated net income.....	1,025.5	1,450.8	1,677.9	135.9
Controlling interest.....	982.0	1,364.3	1,490.3	120.7
Noncontrolling interest.....	43.5	86.5	187.6	15.2

	Audited As of December 31,			
	2008	2009	2010	2010
	(millions of Ps.)		(millions of U.S.\$) ⁽¹⁾	
Balance Sheet Data:				
Cash and cash equivalents.....	2,560.1	3,393.4	2,228.4	180.4
Total current assets.....	18,611.3	21,931.6	22,295.0	1,805.3
Total assets.....	24,325.5	28,489.2	32,840.1	2,659.2
Short-term debt ⁽²⁾	4,475.9	2,659.5	2,783.2	225.4
Total current liabilities.....	11,442.9	9,762.6	10,708.4	867.1

	Audited As of December 31,			
	2008	2009	2010	2010 (millions of U.S.\$) ⁽¹⁾
		(millions of Ps.)		
Long-term debt	2,920.7	5,587.2	6,417.0	519.6
Total liabilities	16,662.1	19,697.4	21,602.1	1,749.2
Equity of controlling interest.....	6,792.7	7,119.3	9,403.1	761.4
Equity of non-controlling interest.....	870.7	1,672.6	1,834.9	148.6
Total stockholders' equity.....	7,663.4	8,791.8	11,238.1	910.0

	Audited As of December 31,			
	2008 (millions of Ps., except for ratios or percentages)	2009	2010	2010 (millions of U.S.\$, except for ratios or percentages)
Other Financial Information:				
Income from operations.....	2,173.3	2,938.8	3,103.0	251.3
Capitalized interest released to costs ⁽³⁾	804.1	730.8	767.1	62.1
Depreciation and amortization	163.4	290.3	440.4	35.7
EBITDA ⁽⁴⁾	3,140.8	3,959.9	4,310.5	349.0
Net interest expense.....				
Interest expense.....	611.0	667.2	781.9	63.3
Capitalized interest ⁽³⁾	804.1	730.8	767.1	62.1
Interest income.....	(99.8)	(124.0)	(60.0)	(4.9)
Effects of valuation of derivative financial instruments—net.....	—	42.9	(94.9)	(7.7)
Net interest expense ⁽⁵⁾	1,315.3	1,316.9	1,489.0	120.6
EBITDA margin ⁽⁶⁾	21.5%	22.4%	22.5%	22.5%
EBITDA/net interest expense ⁽⁵⁾	2.4	3.1	2.9	2.9
Net debt/EBITDA ⁽⁷⁾⁽¹¹⁾	1.5	1.2	1.6	1.6
Total debt/EBITDA ⁽⁸⁾⁽¹¹⁾	2.4	2.1	2.1	2.1
Total debt/total capitalization ⁽⁸⁾⁽⁹⁾	49.1%	48.4%	45.0%	45.0%
Net debt/total capitalization ⁽⁷⁾⁽⁹⁾	32.1%	28.5%	34.1	34.1

	Audited As of December 31,		
	2008	2009	2010
Other Data:			
Homes sold in the Affordable Housing sector	34,450	46,570	53,230
Average sales price of homes sold in the Affordable Housing sector (in Ps.) ⁽¹⁰⁾	294,343	307,275	303,556
Total homes sold	41,811	51,177	56,093
Average total home sales price (in Ps.) ⁽¹⁰⁾	345,735	342,665	307,533

(1) Peso amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of 12.3496 pesos per U.S. dollar as of December 31, 2010.

(2) Includes notes payable to banks, including construction financing, and the current portion of long-term debt.

(3) Represents interest expense capitalized in inventory and expensed through costs related to real estate development activities upon the sale of such inventory in the respective period.

(4) EBITDA represents income from operations before income tax, depreciation and amortization, plus the amount of interest expense capitalized in inventory and expensed through costs related to real estate development activities upon the sale of such inventory in the respective period. EBITDA is not a measure of financial performance under Mexican FRS and should not be construed as an alternative measure to (a) net income or income from operations (as defined in accordance with Mexican FRS) as an indicator of

operating performance, or (b) cash provided by operating activities (as defined in accordance with Mexican FRS) as a measure of liquidity. EBITDA is included because it is a widely accepted financial indicator used by investors and analysts to analyze and compare companies on the basis of operating performance. EBITDA as presented may not be comparable to similarly titled measures reported by other companies because not all companies necessarily calculate EBITDA in an identical manner and, therefore, EBITDA is not necessarily an accurate means of comparison between companies.

- (5) Net interest expense represents the sum of interest expense and interest capitalized and expensed through costs related to real estate development activities (as defined in footnote three above) less interest income, effects of valuation of derivative financial instruments and ineffective portion of derivative financial instruments recorded through results.
- (6) EBITDA margin is the ratio of EBITDA to total revenue.
- (7) Net debt represents total debt less cash, cash equivalents and restricted cash. Reconciliation of net debt is as follows:

	Audited As of December 31,		
	2008	2009 (millions of Ps.)	2010
Long-term debt.....	2,920.7	5,587.2	6,417.0
Plus: Current portion of long-term debt	956.8	1,124.9	296.7
Total long-term debt	3,877.5	6,712.1	6,713.7
Plus: Notes payable to financial institutions	3,519.1	1,534.6	2,486.6
Less: Cash and cash equivalents	2,560.1	3,393.4	2,228.4
Net debt	<u>4,836.5</u>	<u>4,853.3</u>	<u>6,971.9</u>

- (8) Total debt represents the sum of short-term and long-term debt.
- (9) Total capitalization represents the sum of short-term debt, long-term debt and total stockholders' equity. Reconciliation of capitalization is as follows:

	Audited As of December 31,		
	2008	2009 (millions of Ps.)	2010
Stockholders' equity.....	7,663.4	8,791.8	11,238.1
Plus: Long-term debt	2,920.7	5,587.2	6,417.0
Plus: Current portion of long-term debt	956.8	1,124.9	296.7
Plus: Notes payable to financial institutions	3,519.1	1,534.6	2,486.6
Total capitalization.....	<u>15,060.0</u>	<u>17,038.5</u>	<u>20,438.4</u>

- (10) Weighted average price of homes Corporación GEO sold in Mexico for the period ended on such date.

Management's Discussion and Analysis of Financial Condition and Results of Operations of Corporación GEO

The following discussion should be read in conjunction with Corporación GEO's Consolidated Financial Statements and notes thereto included elsewhere in this Offering Memorandum. Corporación GEO's Consolidated Financial Statements have been prepared in accordance with Mexican FRS, which as applied to Corporación GEO, differs in certain significant respects from U.S. GAAP. See "Risk Factors—Risks Relating to the Notes" and "Description of Certain Differences between Mexican FRS, U.S. GAAP and IFRS."

This Offering Memorandum contains forward-looking statements that reflect Corporación GEO's plans, estimates and beliefs. Corporación GEO's actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly in "Forward-Looking Statements" and "Risk Factors."

Introduction

Corporación GEO is engaged in a vertically integrated homebuilding business encompassing the design, construction and marketing of single-family homes in the Affordable Housing, Middle Income Housing and Residential Housing segments, across 20 Mexican states. It is the leading builder of homes in the Affordable Housing segment in Mexico by the number of mortgages granted by both INFONAVIT and FOVISSSTE to its clients, and it was the second largest homebuilder in Mexico in 2010 in terms of revenue. As many home mortgage financing institutions categorize their financing programs by income level, Corporación GEO describes the homes it

develops as Affordable Housing, Middle Income Housing or Residential Housing, based on the value of the home itself. In 2010, lower-end housing, including homes in its Affordable Housing line, represented approximately 94.9% of the number of homes it sold and 85.0% of its revenues, with homes in the Middle Income Housing and Residential Housing segments accounting for the balance. Given the significant demand for housing in the Affordable Housing segment in Mexico, which Corporación GEO believes currently exceeds the available supply, and because Mexican federal governmental policy has historically supported and currently supports providing mortgage financing to lower income households, this industry has provided a relatively stable source of revenue for home developers like Corporación GEO.

Development of houses in the Affordable Housing segment in Mexico is heavily dependent on below-market interest rate mortgage financing provided to home buyers primarily by INFONAVIT, FOVISSSTE and SHF, which are government or government-sponsored institutions. Substantially all of its operating revenues for the periods presented in this Offering Memorandum from sales of homes in the Affordable Housing sector were derived from home mortgage financing made available to its clients by INFONAVIT, FOVISSSTE and SHF. See "Risk Factors—Risks Relating to Corporación GEO—Corporación GEO's dependence on government-sponsored housing funds may negatively affect its business and results of operations if such public sector financing is not available" for a discussion of how changes in SHF or other mortgage providers' policies may affect funding of its home developments in the future.

Corporación GEO continued to develop its position in the high-growth Affordable Housing segment, and continue to focus its growth on this segment. As of December 31, 2010, Corporación GEO had the largest market share with INFONAVIT, 9.23%, of any homebuilder in Mexico, based on the number of mortgages provided by this entity to its clients. Corporación GEO also continues to grow geographically and now operates in 20 states throughout Mexico.

Factors Affecting Corporación GEO's Results of Operations

Described below are certain factors that may be helpful in understanding Corporación GEO's overall operating results. These factors are based on the information currently available to its management and may not represent all of the factors that are relevant to an understanding of its current or future results of operations. See "Forward-Looking Statements" and "Risk Factors."

Corporación GEO's operations consist primarily of its real estate development activities, including (a) land acquisition; (b) obtaining required permits and licenses; (c) installing infrastructure improvements required for each housing development; (d) designing, constructing and marketing housing developments; (e) assisting home buyers in obtaining mortgage loans; (f) conveyance of title; and (g) post-sale services such as the processing of any complaints or claims by the client, the organization of condominium associations within each development, the delivery of common areas within each development to the condominium associations and community training and related services. In order to increase the development of its real estate projects, Corporación GEO entered into the Residential Investment Program with Prudential in 2003. It also acts as a contractor for certain Mexican state government agencies, providing construction activities similar to its development activities, except that it does not acquire the land on which such projects are built.

Proceeds from sales of homes are not actually received by Corporación GEO from the home buyers until the homes are completed and delivered. Accordingly, Corporación GEO must finance substantially all of its development activities through bridge loans and working capital.

For each of the past five years, Corporación GEO's revenue has increased, primarily as a result of (a) strong demand for the homes it produced for the Affordable Housing sector, due to a housing deficit in Mexico of approximately 8.9 million homes; (b) the existence of INFONAVIT, FOVISSSTE and SHF, which provide mortgage financing to its clients based on government-mandated payroll contributions; and (c) strong support from the Mexican federal government, which has, over the past three presidential administrations, implemented broad policies aimed at promoting Affordable Housing as a fundamental part of Mexico's economic and social development.

Corporación GEO focuses strategically on increasing the percentage of its revenue derived from sales in the Affordable Housing segment. This strategy has affected its results of operations, as further explained below.

Corporación GEO's operating expenses are related only to the operations of its business and include (a) fixed costs, principally consisting of salaries, employee benefits, depreciation of property, plant and equipment and amortization of other assets and (b) variable costs, mainly consisting of costs of materials associated with its real estate development activities.

International Financial Reporting Standards. On January 27, 2009, the CNBV published in the Mexican Federal Official Gazette (Diario Oficial de la Federación) the requirements for listed companies to prepare their financial information under IFRS beginning in 2012. Likewise, the CNBV specified that early adoption is allowed.

Management is currently evaluating the effects of the adoption and implementation of IFRS as well as the potential adoption date.

Discontinued Operations. During 2009, Corporación GEO discontinued the operation of GEO Oaxaca, S.A. de C.V. Mexican FRS requires that Corporación GEO present the effects of discontinued operations retrospectively for all periods presented. Accordingly, all financial data presented in this Offering Memorandum have been restated to give effect to this discontinued operation retrospectively. The effects of this retrospective application on the year ended December 31, 2008 are presented in note 28 of its audited consolidated financial statements.

Critical Accounting Policies

Corporación GEO's Consolidated Financial Statements have been prepared in accordance with Mexican FRS, which require management to make estimates and use certain assumptions that affect the reported amounts of assets and liabilities and 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 such estimates. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Corporación GEO believes the most critical accounting policies that require the application of estimates and/or judgments are as follows.

Revenue and Cost Recognition under INIF 14, Construction Contracts, Sale of Real Estate and Rendering of Related Services. Through December 31, 2009, revenues under Corporación GEO's sales of real estate were recognized using the percentage-of-completion method.

In December 2008, INIF 14 was issued by the CINIF to complement Bulletin D-7, "Construction and Manufacturing Contracts for Certain Capital Assets." INIF 14 provides guidance with respect to the recognition of revenues, costs and expenses for all entities that undertake the construction of capital assets directly or through subcontractors.

Due to the application of INIF 14, on January 1, 2010, Corporación GEO has discontinued recognizing revenues, costs and expenses related to the construction of real estate based on the percentage-of-completion method and instead follows the guidance required by INIF 14. Under INIF 14, it analyzed the different components of its construction contracts to identify whether they pertain to construction of real estate, sale of real estate or the rendering of related services. Based on the nature and terms of its contracts, Corporación GEO determined that they represent sales of real estate, for which INIF 14 permits revenue recognition only when all of the following conditions are fulfilled:

- (a) it has transferred to the home buyer the control and significant risks and benefits of the property or ownership of the asset;
- (b) it does not maintain any continuing involvement or participation with respect to management of the related asset, in the usual manner associated with the property, nor does it retain effective control of the asset sold;
- (c) the amount of revenues can be estimated reliably;
- (d) it is probable that it will receive the economic benefits associated with the transaction; and
- (e) the costs and expenses incurred or to be incurred related to the transaction can be estimated reliably.

Corporación GEO's analysis of the criteria above has led Corporación GEO to conclude that it generally meets such criteria with respect to its home sales when the sale contract with the home buyer is notarized and the legal title has passed to such buyer. As this occurs at a moment in time different from over the life of construction, as was the case when it applied the percentage-of-completion method, Corporación GEO modified its revenue recognition policy on January 1, 2010. As required by INIF 14, this change in accounting policy must be applied retrospectively for the purpose of comparability. Accordingly, unless otherwise indicated, Corporación GEO has retrospectively applied INIF 14 to all financial data presented in this Offering Memorandum.

Going forward, Corporación GEO will continue to apply INIF 14, which requires its judgment in (a) identifying the components of its construction contracts to determine the appropriate revenue recognition criteria to apply and (b) determining the moment in time when the risks and rewards of ownership have passed to its clients.

Impairment of Long-Lived Assets. Long-lived assets are tested for impairment when indicators of potential impairment in the carrying amount of long-lived assets in use exist, indicating that the carrying value of such assets may not be recoverable. Management considers impairment indicators including (but not limited to) market conditions (including the availability and level of funding from government-sponsored policies and programs in the Affordable Housing segment as well as other economic indicators, including inflation, interest rates and the behavior of the peso, that could impact the availability and/or attractiveness of financing to customers in the Middle Income and Residential Housing segments), operating losses or negative cash flows in the current period when combined with a history or projection of such losses or negative cash flows, and depreciation and amortization charged to results that are substantially higher than that of previous years, in percentage terms and competition. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus accounting estimates may change from period to period. Recoverability of long-lived assets is determined based on the greater of the present value of future net cash flows generated by such assets or an estimated net sales price of the asset; an impairment is recorded when the carrying amount of long-lived assets exceeds the greater of the amounts mentioned above. Present value of future net cash flows for recoverability purposes is based on management's projections of future operations, discounted using current interest rates.

Income Taxes. Income tax expense, calculated as the higher of IETU or regular income tax, is recorded in the results of the year in which such tax expense or benefit is incurred. Corporación GEO prepares financial projections to determine whether it expects to incur IETU or regular income tax in the future. Such projections are based on estimates regarding future revenues, expenses and cash flow. Deferred income taxes are calculated by applying the corresponding tax rate to the applicable temporary differences resulting from comparing the accounting and tax bases of assets and liabilities, including the effects of any tax loss carryforwards or asset tax credits. Management evaluates the recoverability of deferred income tax assets based on historical taxable income, projected future taxable income and the expected timing of the reversals of existing taxable temporary differences. A valuation allowance is recognized when, based on this analysis, it is highly probable that the deferred income tax asset will not be realized.

Labor Obligations. Corporación GEO records annual amounts related to employee labor obligations, including seniority premiums and severance payments. Such amounts are based on actuarial calculations that include various actuarial assumptions including discount rates, assumed rates of return, compensation increases, turn-over rates and inflation rates. Corporación GEO reviews the actuarial assumptions on an annual basis and modifies the assumptions based on current rates and trends when appropriate.

Provisions. Provisions, such as warranty obligations, are recognized when Corporación GEO has a present obligation (legal or constructive) as a result of a past event, it is probable that it will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Derivative Financial Instruments. Corporación GEO uses derivative financial instruments to hedge certain economic exposures arising from movements in exchange rates, interest rates or other factors that could affect either the value of its assets or liabilities or its future cash flows.

Corporación GEO recognizes all assets or liabilities that arise from transactions with derivative financial instruments at fair value in the balance sheet, regardless of its intent for holding them. Fair value is determined using prices quoted in recognized markets. If such instruments are not traded, fair value is determined by applying a straight-line depreciation valuation method.

Movements in the fair values of derivative financial instruments may be accounted for pursuant to hedge accounting where the relevant eligibility, documentation and effectiveness testing requirements are met. If hedge criteria are met, depending on the type of hedge, fluctuation in fair value may be recognized within other comprehensive income within stockholders' equity. However, if hedge criteria are not met, or where there is an ineffective portion of a derivative financial instrument, movements in the fair values of derivative financial instruments will be recorded in the income statement immediately.

Variability of Quarterly Results. The Mexican Affordable Housing industry experiences significant revenue variability due to the operating cycles of the various institutions that provide mortgage financing to the sector. The programs, budgets and changes in the authorized policies of the banks, government entities, development funds and housing agencies typically are approved during the first calendar quarter of the year; the majority of construction begins at the end of the first quarter and completion of most homes occurs during the third and fourth quarters. Accordingly, Corporación GEO tends to recognize significantly higher levels of income in the third and fourth quarters as construction is completed and sales activities are highest. However, Corporación GEO's debt levels have been and continue to be highest in the second and third quarters of its fiscal year because of higher levels of development.

Results of Operations. INIF 14 became effective on January 1, 2010 and, for comparative purposes, Corporación GEO has retrospectively applied INIF 14 to the results of operations for the years ended December 31, 2008 and 2009.

The following table sets forth selected data for the periods discussed in this section, expressed as a percentage of Corporación GEO's total revenues.

	For the Years Ended December 31,		
	2008	2009	2010
	%	%	%
Revenues from real estate development activities	100.0	100.0	100.0
Costs from real estate development activities	(73.9)	(73.9)	(74.2)
Gross margin	26.1	26.1	25.8
Selling, general and administrative expenses	(11.2)	(9.5)	(9.6)
Income from operations	14.9	16.6	16.2
Comprehensive financing cost ⁽¹⁾	4.3	3.5	3.3
Net income of controlling interest	6.7	7.7	7.8
Net income of non-controlling interest	0.3	0.5	1.0
Consolidated net income	7.0	8.2	8.8
EBITDA ⁽²⁾	21.5	22.4	22.5

(1) Represents interest income, interest expense, foreign currency fluctuation and effects of valuation of derivative financial instruments—net.

(2) EBITDA represents income from operations before income taxes, depreciation and amortization, plus the amount of interest expense capitalized in inventory and expensed through costs related to real estate development activities upon the sale of such inventory in the respective period. EBITDA is not a measure of financial performance under Mexican FRS and should not be construed as an alternative measure to (a) net income or income from operations (as defined in accordance with Mexican FRS) as an indicator of operating performance, or (b) cash provided by operating activities (as defined in accordance with Mexican FRS) as a measure of liquidity. EBITDA is included because it is a widely accepted financial indicator used by investors and analysts to analyze and compare companies on the basis of operating performance. EBITDA as presented may not be comparable to similarly titled measures reported by other companies because not all companies necessarily calculate EBITDA in an identical manner and, therefore, EBITDA is not necessarily an accurate means of comparison between companies.

Corporación GEO operates across 19 Mexican states as of December 31, 2010. Sales volumes for the year 2010 totaled 56,093 homes, a 9.6% increase from the previous year. This was primarily driven by a 14.3% increase in homes sold in the Affordable Housing sector from 46,570 in 2009, to 53,230 in 2010. Sales from the Middle Income Housing and Residential Housing segments together contributed 2,863 homes in 2010, representing a 37.9% decrease from the 4,607 homes sold in such segments in the prior year.

Year Ended December 31, 2010, Compared to Year Ended December 31, 2009

Revenues. Total revenues increased by Ps.1,441.3 million, or 8.1%, to Ps.19,154.4 million in 2010 from Ps.17,713.2 million in 2009. This increase was principally attributable to the 9.6% increase in the total number of homes sold in 2010 to 56,093, from 51,177 homes in 2009, offset by a decrease in the average price of homes. The average price of homes Corporación GEO sold decreased from Ps.342,665 in 2009 to Ps.333,033 in 2010, primarily due to the decrease of 1.2% in the average price of homes sold in the Affordable Housing sector. The average price of homes Corporación GEO sold in the Affordable Housing sector decreased from Ps.307,275 in 2009 to Ps. 303,556 in 2010.

Costs. Costs increased Ps.1,129.5 million or 8.6% to Ps.14,212.6 million in 2010 from Ps.13,083.1 million in 2009. This increase principally reflected Corporación GEO's changing product mix, as it increased its focus on the fast-growing lower income segments, including Affordable Housing. The increase is also attributable to higher capitalized interest included in inventory and thus costs of goods sold at the time of sale, due to higher levels of debt.

Gross Margin. Gross margin increased Ps.311.8 million, or 6.7%, to Ps.4,941.9 million in 2010 from Ps.4,630.1 million in 2009. Corporación GEO's gross profit margin decreased 0.3% to 25.8% in 2010 from 26.1% in 2009. This 0.3% decrease resulted principally from its increased focus on the sale of Affordable Housing which was partially offset by revenues generated from the sale of commercial real estate and land.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased Ps.147.6 million, or 8.7%, to Ps.1,838.8 million in 2010 from Ps.1,691.3 million in 2009. This increase was mainly due to an increase in the number of employees, as well as an increase in the size of salaries, and its overall growth in operations. The ratio of selling, general and administrative expenses to total sales remained stable at 9.6% in 2010 compared to 9.5% in 2009.

EBITDA. EBITDA increased Ps.350.6 million, or 8.9%, to Ps.4,310.5 million in 2010 from Ps.3,959.9 million in 2009, and EBITDA margin remained stable at 22.5% in 2010 compared to 22.4% in 2009.

Net Comprehensive Financing Cost. Net comprehensive financing cost increased Ps.8.2 million, or 1.3%, to Ps.624.9 million in 2010 from Ps.616.7 million in 2009. This increase is mainly due to an increase in interest expense because of the higher level of debt after the issuance of the 2020 Bonds as well interest expense related to factoring operations with respect to accounts receivable with FOVISSSTE. This expense was offset in part primarily by a gain in the valuation of derivative instruments.

Provisions for Income Tax. Provisions for income tax decreased by Ps.74.7 million, or 10.1%, to Ps.662.2 million in 2010 from Ps.736.9 million in 2009. The effective tax rate reflected in the income statement was 28.1% in 2010, compared to 33.0% in 2009.

Consolidated Net Income. Consolidated net income increased by Ps.227.1 million, or 15.6%, in 2010 to Ps.1,677.9 million from Ps.1,450.8 million in 2009 as a result of the factors described above.

Year Ended December 31, 2009, Compared to Year Ended December 31, 2008

Revenues. Total revenues increased by Ps.3,099.5 million, or 21.2%, to Ps.17,713.2 million in 2009 from Ps.14,613.7 million in the same period in 2008. This increase was principally attributable to both the 22.4% increase in the total number of homes sold in 2009 to 51,177, from 41,811 homes sold during 2008 and an increase of 2.1% in the average price of homes sold. The average price of homes Corporación GEO sold increased from Ps.345,735 during 2008 to Ps.342,665 in 2009. The average price increase was below the rate of inflation during the period as a result of its continuing focus on selling lower-priced homes in the Affordable Housing segment. As a result of this focus, the percentage of revenues it derived from the sale of homes in the Affordable Housing sector compared to its overall revenues increased to 91.0% in 2009 from 82.4% in 2008.

Costs. Costs increased Ps.2,283.4 million or 21.1% to Ps.13,083.1 million in 2009 from Ps.10,799.6 million in 2008. This increase mirrored the increase in revenues from 2008 to 2009.

Gross Margin. Gross profit increased Ps.816.0 million, or 21.4%, to Ps.4,630.1 million in 2009 from Ps.3,814.1 million in 2008. Corporación GEO's gross profit margin remained unchanged at 26.1% in both 2009 and 2008.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased Ps.50.5 million, or 3.1%, to Ps.1,691.3 million in 2009 from Ps.1,640.8 million in 2008. This increase was mainly due to the overall growth in its work force, including a 1.8% increase in labor costs and a 4.7% increase in the number of administrative employees in 2009 as compared to 2008. The ratio of selling, general and administrative expenses to total sales improved to 9.5% in 2009 compared with 11.2% in 2008, reflecting the substantially larger increase in revenues.

EBITDA. EBITDA increased 26.1%, to Ps.3,959.9 million in 2009 from Ps.3,140.8 million in 2008, and EBITDA margin increased 86 basis points to 22.4% in 2009. The increase in EBITDA was principally due to the factors described above.

Net Comprehensive Financing Cost. Net comprehensive financing cost decreased Ps.11.1 million, or 1.8%, to Ps.616.7 million in 2009 from Ps.627.8 million in 2008. This was mainly due to a decrease in the exchange rate loss of Ps.86.0 million, resulting from the strengthening of the peso against the U.S. dollar and increased interest income of Ps.24.2 million, which was partially offset by an increase in interest expense of Ps.56.3 million due to a higher average cost of debt and a higher debt balance.

Provisions for Income Tax. Provisions for income tax increased by Ps.251.2 million, or 51.7%, to Ps.736.9 million in 2009 from Ps.485.7 million in 2008 mainly because of Corporación GEO's higher taxable income. The effective tax rate reflected in the income statement remained relatively stable at 33.0% in 2009 and 32.1% in 2008.

Consolidated Net Income. Consolidated net income increased by Ps.425.3 million, or 41.5% in 2009 to Ps.1,450.8 million from Ps.1,025.5 million in 2008 as a result of the factors described above.

Income Tax, Asset Taxes and Business Flat Rate Tax

Income tax is calculated as the higher of IETU or regular income tax. Additionally, an asset tax, equivalent to an alternate minimum tax, was payable at the rate of 1.8% on the net amount of certain assets and liabilities through December 31, 2006 and at the rate of 1.25% of assets without deducting liabilities for 2007, but only to the extent the amount of asset tax exceeded the income tax due. In 2008, the asset tax was replaced with IETU. Subject to certain rules and limitations, it is possible to recover the asset tax paid in the preceding ten years.

In addition to their agreed compensation and benefits, Corporación GEO is required by law to pay its employees profit sharing in an aggregate amount equal to 10% of its pre-tax profits (calculated without reference to inflation adjustments, tax loss carryforwards and after deduction of certain expenses), which is recorded within other expenses. It also pays its employees, including senior management, special annual bonuses, depending upon each employee's function and performance relative to targets. If statutory employee profit sharing is payable in any year, the portion of the special bonus equal thereto is accounted for under employee profit sharing expense within other expense and any amount in excess is accounted for under selling, general and administrative expenses.

Accordingly, Corporación GEO's provision for income taxes for the years 2010, 2009 and 2008 was Ps.662.2 million, Ps.736.9 million and Ps.485.7, respectively, representing 27.4%, 32.99% and 32.1% of its income from continuing operations before income taxes. Corporación GEO has tax loss carryforwards and recoverable asset tax credits that expire between 2010 and 2020. See note 23(a) to Corporación GEO's audited consolidated financial statements as of and for the years ended December 31, 2010, 2009 and 2008.

As of December 15, 2009, adopted the new INIF 18, "Recognition of the Effects of the 2010 Tax Reform on Income Tax," which establishes the accounting treatment for: (i) the income tax resulting from changes to the tax rules relating to the consolidation of subsidiaries, (ii) changes in the income tax rate, and (iii) a credit against IETU for tax losses. The effects of adopting INIF 18 included the recognition of an income tax liability of Ps.1,136.3 million (which includes Ps.18.1 million and Ps.1,118.2 million of short-term and long-term liabilities, respectively), a reduction in retained earnings for the same amount and the recognition of deferred income taxes in the amount of Ps.51.0 million. During 2010, further reforms were made to the tax laws, for which reason the Company reassessed its basis for determining its deferred income tax liabilities, as a result of which it decreased its long-term income tax liabilities by Ps.649,798 through a credit to retained earnings during 2010.

Liquidity and Capital Resources

Corporación GEO has experienced, and expects to continue to experience, substantial liquidity and capital resource requirements, principally in order to finance development and construction of homes pending payment upon completion and delivery.

Although it generally does not begin the construction of developments until the availability of the mortgage financing has been confirmed, it acquires land and performs the activities necessary to obtain the applicable permits and licenses, as well as certain infrastructure development activities, prior to receiving the confirmation of the availability of mortgage financing. It does not receive the proceeds from home sales until these houses are finished and delivered. As a result, it finances development and construction activities through working capital and outsourcing, mainly by means of bridge loans from a credit institution.

As of December 31, 2010, Corporación GEO had Ps.2,228.4 million in cash and cash equivalents and Ps.21,602.1 million in total liabilities. As of December 31, 2009, it had Ps.3,393.4 million in cash and cash equivalents and Ps.19,697.4 million in total liabilities. Corporación GEO increased its level of operations between 2009 and 2010, from 51,177 to 56,093 units sold (a 9.6% increase). The proportion of total debt to capitalization was 45.0% as of December 31, 2010, as compared to 48.4% as of December 31, 2009 and 49.1% as of December 31, 2008.

The decrease in Corporación GEO's cash position for 2010 compared to 2009 was primarily a result of receipt of proceeds from the September 2009 bond offering, as well as an increase in collections received by Infonavit and paid in 2009. In 2010, Corporación GEO's liquidity and capital resources decreased to more usual levels primarily due to a decrease in the rate of Infonavit collections, which reverted to levels of previous years, and the fact that the proceeds of the 2009 bond offering had been applied.

Cash Flows. The table below reflects Corporación GEO's consolidated cash and cash equivalents as of the periods indicated and the net cash provided by (or used in) operating, investing, and financing activities during such periods.

	Year Ended December 31,		
	2008	2009	2010
	(millions of Ps.)		
Cash and cash equivalents at beginning of period	2,113.8	2,560.1	3,393.4
Net cash provided by operating activities	(562.1)	2,526.1	619.9
Net cash used in investing activities	(574.0)	(969.8)	(1,575.6)
Net cash used in (provided by) financing activities.....	1,582.5	723.0	(209.3)
Cash and cash equivalents at end of period.....	2,560.1	3,393.4	2,228.4

Note: Figures may not sum due to rounding.

In 2010, Corporación GEO's net cash provided by operating activities was Ps.619.9 million, its net cash used in investing activities was Ps.1,575.6 million and its net cash used in financing activities was Ps.209.3 million, resulting in a net decrease in cash, cash equivalents and restricted cash of Ps.1,165 million at December 31, 2010 compared to December 31, 2009. This decrease is primarily due to investments in Project Alpha construction plants and investments in new developments.

In 2009, Corporación GEO's net cash from operating activities was Ps.2,526.1 million, its net cash used in investing activities was Ps.969.8 million and its net cash used in financing activities was Ps.723.0 million, resulting in a net increase in cash and cash equivalents of Ps.833.3 million at December 31, 2009 compared to December 31, 2008.

In 2008, Corporación GEO's net cash used in operating activities was Ps.562.1 million, its net cash used in investing activities was Ps.574.0 million and its net cash provided by financing activities was Ps.1,582.5 million, resulting in a net increase in cash and cash equivalents of Ps.446.3 million from the prior year.

Internal and External Sources of Liquidity. Corporación GEO follows a financial strategy that seeks to improve liquidity and financial flexibility. It anticipates that it will meet its short-term liquidity requirements with

resources generated by its own operations, by means of credit lines available and with financings for specific projects. From time to time, it also considers obtaining additional resources financed through private or public placements of equity or debt securities, co-investments or other adjustments. Corporación GEO's expects that the additional amounts necessary to finance working capital in the present year will come from cash generated by operations and other financings. It is not possible for Corporación GEO to be assured that cash from additional financings will be available at attractive terms.

Corporación GEO's primary sources of liquidity are:

- (a) cash flow from operations;
- (b) commercial banks, Sofoles and other financial institutions;
- (c) joint ventures with Prudential and Sólida;
- (d) issuances of notes in the domestic and international capital markets;
- (e) its euro-commercial paper program;
- (f) financing from sellers of land and, to a lesser extent, suppliers of materials; and
- (g) down payments from home buyers.

As of December 31, 2010, Corporación GEO had Ps.8,463 million in undrawn uncommitted credit lines available. These credit lines are used for the financing of construction of a project that is approved by the corresponding financial institution in which a bridge loan is involved. Such credit does not have pre-established payment terms since it is repaid when the houses are notarized and sold. The credit lines are specific to each project. Construction financing is secured by land and houses under construction.

Treasury Policies. Corporación GEO maintains a centralized control of the treasury, regulating the treasuries of each one of its subsidiaries in relation to income and expense budgets that each subsidiary presents periodically. Also, a centralized control exists for obtaining and disposing all types of credit by means of the centralized administration of credit lines.

Rights to Payment upon Transfer of Title and Related Securitization. Corporación GEO's working capital consists primarily of accounts receivable that are payable upon transfer of title to its homes. Corporación GEO's subsidiaries established a program to securitize the rights to payment upon transfer of title derived from its purchase-sale contracts (the "Rights"), which are transferred to a trust (the "NaFin Trust") established by Nacional Financiera, S.N.C., Institución de Banca de Desarrollo ("Nacional Financiera"). Nacional Financiera acts as the Trustee for the NaFin Trust. Corporación GEO has the obligation to complete the construction of the housing units related to the Rights and is responsible for the collection of the Rights and for depositing the proceeds into the NaFin Trust.

The NaFin Trust obtains funds through public offerings of Amortizable Share Certificates (certificados bursátiles or "CBs") which consist of preferred and subordinated series. As of December 31, 2010, Corporación GEO had one issuance outstanding in an aggregate principal amount of Ps.281 million that matures in March 2011, which yielded interest at a rate of 5.99%, 7.97% and 9.50% as of December 31, 2010, 2009 and 2008, respectively.

Indebtedness. The following table sets forth information regarding Corporación GEO's outstanding consolidated debt as of December 31, 2010.

	Unaudited Amount (millions of Ps.)	% of Total	Average Cost	Average Rate	Maturity
Mortgage Bridge Loans	2,336.8	25.4%	TIE+3.3	8.20%	Several
Mortgage Loans for Land Purchase	314.4	3.42%	TIE+3.4	8.29%	Several
Unsecured Direct Loans	253.8	2.76%	TIE+4.3	9.27%	Several
Leasing	196.4	2.13%	TIE+1.9	6.82%	Several
Leasing for Machinery	217.1	2.36%	LIBOR+2.1	7.05%	Several
Revolving Credit	217.5	2.36%	TIE+3.7	8.63%	17 / Nov 2014
Certificados Bursátiles (Notes)					
—Short-Term					
—Long-Term					
Senior Guaranteed Notes	<u>5,664.2</u>	<u>61.57%</u>	TIE+5.3	<u>10.18%</u>	Sep 2014 / Jun 2020
Total	<u><u>9,200.2</u></u>	<u><u>100%</u></u>		<u><u>9.44%</u></u>	

Corporación GEO's level of indebtedness from bank loans and long-term debt increased by Ps.953.5 million to Ps.9,200.2 million as of December 31, 2010 compared to Ps.8,246.7 million as of December 31, 2009, primarily due to a continued increase in normal operational growth and the issuance, on June 25, 2010, of U.S.\$250,000,000 of Senior Guaranteed Notes due 2020 with a coupon rate of 9.25% ("2020 Bonds").

Corporación GEO, on September 25, 2009, issued U.S.\$250,000,000 of Senior Guaranteed Notes due 2014 with a coupon rate of 8.875% and with the 2020 Bonds (collectively, the "Senior Guaranteed Notes"), it agreed to certain customary restrictions, including but not limited to: (a) certain cross default provisions that if breached could accelerate the payment of the Senior Guaranteed Notes, and (b) restrictive covenants related to the incurrence of additional indebtedness, making certain restricted payments and the sale of assets, among others. The Senior Guaranteed Notes are guaranteed by its material subsidiaries.

Corporación GEO is jointly liable for all of the bank loans incurred by its consolidated subsidiaries. Where unsecured, Corporación GEO's obligations under such debt will rank *pari passu* with the notes issued above. In addition, certain of its subsidiaries are jointly liable for its debt and the debt of other subsidiaries, which would allow a creditor to take direct action against both Corporación GEO in case of a default. Furthermore, the terms of the debt of some of Corporación GEO's of its subsidiaries' (a) prevent such subsidiaries from paying Corporación GEO dividends if they are in default of certain covenants under such debt, including payment of interest, principal and taxes, (b) contain cross default provisions that if breached could accelerate the payment of other debt, and (c) contain financial covenants (for example, requirements to maintain a consolidated interest coverage ratio of greater than 2.0 to 1.0 and consolidated leverage ratio of less than 3.0 to 1.0), some applicable to the subsidiary and some to Corporación GEO, that if breached could eventually accelerate payment of such debt.

Corporación GEO has not paid dividends since it was formed in 1973, and it does not currently expect to pay dividends in the foreseeable future.

Capital Expenditures. Corporación GEO operations do not require substantial capital expenditures, as it owns or leases on a short-term basis most of the construction equipment it uses, excluding those owned or leased by its subcontractors, and it subcontracts a substantial portion of the services necessary to build the infrastructure of its developments. It spent approximately Ps.393.1 million in 2010 and Ps.272.7 million in 2009 on capital expenditures, primarily for the development of its Oracle ERP program and the implementation of Project Alpha. These expenditures have been capitalized. Corporación GEO's management expects to incur approximately Ps.400 million of capital expenditures for growth and renovation of equipment for the remainder of 2010.

Corporación GEO purchases of land are treated as additions to inventory and not as capital expenditures.

Contractual Obligations and Commercial Commitments

Corporación GEO's contractual obligations and commercial commitments consist primarily of bank debt, bonds issued in the Mexican markets and deferred payment land purchase agreements. The following table provides details regarding Corporación GEO's contractual and commercial obligations as of December 31, 2010:

	Payments Due By Period (millions of Ps.)				
	Less than 12 months	12-36 months	36-60 months	More than 60 months	Indefinite
Short-term debt					
Mortgage Bridge Loans	2,336.8	—	—	—	—
Mortgage Loans for Land Purchase	19.5	—	—	—	—
Unsecured Direct Loans	130.2	—	—	—	—
<i>Certificados Bursátiles</i> ⁽¹⁾	—	—	—	—	—
Long-term debt					
Mortgage Loans for Land Purchase	120.0	160.7	4.2	10.0	—
Revolving Credit	—	—	217.5	—	—
<i>Certificados Bursátiles</i>	—	—	—	—	—
Unsecured Direct Loans	89.6	34.0	—	—	—
Leasing	87.1	103.8	5.5	217.1	—
Fixed Asset	—	—	—	—	—
Senior Guaranteed Notes	—	—	2,918.1	2,746.1	—
Total Debt	2,783.1	298.5	3,145.4	2,973.2	0.0
Leasing Agreements	176.3	175.1	122.1	538.5	—
Deferred Land Purchase Agreements	1,007.5	—	—	—	617.2
Total Contractual Obligations	3,967.0	473.6	3,267.5	3,511.7	617.2

(1) Includes short-term debt instruments with various interest rates.

Contractual obligations increased in 2010 as a result of normal operations.

Market Risk Disclosure

Interest Rate Risk. In connection with Corporación GEO's business activities, it has issued and holds financial instruments that currently expose it to market risks related to changes in interest rates. Interest rate risk exists principally with respect to its indebtedness that bears interest at floating rates. At December 31, 2010 and December 31, 2009, Corporación GEO had outstanding indebtedness of Ps.9,200.2 million and Ps.8,246.7 million, respectively, the majority of which bore interest at variable interest rates. The interest rate on its variable rate debt is determined primarily by reference to TIE. TIE increases would, consequently, increase its interest payments.

A hypothetical, instantaneous and unfavorable change of 1.5% (150 basis points) in the average interest rate applicable to floating-rate liabilities held at December 31, 2010, would have increased its interest expense in 2010 by approximately Ps.138 million over a twelve-month period.

Corporación GEO manages its exposure to changes in interest rates by timing construction and delivery of its homes and payments to its suppliers, thereby allowing it to reduce its borrowing needs. It has also reduced its interest rate exposure by entering into interest rate swap agreements with a notional amount of Ps.1,700 million.

Exchange Rate Risk. As of December 31, 2010, and December 31, 2009, Corporación GEO had approximately U.S.\$1.4 million and U.S.\$5.0 million, respectively, in foreign currency denominated assets and approximately U.S.\$518.2 million and U.S.\$269.1 million, respectively in foreign currency denominated liabilities. As of December 31, 2010, Corporación GEO had also entered into the following two interest rate and exchange rate hedging derivatives:

- Hedge of U.S.\$125 million at an exchange rate of Ps.13.3850 pesos per U.S. dollar, bearing interest at the TIE plus 642 basis points, maturity on September 25, 2014. The fair value as of December 31, 2010 was U.S.\$(8,356,273).
- Hedge of U.S.\$125 million at an exchange rate of Ps.13.3850 pesos per U.S. dollar, bearing interest at the TIE rate plus 639 basis points, maturity on September 25, 2014. The fair value as of December 31, 2010 was U.S.\$(8,217,842).

In addition, as of December 31, 2010, Corporación GEO had also entered into the following six exchange rate hedging derivatives:

- Hedge of U.S.\$100 million at an exchange rate of Ps.12.81 pesos per U.S. dollar, bearing interest at the TIIE rate plus 388.9 and 502.4 basis points, maturity in June 2020. The fair value as of December 31, 2010 was U.S.\$(14,889,129).
- Hedge of U.S.\$100 million at an exchange rate of Ps. 12.81 pesos per U.S. dollar, bearing interest at the TIIE rate plus 388.5 and 502 basis points, maturity in June 2020. The fair value as of December 31, 2010 was U.S.\$(14,856,850).
- Hedge of U.S.\$50 million at an exchange rate of Ps. 12.81 pesos per U.S. dollar, bearing interest at the TIIE rate plus 386.5 and 500 basis points, maturity in June 2020. The fair value as of December 31, 2010 was U.S.\$(7,384,068).
- Hedge of U.S.\$13.8 million at an exchange rate of Ps. 12.85 pesos per U.S. dollar, bearing interest at the TIIE rate plus 218 basis points, maturity in May 2017. The fair value as of December 31, 2010 was U.S.\$(154,215).
- Hedge of U.S.\$3.6 million at an exchange rate of Ps. 12.85 pesos per U.S. dollar, bearing interest at the TIIE rate plus 217 basis points, maturity in April 2016. The fair value as of December 31, 2010 was U.S.\$(662,154).
- Hedge of U.S.\$1.2 million at an exchange rate of Ps.12.85 pesos per U.S. dollar, bearing interest at the TIIE rate plus 224 basis points, maturity in September 2016. The fair value as of December 31, 2010 was U.S.\$(59,222).

For further information regarding Corporación GEO's hedging instruments and recent margin calls in connection therewith, see note 16 to the condensed consolidated financial statements for the year ended December 31, 2009 and 2010.

Off-balance Sheet Arrangements. Corporación GEO does not have any off-balance sheet arrangements at December 31, 2010.

Management of Corporación GEO

Board of Directors

Corporación GEO's Board of Directors is currently comprised of 14 directors, of whom 7 are independent directors as such term is defined under Mexican law. It has an Audit Committee, a Corporate Practices Committee and a Planning and Finance Committee, in addition to external auditors. The members of the Board of Directors are elected annually at the general shareholders' meeting.

As of March 31, 2010, the Directors of Corporación GEO were:

Name	Position	Years as Director	Age
Luis Orvañanos Lascurain	CEO / Chairman of the Board	24	66
Emilio Cuenca Friederichsen	Chief Legal Officer / Director	24	79
Roberto Orvañanos Conde	Chief Operating Officer / Director	3	52
Iñigo Orvañanos Corcuera	Chief Marketing Officer / Director	4	36
Luis Ignacio Abdeljalek Martínez	Chief Real Estate Officer / Director	1	37
Andrés Caire Obregón	Director	5	56
Raúl Zorrilla Cosío	Director	2	60
José Carral Escalante	Independent Director	16	89
Manuel Wienberg López	Independent Director	1	69
Roberto Alcántara Rojas	Independent Director	1	60
Francisco Gil Díaz	Independent Director	2	67
Tomás Lozano Molina	Independent Director	3	66
Alberto Guillermo Saavedra Olavarrieta	Independent Director	3	47
Álvaro Gasca Neri	Independent Director	3	66

Luis Orvañanos Lascurain, CEO & Chairman of the Board. Mr. Orvañanos holds a Bachelor's degree in Architecture from Universidad Iberoamericana (1969). In July 1973, he founded Orvañanos y Vilchis Construcciones, S.A. de C.V. He is currently Chairman of the Board and CEO of Corporación GEO and some of its 35 subsidiaries. He was formerly a member of the Board of Directors of SOFOL Su Casita, S.A. de C.V. and he is currently a member of the Board of Directors of CANADEVI, Grupo Zurich Mexico, S.A., Grupo Financiero Santander, S.A.B. de C.V., Club de Industriales, A.C., Consejo Mexicanos de Hombres de Negocios and Arroz con Leche, S.A. de C.V. Mr. Luis Orvañanos is the father of Mr. Iñigo Orvañanos and the cousin of Mr. Roberto Orvañanos.

Emilio Cuenca Friederichsen, Chief Legal Officer & Director. Mr. Cuenca is President of Fundación GEO, A.C, advisor to the Chairman and member of the Board of Directors of Corporación GEO. He was the Legal Vice-President of Corporación GEO for 25 years. He had worked as an auditor and banker for over 30 years, as well as serving as the General Manager in the Mortgage division of Banca Cremi and as a member of the Board of Directors of Casa de Bolsa Cremi, Arrendadora Cremi, Cremi Cor, Inmobiliaria Hábitat, Inmobiliaria las Fuentes and FOVI. Since its foundation in 1994, he has been member of the Board of Directors and shareholder of Hipotecaria Su Casita, S.A. de C.V. as well as in the CANADEVI. Mr. Cuenca holds a Bachelor's degree in Accounting from Universidad Nacional Autónoma de Mexico UNAM.

Roberto Orvañanos Conde, Chief Operating Officer & Director. Mr. Orvañanos holds a Bachelor's degree in Architecture from Universidad Nacional Autónoma de Mexico UNAM. During his 12 years working at Corporación GEO, Mr. Orvañanos has worked in important positions throughout Corporación GEO, including as General Operating Coordinator, Committee A Operating Coordinator, General Manager of GEO Centro (the most important region of GEO), General Manager of GEO Edificaciones and GEO Tampico. He has been Corporación GEO's Chief Operating Officer since December 2006. Mr. Roberto Orvañanos is the cousin of Mr. Luis Orvañanos and the uncle of Mr. Iñigo Orvañanos.

Iñigo Orvañanos Corcuera, Chief Marketing Officer & Director. Iñigo Orvañanos holds a Bachelor's degree in Economics from Instituto Tecnológico Autónomo de Mexico ITAM and an MBA from Instituto de Empresa in Madrid. He has been working at GEO for the past 11 years, occupying a variety of different positions. He previously worked in GEO Centro as Regional Marketing Director; Finance and Planning Director; Mortgage Credits Director and as Savings Program Manager. Since January 2008, Mr. Iñigo Orvañanos has been designated as Chief Marketing Officer of Corporación GEO. He is also Founder and Chairman of the Board of EDUCA Mexico, A.C., a nonprofit organization dedicated to supporting nonprofit schools that provide teaching services to children with scarce monetary resources. Mr. Iñigo Orvañanos is the son of Mr. Luis Orvañanos and the nephew of Mr. Roberto Orvañanos.

Luis Ignacio Abdeljalek Martínez, Chief Real Estate Officer & Director. Mr. Abdeljalek graduated from Universidad Anáhuac del Sur as a Public Accountant and also obtained an MBA from Boston University. He has been in the housing industry for the last 16 years, working at Corporación GEO. He is currently Chief Real Estate Officer of Corporación GEO in charge of land acquisition, the development of community plans, managing the strategic alliances for the land bank and new real estate developments. Mr. Abdeljalek is also Finance Vice-president of the Urban Land Institute of Mexico.

Andrés Caire Obregón, Director. Mr. Caire received a degree in civil engineering from Universidad Anáhuac and he is fluent in English, French and Italian. He was Technical Director, Commercial Director, Exports Director and General Manager of Viguetas y Bovedillas S.A. Mr. Caire was also Construction Director of the construction firm CURSA. Mr. Caire was also Partner and Finance & Development Vice-president of GRUPO TRIBASA, that resulted from the merger of Cimentaciones y Edificaciones S.A and GRUPO TRIBASA. In addition, he has been a member of the Board of Directors and the Executive Committee of Grupo ICONSA as well as Partner of Promociones de Infraestructura Energética S.A. de C.V. Currently, Mr. Caire is President of Crecimiento Programado and works as a consultant for a number of other companies.

Raúl Zorrilla Cosío, Director. Mr. Zorrilla has two Bachelor's degrees from Universidad Nacional Autónoma de Mexico UNAM: one in Business Administration and the other in Public Administration and Political Science. Mr. Zorrilla has held a variety of positions at Corporación GEO; from 1997 to 1999, he was Commercial Vice-president, from 2002 to 2006 he was a lower-income-housing and land bank-administration consultant, from 2007 to 2008 he was designated as Chief Commercial Officer and, since February 2008, he has been an advisor to the Chairman.

Mr. Zorrilla has occupied important roles in the Mexican public sector and Mexican institutions. He was Regional and General Coordinator at INFONAVIT, Chief Officer of the National Promotion for Tourism Fund, Chief Officer of the National Lottery and Sub-secretary of the Transport and Communications Ministry. In addition, Mr. Zorrilla served as General Sub-Manager of *Instituto Mexicano del Seguro Social's IMSS* Divisions as well as the Mexican President's Private Secretary and General Manager of Administration between 1982 and 1988. Mr. Zorrilla was Executive President of the Mexican Personnel Training Association, a member of the Board of Directors of IMSS, *Teléfonos de Mexico (TELMEX)*, SEPOMEX, *Cabo Marina*, *Nacional Hotelera*, the hotel chain *Presidente*, and President of the National Communication and Information Technology Consultant Committee, among other executive positions.

José Carral Escalante, Independent Director. Mr. Carral has 40 years of experience in international banking. He graduated from Universidad Nacional Autónoma de Mexico UNAM and completed specialization programs at NYU, Universidad de las Américas UDLA and the University of California at Berkeley. He is Founder of Carral y Asociados, S.C. and Carral, Rubio Del Cueto, a corporate law firm. He is also the delegate of Credit Commercial De France in Mexico. From 1955 to 1986 he worked for Bank of America in different job positions such as Senior Vice-president & Representative for Mexico handling an asset portfolio of more than U.S.\$3.3 billion. Mr. Carral is founder and member of the Board of Directors of INTERMEX (Banco Internacional), Banamex (Citigroup), Bank of América and Nacional Financiera (NAFIN) as well as a member of the Board of Directors of Arrendadora ComerMex, Bank of America—ComerMex (now Scotiabank).

Also, Mr. Carral was a member of the Board of Directors of CONCANACO, CEMAI, Western Airlines, Bank of Tokyo—Mitsubishi, Alcatel—Indetel, California Commerce Bank, Bancrecer, Casa de Cambio Banamex, Continental Airlines, World Trade Center, Grupo Embotellador de Mexico, Instituto Nacional de Migración, Consejo Mexicano de Promoción, Caterpillar Finance Corporation, Fundación Domecq, Alexander Forbes, Colgate Palmolive, Corporación GEO, Earthwise Technologies, Gardes Energy Services, HSBC, Seros, Zurich Seguros, Asociación de Instituciones Financieras Internacionales, Club Pumas, Consejo Consultivo de UNICEF Mexico—Naciones Unidas and Fundación UNAM.

Roberto Alcántara Rojas, Independent Director. Mr. Alcántara is an entrepreneur in the Mexican transport industry. He directed the National Passenger Transport and Tourism Chamber and was President of the Board of Directors of IAMSA and VivaAerobus.

Manuel Weinberg López, Independent Director. Mr. López holds a Bachelor's degree in Business Administration from Universidad Nacional Autónoma de Mexico UNAM. He has been Vice-president and General Manager of Tisamex, a textile firm and was a Partner and Director of Fuentes del Valle and FINTECO, which are companies in the real estate and housing industries. In addition, he was Director and Consultant of CPTTEL, a telecommunication firm in the United States.

Francisco Gil Díaz, Independent Director. Francisco Gil earned a degree in economics from Instituto Tecnológico Autónomo de Mexico ITAM, and he holds a Masters and a PhD in economics from the University of Chicago. Mr. Gil has been a professor at educational institutions such as ITAM, Universidad Iberoamericana, Colegio de Mexico and UNAM. He has also given conference lectures at universities including Columbia, Harvard, Chicago, UCLA, Miami, San Diego and Tribuna Juan de Oñate in Madrid, Spain. At Banco de Mexico he worked in executive positions such as Economic Director, Economic Studies Director and Member of the Government Board. In the Mexican Ministry of Finance and Public Credit, he held job positions in the General Direction of Financial Planning, General Direction of Income Politics, Income Sub-Ministry and from 2000 to 2006 Mr. Gil was the Minister of Finance and Public Credit.

In the private sector, Mr. Gil was Chief Executive Officer of Avantel, a Mexican telecommunications company and is currently the Chief Executive Officer of Movistar for Mexico and Central America. He is also a member of many governmental institutions, Boards of Directors, committees and other institutions.

Tomás Lozano Molina, Independent Director. Mr. Lozano holds a Bachelor's degree in Law from Universidad Nacional Autónoma de Mexico UNAM. He has worked as a Public Notary in Notary No. 87 and No. 10. He is professor of post-graduate courses in the Mexican law school Escuela Libre de Derecho and in the Notary College Colegio de Notarios. He has been a board member and advisor in different institutions, partnerships, associations and private assistance institutions.

Mr. Lozano serves as notary in the following financial institutions: Scotiabank, HSBC, Banorte, Santander and Fomento Hipotecario.

Alberto Guillermo Saavedra, Independent Director. Mr. Saavedra has a Bachelor's degree in Law from Universidad Iberoamericana. For the past 26 years, he has been working for Santamarina y Steta, S.C., where he began his legal practice and rose to become a partner. He has been a member of many boards of directors and committees and is a trustee for several public and private companies such as Hysol Indael De Mexico, John Deere, Casa De Bolsa Inverlat, Grupo Industrial Rovitex, Gondi, G. Acción, Grupo Embotelladoras Unidas, Fundación Mexicana Para La Calidad Total, Mexicana De Inversiones Femac, Mexicana De Premezclas, Mercado Mexicano De Derivados (MexDer), Invex Grupo Financiero, Kimberly Clark De Mexico, Nadro, Bolsa Mexicana De Valores, Fondo Mexicano Para La Conservación De La Naturaleza, Grupo Financiero BBVA Bancomer, Sanluis Corporación, Asociación Empresarial Mexicano Suiza and Centros De Conocimiento Tecnológico.

Mr. Saavedra has been a representative in many financial projects such as the Pacific Rim Advisory Council (PRAC). Moreover, he has given classes at the *Universidad Iberoamericana* and the *Universidad Panamericana*.

Alvaro Gasca Neri, Independent Director. Mr. Gasca is an accountant who graduated with honors from Instituto Politécnico Nacional IPN and has a Master's degree in Business Management from l'Université de Nancy in France. He is also professor at the Superior School of Business and Management of IPN. From 1978 to 2006, he was a Partner at Ernst & Young and from 1993 to 2005, member of the Executive Committee. He was Managing Partner of Ernst & Young's French Business Center from its formation until 2006. He has been a Trustee for well-known Mexican companies such as Grupo Bal, Crédito Afianzador, Peñoles, Grupo Crédito Hipotecario y Banco Minero y Mercantil, Casa de Bolsa Bancomer, Factoraje Bancomer, Arrendadora Bancomer, Schneider de Mexico, Grupo Electricité de France en Mexico, Grupo Gaz de France en Mexico, Moet Hennessy de Mexico, Grupo Nestlé Mexico, Grupo Trouyet, Interindustrias, Grupo GNP, Seguros Monterrey Aetna, Fianzas Monterrey, Grupo Cervecería Moctezuma, Grupo Oxxo, Hoteles Regina, Grupo Hoteles Presidente Intercontinental and Compañía Mexicana de Procesamiento, a joint venture between Banamex, Bancomer and Grupo Alstom.

Mr. Gasca has also served as General Manager of External Audits at the *Secretaría de la Contraloría General de la Federación*, a Board Member of the Mexican Securities and Exchange Commission and of the Ministry of Finance and Public Credit during the bank privatization process in Mexico. He was an advisor to the Income Subsecretary of the Ministry of Finance and Public Credit, Board Member of the Asian-Pacific International Conference on Accounting Issues, as the trustee and member of the *Consejo Nacional Directivo del Instituto Mexicano de Ejecutivos de Finanzas*, member of the Mexican Public Accountants Academy and member of the Accounting Principles Commission at the Mexican Institute for Public Accountants.

Officers

The following table sets forth Corporación GEO's current executive management:

Name	Position	Years with Us	Age
Luis Orvañanos Lascurain	CEO / Chairman of the Board	37	66
Roberto Orvañanos Conde	Chief Operations Officer / Director	12	52
Saúl Humberto Escarpulli Gómez	Chief Financial Officer	17	41
Daniel Gelové Gómez	Chief Administrative Officer	17	53
Luis Ignacio Abdeljalek Martínez	Chief Real Estate Officer / Director	16	37
Emilio Cuenca Friederichsen	Chief Legal Officer / Director	37	79
Pablo Moch Leiferman	Chief of Human Resources	7	49
Iñigo Orvañanos Corcuera	Chief Marketing Officer / Director	11	36

Saúl Humberto Escarpulli Gómez, Chief Financial Officer. Mr. Escarpulli has 17 years of experience in the construction sector. Mr. Escarpulli holds a degree from Universidad Panamericana A.C. He is an accountant, and worked for KPMG S.C. prior to joining Corporación GEO.

Daniel Gelové Gómez, Chief Administrative Officer. Mr. Gelove holds a degree from UNAM, and is an accountant. He has 17 years of experience in the construction sector. Prior to joining Corporación GEO, he worked at Deloitte Touche Tohmatsu.

Pablo Moch Leiferman, Head of Human Resources. Mr. Moch holds a degree in psychology from UNAM. He has seven years of experience in the construction sector. Prior to joining Corporación GEO, he worked at Praxis Servicios Integrales.

Internal Controls

Corporación GEO's Chief Executive Officer and other executive officers are responsible for the preparation and accuracy of Corporación GEO's consolidated financial statements, as well as for maintaining a system of internal controls. Internal controls provide shareholders, the market and Corporación GEO's investors with reasonable certainty that (i) operations are performed under the Chief Executive Officer's and other executive officers' oversight, (ii) financial files and records are accurate as the basis for preparing Corporación GEO's consolidated financial statements, (iii) assets are included in the financial statements at their appropriate values and (iv) assets are protected against losses due to unauthorized use or disposition.

In order to comply with their obligations regarding the accuracy of financial information, Corporación GEO's Chief Executive Officer and other executive officers maintain and rely on Corporación GEO's system of internal controls. This system is based on an organizational structure that effectively delegates duties and ensures effective selection and training of personnel. Additionally, Corporación GEO's internal controls system includes policies communicated to personnel through appropriate channels.

As of December 31, 2010, Corporación GEO had three internal control committees: the Audit Committee, the Corporate Practices Committee and the Planning and Finance Committee, which meet every three months, and are presided over by independent members of the Board of Directors.

- (a) The Audit Committee is in charge of recommending the selection of the external auditors, as well as the analysis, implementation and evaluation of the effects of any new accounting regulations. This committee meets quarterly and supports the Board of Directors in monitoring the financial information and complying with fiscal and legal regulations. The chairman of the Audit Committee and its members are deemed to be independent under Mexican law. The members of the Audit Committee are: Álvaro Gasca Neri (Chairman), José Carral Escalante, Manuel Weinberg López and Tomás Lozano Molina.
- (b) The Corporate Practices Committee meets quarterly to review, with the support of Corporación GEO's Human Resources department, the appointment, hiring and promotion of employees. In addition, this committee defines variable compensation and the general salary structure for the employees and develops human resources strategies. The chairman of this committee and its members are deemed to be independent under Mexican law. The members of the Corporate Practices Committee are: Alberto Saavedra Olavarrieta (Chairman), Tomás Lozano Molina, Roberto Alcántara Rojas and Manuel Weinberg López.
- (c) The Finance and Planning Committee is in charge of defining the financial strategies of Corporación GEO, as well as the preparation and approval of the annual budgets, certain investments and financing activities. It is also responsible for developing strategies for the use of financial instruments, relationships with national and international financial institutions, and general communications to the market and investors. The members of the Finance and Planning Committee are: Iñigo Orvañanos Corcuera, Luis Abdeljalek Martínez, Emilio Cuenca Friederichsen, Luis Orvañanos Lascurain, Daniel Gelové Gómez, Roberto Orvañanos Conde, Saúl Escarpulli Gómez, Pablo Moch Leiferman, Mario Orvañanos Conde, Salvador Villaseñor Arai, David Casares Arrangoiz, Adolfo Ceballos Cárdenas, Jorge Nieves Acosta, Gabriel Gómez Castañares, Lorena García Alcocer, Lorenzo Hernández Herrera, Emilio Cuenca Carrara and Raúl Zorrilla Cosío.

Corporación GEO's system of internal controls is supported by internal audits, the results of which are reported to management throughout the year. In addition, Corporación GEO maintains modern and efficient information systems that allow it to obtain real-time up-to-date information and maintain reliable databases to assist it in the preparation of financial reports. Corporación GEO's statutory auditors are Galaz, Yamazaki, Ruiz Urquiza, S.C. (Member of Deloitte Touche Tohmatsu Limited). They have held this position for approximately 17 years.

Capital Structure of Corporación GEO

Share Ownership

As of December 31, 2010, issued and outstanding share capital of Corporación GEO was composed of 549,442,784 common Series B Shares with no par value. One (1) member of the Board of Directors holds more than 1% of Corporación GEO's shares. The following table sets forth certain information as of April 14, 2010, the date of Corporación GEO's annual shareholder meeting, concerning ownership of Series B Shares.

Board of Directors and Officers	84,313,244	15.3%
Public Investors	464,504,840	84.5%
Shares in Treasury	624,700	0.1%
TOTAL	549,442,784	100%

As of December 31, 2009 and 2010, authorized common stock was 555,396,540 shares, at no par value. As of December 31, 2010 and December 31, 2009, it had 549,442,784 and 544,445,650 shares outstanding.

The Mexican General Corporations Law requires that at least 5% of net income of the corresponding year be transferred to the legal reserve until such reserve equals 20% of a company's capital stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed except in the form of a stock dividend, unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2009 and 2010, Corporación GEO's legal reserve, in historical pesos, remained at Ps.25.7 million. Stockholders' equity, except restated paid-in capital and tax retained earnings, will be subject to income tax at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against the income tax payable of the year in which the tax on the dividend is paid and the two fiscal years following such payment.

Related Party Transactions

From time to time, Corporación GEO engages in a number of transactions with its shareholders and with companies that are owned or controlled, directly or indirectly, by its controlling shareholders. Any transactions with related parties have been made consistent with normal business operations using terms and conditions available in the market and are in accordance with the applicable legal standards.

The following is a description of certain material transactions between Corporación GEO and related parties in the years ended December 31, 2008, 2009 and 2010. See note 17 to the audited consolidated financial statements for the years ended December 31, 2008, 2009 and 2010.

Outstanding Loans, Payments and Transactions Between Related Parties

Corporación GEO has occasionally extended loans to and received loans from its related parties, and it believes the consideration, terms and conditions of these transactions were substantially equivalent to those of similar transactions carried out with independent parties.

Below is an analysis of balances due from and to related parties as of December 31, 2008, 2009 and 2010.

	Years Ended December 31,		
	2008	2009	2010
		(millions of Ps.)	
Due from related parties:			
<i>Fideicomiso</i> Maestro Mexicano 412	134.0	120.0	—
<i>Fideicomiso</i> Maestro Mexicano 371	44.1	13.8	—
Due to related parties:			
<i>Fideicomiso</i> Maestro Mexicano 412	—	—	41.8
<i>Fideicomiso</i> Maestro Mexicano 371	—	—	—

Corporación GEO purchases land through the Residential Investment Program with Prudential. These transactions are carried out in the ordinary course of business and it believes the consideration is substantially equivalent to that of similar transactions carried out with independent parties. For the years ended December 31, 2008, 2009 and 2010 the total amount of these land purchases were Ps.289.0 million, Ps.51.2 million and Ps.64.8 million, respectively.

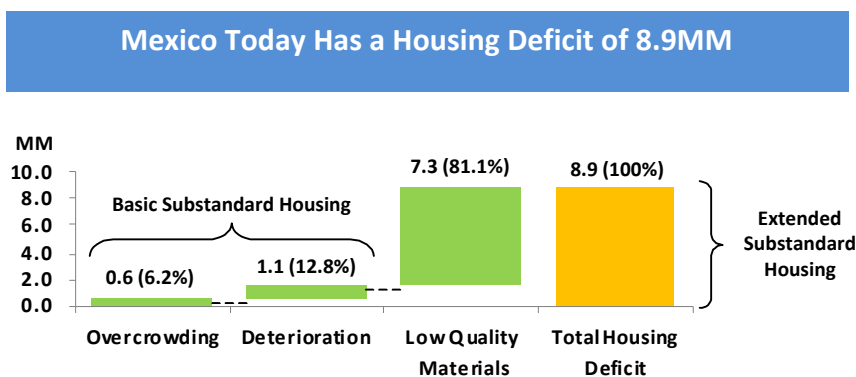
Corporación GEO is organized under the laws of Mexico with its principal executive offices located at Margaritas No. 433, Colonia Ex-hacienda Guadalupe Chimalistac, 01050 Mexico D.F. Its telephone number is (+52-55) 5480 5000. Corporación GEO was reorganized as a *sociedad anónima bursátil de capital variable* on June 13, 2006, to comply with changes to the Mexican securities laws, with an indefinite corporate life as set forth in its by-laws.

The Mexican Housing Industry

Information in this section is based on material obtained from public sources, including publications and materials from INEGI, CONAVI, CONAPO, Softec, Center for Housing Research and Documentation (*Centro de Investigación y Documentación de la Casa*, or "CIDOC"), INFONAVIT, SHF and FOVISSSTE. The information provided herein has not been independently verified by the Issuer.

Overview

In recent years, the Mexican housing sector has experienced considerable growth. However, Mexico continues to experience a housing deficit, as illustrated below, and the mortgage to GDP ratio in Mexico is only 14%, compared to more than 70% in the United States. According to SHF, Mexico is currently experiencing a shortage of approximately 8.9 million housing units, which includes both those people who do not own homes and those living in substandard housing due to overcrowding, deterioration and low quality building materials.



Between 2001 and 2008 the Mexican housing market grew from approximately 250,000 to approximately 503,000 units built and sold by developers each year. This growth was made possible in large part by strong government support for the industry. In the Affordable Housing market segment, the market has witnessed the restructuring of INFONAVIT, the creation of SHF and a special loan program that FOVISSSTE offered to government workers and teachers. Within the Affordable Housing market, the sub-segment that has shown the most growth is economic housing (with sales prices up to Ps.219,570 (U.S.\$17,426)) due to the strong support of this market by the subsidy program offered to families that are first-time home purchasers. House prices have generally been stable over the last decade, and, unlike other countries, Mexico did not experience a housing price bubble. However, in 2008, the housing market contracted by 1.8% in units built as a result of the global financial crisis.

Developer-Built and Self-Built Housing Markets

The housing market in Mexico can be divided into the "self-built" market and the "developer-built" market. The self-built housing market includes units constructed gradually over time, usually without procurement of licenses or permits. Mortgage financing is typically not available for homes constructed in the self-built market. Approximately 40% of all new homes built in Mexico each year are "self-built" homes.

The developer-built housing market consists of homes built by contractors and developers that are commonly sold with mortgage financing. These homes are built with official permits, have access to all municipal services and are on land that is registered and sold to the buyer. In order to build homes for this market, developers must have adequately-zoned land with the necessary infrastructure installed, committed financing and clear title to the land. The relative size of the developer-built market varies with the amount of mortgage financing available. In 2008, developer-built housing represented approximately 60% of the homes built in Mexico.

According to CONAVI and Softec, the developer-built housing market is highly fragmented with some 3,000 homebuilders servicing it, out of which more than 800 are established developers registered with INFONAVIT. Most of these developers are small and operate exclusively in their local markets. In 2008, the top 10 developers sold approximately 49% of the total developer-built homes in Mexico. Corporación GEO is one of only two companies that sell more than 50,000 homes annually, according to Softec. As of December 31, 2010, it had approximately an 8.2% market share in the construction of all homes sold with mortgage financing in Mexico, based on its analysis of data provided by CONAVI.

Segmentation of the Developer-Built Housing Market

Corporación GEO defines the three major components of the developer built housing market as: (a) Residential Housing, or upper income, with a sales price of Ps.1,290,873 or more; (b) Middle Income Housing, with a sales price of between Ps.655,044 and Ps.1,290,873; and (c) Affordable Housing, with a sales price of less than Ps.655,044. It updates its criteria for these categories from time to time to reflect changes in the Mexican housing market, inflation and other factors related to its business. Other homebuilders in Mexico may use different thresholds and terminology in defining the components of the developer housing market. While each company uses different criteria, Corporación GEO believes that its definitions are consistent with comparable companies in its industry. The availability of mortgages to the Affordable Housing sector, unlike the Residential Housing and Middle Income Housing sectors, is not dependent upon fluctuations in interest rates as they are strongly supported by the federal government. Corporación GEO further divides the Affordable Housing segment into four main categories, based on price and source of mortgage financing: economic, lower affordable, affordable and affordable plus. This type of housing generally refers to units financed principally through INFONAVIT, FOVISSSTE and SHF with or without private lender co-financing.

Factors Supporting the Affordable Housing Segment

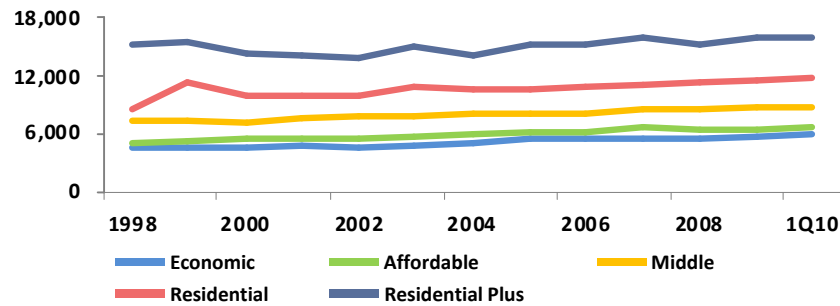
There is a housing deficit of 8.9 million homes in Mexico, according to SHF, and Corporación GEO believes that many of the persons affected by this deficit are part of its target demographic for Affordable Housing. Furthermore, INFONAVIT and FOVISSSTE, both of whose lending activities benefit primarily by its Affordable Housing segment, indicate that of the 8.8 million and 2.3 million members of the Mexican work force that they serve, respectively, 5.1 million and 1.6 million of these workers, respectively, are currently eligible for a mortgage, interested in purchasing a home and have the capacity to make payments, but have not yet exercised their right to mortgage financing. In addition, based on current Mexican demographics, there are approximately 530,000 new households per year. Corporación GEO believes that this trend in the housing market will help sustain the demand for Affordable Housing and mortgage financing in the future.

Corporación GEO benefits from a significant supply of government-organized mortgages for its target markets that has been established through mandatory payroll contributions by employers on behalf of their employees. This structure is the result of reforms that were implemented more than 30 years ago through various federal initiatives, laws and regulations that created INFONAVIT and FOVISSSTE, the private and public sector housing funds, respectively. Both agencies have adopted reforms to improve efficiency over recent years, which has fueled further market growth. INFONAVIT and FOVISSSTE provided 475,072 and 91,050 mortgages, respectively, in 2010. Compared to other countries, these government-mandated funding sources for mortgages have allowed industry participants to rely less on the capital markets or direct government funding. In addition, because of the Mexican government's support for FOVISSSTE and INFONAVIT, these agencies share the same credit rating as the Mexican federal government, despite being fully self-funded.

The homebuilding industry plays a critical role in Mexico's development due to its size and its political and socio-economic importance. Corporación GEO and its competitors directly employ more than 3.3 million people, according to CONAVI, making its sector an important component of Mexico's overall employment. In addition, the Affordable Housing segment is seen as directly addressing one of the key social welfare needs in Mexico: adequate housing.

Stable House Prices Over a Decade

Purchase Price: MXN⁽¹⁾ per sqm.

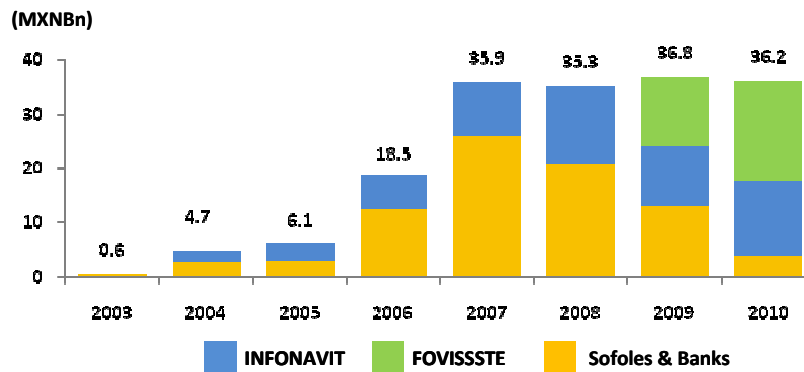


Source: Softec

Mortgages in the Affordable Housing segment are structured to match each borrower's payment ability. They are denominated in pesos, linked to inflation and subject to a cap, which helps to protect borrowers from currency and interest risks. Payment schedules are also aligned with each borrower's salary. All mortgages require full documentation. Corporación GEO believes this structure helps to protect creditors and creates a more stable market structure than in some international markets.

The RMBS market in Mexico has only developed during the past six years and generally does not involve complex structures, which Corporación GEO believes has prevented the creation of subprime related issues in Mexico. INFONAVIT and FOVISSSTE both have access to the Mexican RMBS market and have issued bonds in 2009 and 2010. Sofoles and commercial banks may also participate in this market.

Total RMBS Issuance per Year



Source: SHF, INFONAVIT, Bloomberg

Source: SHF, INFONAVIT, Bloomberg

(1) As of December 31, 2010

Housing Supply

The housing industry in Mexico is extremely fragmented and a large number of companies are currently engaged in development activities. Most of the companies develop projects consisting of no more than 100 houses. Due to the limited amount of mortgage financing and the lack of working capital, only a short list of companies have become significant competitors in the market. Corporación GEO is currently one of the leading developers of Affordable Housing in Mexico in terms of units sold and geographic diversity.

Corporación GEO believes, based on public information, that, as of December 31, 2010, it is the largest developer of Affordable Housing in Mexico, with a market share of approximately 9.23% of mortgages issued by INFONAVIT. Corporación GEO believes it has achieved this growth in market share by offering a unique product of homes built in neighborhoods that also provide schools, hospitals, common green spaces and other amenities, by

focusing on the Affordable Housing and Middle Income segments and by establishing and maintaining a well-recognized brand.

The largest public companies that develop houses in the Affordable Housing market in terms of the number of units sold as of December 31, 2010 were:

Competitor	GEO	Homex	Urbi	ARA	SARE
Number of States with Operations	19	22	16	19	10
Sectors	A, MI, R	A, MI, R	A, MI, R	A, MI, R	A, MI, R
Home Sales Q4 2010 ⁽¹⁾	56,093	48,442	33,478	18,243	2,684
Revenue Q4 2010 (in millions of Ps.)	19,154.4	19,689.1	14,950.7	7,367.6	2,293.7
Net Debt/EBITDA (Annualized Q4 2010) ⁽²⁾	1.6x	2.2x	1.1x	0.8x	4.9x
Market Share Q4 2010 (%) ⁽³⁾	5.22%	4.50%	3.11%	1.70%	0.25%
Infonavit Market Share (December 2010)	9.23%	5.56%	3.30%	2.80%	0.51%
Land Reserve Q4 2010 (homebuilding capacity) ⁽⁴⁾	387,904	398,590	291,782	176,716	50,589
YTD Stock Performance ⁽⁵⁾	30.30%	-4.80%	-1.30%	-16.10%	-23.60%

A: Affordable; MI: Middle Income; R: Residential

Source: Q4 2010 reports of each of the companies listed above, and internal data. Data for the year ended December 31, 2009, are not included because INIF 14 was not adopted by all of the companies listed in this table, and therefore, such data would not be comparable.

- (1) This number represents total home sales across all categories.
- (2) Calculated by multiplying Q4 2010 EBITDA *times* 1.33 for each company. EBITDA for the past four (4) historical quarters is not comparable because of the implementation of INIF 14.
- (3) Based on a total of 624,181 houses sold with mortgage financing in Mexico through December 31, 2010, according to CONAVI.
- (4) Figures represent the number of homes each homebuilder believes they can build on land held in their inventory as disclosed in their quarterly report.
- (5) Through December 31, 2010.

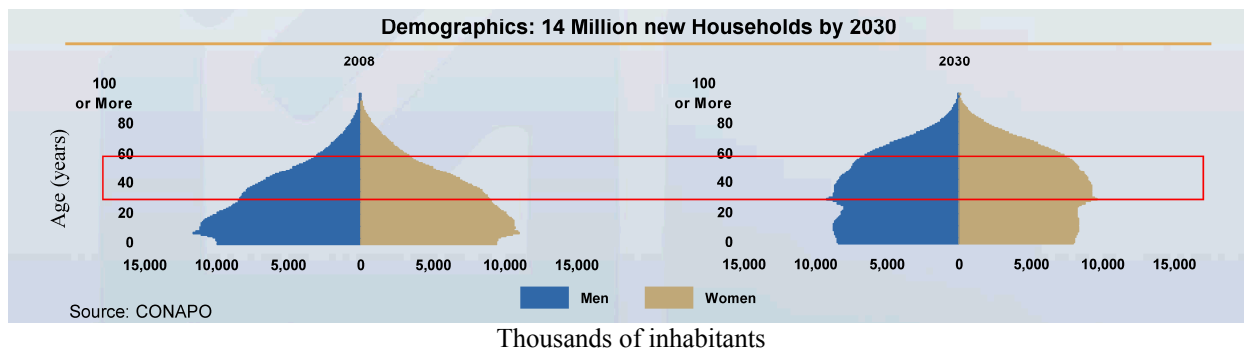
Home Buyers

Home buyers in Mexico are generally between 25 and 50 years old. These are prime productive years and correspond with household formation. Approximately 78% of heads of household are male and approximately 22% are female. However, the percentage of female heads of household has increased in recent years, a trend that has increased the market for homes that cater to working mothers. In addition, approximately 48% of all heads of household are 45 years old or more. The average number of occupants per household has been decreasing, and, according to INEGI, reached four members per household in 2009.

Corporación GEO mainly services clients at the bottom end of the income pyramid, who also account for the most resilient segment of the market. These clients generally earn less than four times the general minimum wage, are subsidized by the government and receive their mortgages from INFONAVIT, FOVISSSTE and other government agencies. These individuals are usually first-time homeowners who aim to improve their living situation through the purchase. These home buyers generally have a greater incentive to make all payments in order to retain their homes. In many cases these home buyers previously resided in dwellings that do not meet minimum welfare criteria for both health and security.

Mexican Demographics

The current housing shortage is expected to increase as a result of the current "population pyramid" of Mexico. According to CONAPO, between 2005 and 2009, Mexico's overall population grew 3.4% and is expected to continue to grow at a 0.7% compounded annual growth rate over the next five years. According to CONAPO, approximately 49.8 million people in Mexico, or 46.2% of Mexico's population, are between 20 and 50 years old, and this group is expected to increase further by 2020. The main age target market for Corporación GEO's housing units is typically between 25 and 35 years old. This demographic group is growing at an annual rate of approximately 0.5%. According to Softec, approximately 70.8% of the Mexican working population earns less than Ps.13,974 (U.S.\$1,109) per month, which equals eight times the monthly minimum wage of Ps.1,747.



Governmental Policy

In the late 1980s, the Mexican government redefined its policy for the housing industry to encourage investment by the private sector, reduce development costs and stimulate an increase in the development of housing. This policy encouraged participation by commercial banks in mortgage financing arranged through FOVI (the predecessor to SHF) by establishing mortgage loan guarantees and direct payment and savings procedures. The Mexican government also increased the role of the private sector in housing construction by preventing INFONAVIT and FOVISSSTE from actually developing housing units themselves. Currently, these institutions focus on providing mortgage financing. Prior to 1992, Mexican government housing institutions relied on government-mandated funds and acted as developers and mortgage providers. As a result of the 1992 INFONAVIT Reform, INFONAVIT no longer performs development and sales activities and instead functions as a true savings and loan program. See "—The Housing Financing System." Additionally, the Mexican Congress amended the Mexican Constitution in January 1992 and the Agrarian Law (*Ley Agraria*) in February 1992 to provide for transfer of previously non-transferable, community-held land. As a result of this amendment there was an increase in the supply of land potentially available for development. See "Corporación GEO—Corporación GEO's Business—Operations—Access to Land, Land Inventory and Land Outsourcing" in Annex A hereto. In 1997, the Mexican government reformed portions of the laws regulating INFONAVIT in order to increase the amount of mortgage financing available for buyers of homes in the Affordable Housing segment.

In December 1993, the Mexican government authorized the creation of Sofoles and Sofomes, which are companies authorized to operate as non-bank finance companies to finance certain specific sectors of the Mexican economy. The first Sofoles and Sofomes began operating in 1995. Since their creation, most Sofoles and Sofomes have been incorporated with charters as mortgage banks. There are currently 87 Sofoles and Sofomes operating in Mexico in various segments of the economy, including personal and corporate credit, vehicle financing and equipment financing. To date, 25 Sofoles and Sofomes operating in Mexico have been approved to originate and service mortgages for homes in the Affordable Housing segment funded by the SHF, and it is expected that the Sofoles and Sofomes will complement other mortgage lenders in serving the Affordable Housing mortgage markets.

Sofoles, however, have suffered a sharp contraction in 2009, largely due to the stricter capital requirements and reduction in available funding from sources other than SHF. This contraction has adversely affected the housing sector, which effects are unlikely to dissipate in the near future.

The industry of non-bank financial institutions is currently experiencing a trend toward consolidation, with the acquisition of some Sofoles and Sofomes by banking institutions, as well as by other Sofoles and Sofomes.

In September 2001, the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) established SHF to replace FOVI. SHF has greater capacity to raise financing than its predecessor, enabling it to increase the number of mortgage loans it can make available. In response to the current housing deficit, the administration of President Felipe Calderón has announced its intention to underwrite six million mortgages for the period 2007–2012 through INFONAVIT, SHF, FOVISSSTE and other institutions.

The Housing Financing System

Overview

The finance system for Mexico's housing market is segmented into four institutional groups that provide mortgage funding, each with different operational procedures and beneficiaries:

- mortgage providers (such as INFONAVIT for private sector employees, FOVISSSTE for public sector employees and the *Instituto de Seguridad y Servicios Sociales para Las Fuerzas Armadas Mexicanas* for military employees) are financed primarily by employer contributions on behalf of employees;
- the SHF provides mortgage credit through Sofoles, Sofomes and, to a lesser extent, commercial banks;
- commercial banks additionally use deposited funds or other types of funding to provide financing independently, primarily to the Middle Income Housing and Residential Housing markets; and
- other public housing agencies (such as FONHAPO and the state housing trusts) provide direct subsidies.

Mortgage Providers

CONAVI (previously known as the Comisión Nacional de Fomento a la Vivienda ("CNFV"))

In July 2001, the Mexican government created a governmental office, the CNFV, in order to respond to the need to implement measures to reduce the housing deficit. The CNFV is independent from SEDESOL. Its role is to design, coordinate, propose and implement housing programs and policies in direct consultation with the executive branch of the Mexican government. The first act of the CNFV was to set up the National Housing Board, which was created on August 31, 2001, and includes members from the public sector, private sector, academia and civil society.

The CNFV represents interests from the development, construction financing and acquisition of housing sectors, as well as representatives involved in the registration of land titles and urban planning. The role of the CNFV is to analyze, opine on and implement proposals to promote the development of the housing sector. As of June 2006, the CNFV became known as CONAVI.

INFONAVIT

INFONAVIT is a government-sponsored agency established in 1972 by the Mexican government, labor unions and private sector employees in the form of a social services entity that provides mortgages to private sector employees. INFONAVIT operates as a primary Affordable Housing loan institution, without the intervention of financial intermediaries. As a result of the 1992 INFONAVIT Reform, government housing funds, such as INFONAVIT, no longer perform development and sales activities and instead function as true savings and loan programs. INFONAVIT is a government-sponsored entity, but is 100% self-funded.

According to CONAVI, INFONAVIT provided approximately 44% of all mortgage financing in Mexico in 2010 in terms of pesos financed. INFONAVIT receives contributions from private sector employers equal to 5% of their employees' gross wages, and makes loans for home construction, acquisition or improvement to employees whose individual monthly earnings are between 5.8 and 10.9 times the minimum monthly wage. As of December 31, 2010, the minimum monthly wage was Ps.1,747. INFONAVIT housing programs commonly provide financing to the segment of the population with monthly incomes between Ps.10,133 and Ps.19,042. In 2010, the average loan amount granted by INFONAVIT was Ps.246,552 (U.S.\$19,964).

Beneficiaries qualifying for INFONAVIT mortgages are approved according to a rating system, with points awarded for income, age, amount of monthly contributions, and number of dependents, among other factors. INFONAVIT publishes a table every three months with the points required for mortgage financing in each region of Mexico. Current policy awards maximum points to workers who earn wages high enough to enable them to repay the mortgage loan over the course of their remaining working life.

INFONAVIT does not require a down payment for the purchase of a home. The term of an INFONAVIT mortgage is 30 years, and repayment is made by direct deduction of the worker's salary by his or her employer. Debt service on the loan is calculated by reference to the mortgagor's monthly income. INFONAVIT mortgages carry an annual interest rate of up to 10%, depending on the number of VSMs earned by the worker. INFONAVIT allows borrowers who become unemployed to temporarily defer their mortgage payments for a period of up to 24 months, of which only twelve months may be consecutive. During the first twelve months a borrower defers payments, interest does not accrue. If the borrower defers payments for another twelve-month period, interest continues to accrue and is capitalized. Housing developers do not have any liability with respect to the mortgage financing provided by INFONAVIT.

INFONAVIT requires developers of its homes to complete construction within specific time periods. Under their agreement with INFONAVIT, developers who are unable to complete construction of their homes within such periods are prohibited from adjusting the price of their homes to keep pace with increases in inflation after the end of the relevant period.

INFONAVIT has provided more than 5.4 million mortgages since its creation. INFONAVIT has increased the number of mortgages it provided from approximately 205,346 in 2001 to 475,072 in 2010, resulting in a compound annual growth rate of 9.8%. In 2011, INFONAVIT estimates that total mortgage demand in Mexico will equal approximately U.S.\$8,692 million. Approximately 78% of Corporación GEO's revenues in 2010 were derived from homes sold to buyers receiving mortgages from INFONAVIT. As seen in the chart below, INFONAVIT intends to provide 480,000 mortgages in 2011, approximately 43% of the Mexican government's total housing goal for the year. In 2010, INFONAVIT provided 475,072 mortgages.

	Actual and Projected Mortgage Financing			
	2010		2011 Goals	
	Credits and Subsidies (number of credits)	Investment (Ps. Million)	Credits and Subsidies (number of credits)	Investment (Ps. Million)
INFONAVIT	475,000	102,473.00	480,000	8,692.0
FOVISSSTE	100,000	55,597.00	90,000	2,450.0
SHF	N/A ⁽²⁾	N/A ⁽²⁾	81,575	449.0
CONAVI	198,000	5,817.20	170,000	430.0
FONHAPO	108,854	2,195.20	94,852	182.0
Financial Entities	170,000	80,000.00	158,600	8,502.0
Other Entities	50,989	5,655.10	36,099	318.0
Total Financing ⁽¹⁾	1,102,843	251,737.50	1,111,126	21,023

Source: CONAVI

(1) Total Financing amounts for 2010 do not include data for SHF and consequently are not comparable to the 2011 Goals Total Financing amounts.

(2) Information not available as of the date of this Offering Memorandum.

Currently, INFONAVIT offers five programs for housing financing. Substantially all of Corporación GEO's business with INFONAVIT currently is, and is expected in the foreseeable future to be, under the Line 2 program. Under this program INFONAVIT publishes a notice in the press soliciting proposals for housing projects on a national, state or city basis. Corporación GEO submits a proposal in accordance with published procedural rules and technical specifications. In accordance with INFONAVIT rules, prior to submission of such proposals, Corporación GEO is required to demonstrate that it owns, or has an option to purchase, the land to be developed, and has obtained all necessary licenses or permits. An internal committee of INFONAVIT evaluates and screens the proposal and, if acceptable, submits the proposal to INFONAVIT's board of directors. If its bid is accepted, it must sign a contract with INFONAVIT with regard to the proposed project within, on average, one week of notification. Under the terms of the contract, Corporación GEO agrees to sell all housing units in the project to INFONAVIT beneficiaries, and INFONAVIT agrees to provide mortgage financing for qualified beneficiaries who select the housing. Corporación GEO is required to locate, acquire and develop the land, perform all necessary infrastructure and housing construction, and locate qualified INFONAVIT beneficiaries to purchase the homes. Under the Line 2 program, in the event that beneficiaries are not identified for homes within the housing development sixty (60) calendar days prior to completion of construction, the developer may notify INFONAVIT and sell the homes on the open market, unless INFONAVIT provides qualified buyers. Approximately 98.3% of the mortgages provided by INFONAVIT in Mexico during the year 2009 were provided under the Line 2 program.

FOVISSSTE

FOVISSSTE is a pension fund established in 1972 and administered by the Mexican government in order to provide financing for houses in the Affordable Housing segment for public sector employees. It is primarily funded by payments from employees on behalf of employees equal to 5% of the employee's salary. Corporación GEO is one of the largest users of FOVISSSTE financing and intends to continue utilizing such financing in the foreseeable future.

FOVISSSTE operates in a manner similar to INFONAVIT. Mortgage loans of up to 100% of the price of the home are available from FOVISSSTE without a down payment from the borrower. The maximum mortgage

amount available is approximately Ps.771,842 (U.S.\$62,499) and the average loan amount was Ps.445,555 (U.S.\$36,079) in 2010. FOVISSSTE borrowers are approved for mortgage loans through a credit rating system, with points awarded for seniority, number of economic dependents, wages and amounts previously contributed to the institution, as well as a lottery system. The higher the borrower's rating, the larger the amount of credit it will be eligible to receive.

FOVISSSTE provided approximately 91,050 mortgages in 2010, compared to approximately 100,082 mortgages provided in 2009, which represents a decrease of approximately 9% in the total mortgages provided between the two years. In 2011, FOVISSSTE expects to meet 90,000 mortgages of the Mexican government's total housing goal by providing housing to all public sector employees with maximum lending terms of no more than 30 years.

SHF

SHF was created in October 2001 by the Ministry of Finance and Public Credit. SHF, which manages the funds previously held by FOVI, provides financing to qualified home buyers with funds from the World Bank, the Mexican government and its own capital markets portfolios. Although SHF is independent of the CNFV, the latter may make recommendations to SHF and other housing institutions. SHF provides financing to qualified home buyers through financial intermediaries (commercial banks, Sofoles and Sofomes) which administer sponsored mortgage loans, including the disbursement of mortgage funds and the servicing of such mortgage loans. Mortgage financing from SHF is available for the upper end of the Affordable Housing market as well as the lower end of the Middle Income Housing market. Corporación GEO uses financing from SHF for homes sold to qualified home buyers that earn a minimum of 2 to 12 times the annual minimum wage.

SHF has decreased slightly the number of mortgages it has provided from 47,555 in 2001, to approximately 45,761 in 2009, resulting in a compound annual growth rate of (0.5)% since 2001. In 2009, SHF provided approximately 3% of the total mortgages provided in Mexico. Approximately 4% of the homes Corporación GEO sold in 2009 were sold to buyers receiving mortgages from SHF.

SHF provides financing and guarantees through commercial banks, Sofoles and Sofomes for several different categories of homes ranging in price from approximately Ps.190,000 to Ps.2,050,000. Financing from SHF is provided through commercial banks, Sofoles and Sofomes who administer sponsored mortgage loans; generally for an amount between 80% and 90% of the purchase price of the home. Corporación GEO initiates access to such financing by applying to a commercial bank, Sofol or Sofom for technical approval (which includes a review of the project's specifications) of a planned housing project. Upon receipt of the approval, it submits a bid to SHF pursuant to a public auction held approximately every two months. If SHF accepts Corporación GEO's bid, SHF commits itself to make mortgage financing available to qualified home buyers for its project upon SHF acceptance, and it proceeds to secure construction financing (normally from the same institution) at market interest rates, and simultaneously proceed to find qualified buyers/borrowers. The bank, Sofol or Sofom is responsible for evaluating the creditworthiness of the borrower and underwriting the loans. Upon completion of the homes, the bank, Sofol or Sofom receives matching funds from SHF and originates the loan. Except for a construction warranty described below, Corporación GEO has no long-term commitment with regard to the loan. SHF now operates three types of products: (a) construction loans for homebuilders, (b) individual loans for home buyers and (c) mortgage guarantees for Sofoles and Sofomes.

As of 2006, SHF had a total funding ceiling of 14.5 billion UDIs, equivalent to approximately U.S.\$4.5 billion, in 2006, according to Softec. These funds can be allocated directly into one of SHF's programs or they can be allocated as guarantees for loans issued by Sofoles and Sofomes and sold into the capital markets.

SHF's law was reformed by Mexican Congress on May 8, 2008, to continue to allow SHF to provide direct funding to Sofoles and Sofomes past the deadline of 2009.

On November 5, 2008, The Inter-American Development Bank approved a U.S.\$2.5 billion ten-year credit line to the SHF to provide liquidity and stability to the Mexican primary and secondary mortgage markets.

On November 6, 2008, The World Bank approved a loan of U.S.\$1 billion to SHF, to strengthen SHF's financial and technical ability to carry out its mission.

Commercial Bank and Sofoles and Sofomes Financing

Commercial banks and Sofoles and Sofomes generally provide funding to the Middle Income and Residential segments of the housing market. In addition, Sofoles and Sofomes also target the Affordable Housing segment of the housing market. Commercial banks, Sofoles and Sofomes provided approximately 21.3% of all mortgage financing in Mexico in terms of number of mortgages in 2009.

Just three banks account for approximately 56.8% of the assets in the system. Eight banks account for 85.6% of assets. Foreign-owned banks controlled just over 74% of the assets in the system. As of November 30, 2010, the value outstanding of mortgage loans granted by commercial banks was Ps.364,028.0 million (U.S.\$28,891.8 million), representing 3.08% of GDP in 2009. One bank alone accounted for approximately 39.6% of the total mortgage loan portfolio in the system. Mortgage lending by banks has been gradually recovering since 2003, after banks largely refrained from lending after the crisis that erupted in December 1994.

Mortgages originated by commercial banks generally have a maturity of 20 years, and are generally adjusted for increases in the minimum wage and inflation. Home buyers qualifying for commercial bank mortgages are generally assumed to be those purchasing homes with a value ranging from U.S.\$75,000 to U.S.\$350,000, with an average loan amount of Ps.459,953 (U.S.\$36,505) in 2009. While commercial banks, Sofoles and Sofomes provide mortgage financing directly to home buyers, the availability of such financing for homes in a given project is usually coordinated through the project developer. In order to obtain funding for a project, a developer must present the bank with project plans that include clear title to the land, architectural plans, approved licenses and permits and a market study that shows demand for homes proposed to be built. The bank submits the project to its internal credit committee and, once approved, provides construction financing. Funds are disbursed to the developer as the project advances. The bank, however, has no obligation to provide take-out financing to the home buyer. Most banks offer funding to developers on a project-by-project basis, with funds tied to a single project.

Mortgage loans account for just 17.4% of the banks' loan portfolios. The loan portfolio is not only relatively small; it is largely clean, too, as non-performing loans are just 4.6% of the total. The improvement in credit quality is explained mainly by the banks' greater scrutiny in terms of client selection, and also by the development of more modern technologies, including credit score systems. Corporación GEO expects commercial banks to continue to target individuals with income levels that are higher than those that are targeted by lending institutions.

Other Public Housing Agencies

In 2009, public housing agencies such as FONHAPO, CONAVI and other state housing trusts provided approximately 23% of mortgage financing in Mexico. These agencies exist at the federal and local levels and serve the largest segment of the population, mainly non-salaried workers earning less than 2 times the minimum monthly wage. FONHAPO and CONAVI's average loan amount was Ps.21,256 (U.S.\$1,687) in 2008. Federal housing agencies lend directly to organizations such as state and municipal housing authorities, housing cooperatives and credit unions representing low-income beneficiaries, as well as to individual borrowers. The amount of mortgage credits available is restricted by the government's discretionary spending budget. Some agencies provide technical assistance to borrowers and final beneficiaries in designing, contracting and supervising the construction of their own housing. Public agency loans to final beneficiaries can be used for projects such as core houses (e.g., minimal dwellings with one room, one kitchen area and one bathroom), urbanized lots, public service installations, home improvements and self-help construction.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF CORPORACIÓN GEO

Consolidated Financial Statements for the Years ended December 31, 2010, 2009 and 2008

Independent Auditors' Report to the Board of Directors and Stockholders of Corporación GEO, S.A.B. de C.V.....	F-2
Consolidated balance sheets as of December 31, 2010, 2009 and 2008.....	F-3
Consolidated statements of income for the years ended December 31, 2010, 2009 and 2008.....	F-5
Consolidated statements of changes in stockholders' equity for the years ended December 31, 2010, 2009 and 2008	F-6
Consolidated statements of cash flows for the years ended December 31, 2010 and 2009.....	F-8
Notes to the consolidated financial statements for the years ended December 31, 2010, 2009 and 2008	F-10

Independent Auditors' Report to the Board of Directors and Stockholders of Corporación Geo, S. A. B. de C V.

In thousands of Mexican pesos

We have audited the accompanying consolidated balance sheets of Corporación Geo, S. A. B. de C. V. and subsidiaries (the "Company") as of December 31, 2010, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company'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 that they are prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial 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 mentioned in Note 3a, on December 15, 2009, the Company adopted Interpretation to Financial Information Standard (INIF) 18, *Recognition of the Effects of the 2010 Tax Reform on Income Taxes*, which establishes the accounting treatment for changes to the Mexican Income Tax Law which were enacted in 2009 and became effective in 2010, with respect to, among other changes: 1) income taxes resulting from changes to the tax consolidation regime, 2) changes in the income tax rate and 3) credits against Business Flat Tax incurred for tax losses. The effects of adopting this interpretation resulted in the recognition of an income tax liability (with respect to changes to the tax consolidation regime) of \$1,136,312 (\$18,136 and \$1,118,176, current and long-term, respectively) as of December 31, 2009, and a corresponding decrease in retained earnings in 2009 for the same amount. During 2010, as a result of the publication of new tax law revisions, the Company reassessed its bases for determining its deferred income tax liabilities, which resulted in a decrease in long-term income tax liabilities and an increase in retained earnings of \$649,798.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Corporación Geo, S. A. B. de C. V. and subsidiaries as of December 31, 2010, 2009 and 2008, and the results of their operations and changes in their stockholders' equity and their cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards.

The accompanying consolidated financial statements have been translated into English for the convenience of users.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

/s/ C.P.C. Roberto Velasco Gómez
February 11, 2011

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Consolidated Balance Sheets As of December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

Assets	2010	2009	2008
Current assets:			
Cash, cash equivalents and restricted cash	\$ 2,228,429	\$ 3,393,374	\$ 2,560,074
Accounts receivable – Net	1,079,241	830,675	917,004
Real estate inventories	18,134,399	16,809,927	14,174,734
Prepayments and other	852,934	897,609	959,470
Total current assets	22,295,003	21,931,585	18,611,282
Real estate inventories	6,360,788	3,342,342	3,063,765
Investments in concessions	101,292	-	-
Investments in associated companies, trusts and others	492,387	457,621	387,278
Property, machinery and equipment - Net	2,763,159	2,051,279	1,749,979
Other assets - Net	827,514	706,402	513,146
Total	\$ 32,840,143	\$ 28,489,229	\$ 24,325,450
Liabilities and stockholders' equity			
Current liabilities:			
Notes payable to financial institutions	\$ 2,486,571	\$ 1,534,633	\$ 3,519,099
Current portion of long-term debt	296,647	1,124,879	956,840
Obligations under sale of receivables contracts	1,316,832	1,519,716	2,745,012
Amounts payable to suppliers of land - current portion	1,007,510	735,808	380,261
Amounts payable to other suppliers	3,155,070	2,562,206	1,996,355
Customer advances	784,480	346,670	155,314
Accrued expenses, taxes payable and other current liabilities	1,548,978	1,866,701	1,663,861
Income tax payable	45,165	18,136	-
Direct employee benefits	67,129	53,829	26,204
Total current liabilities	10,708,382	9,762,578	11,442,946
Long-term debt	6,417,014	5,587,235	2,920,665
Amounts payable to suppliers of land	617,283	537,888	420,918
Employee benefits	103,842	84,961	53,804
Derivative financial instruments	681,760	96,914	-
Long-term income tax payable	443,286	1,118,176	-
Deferred income taxes	2,630,529	2,509,639	1,823,720
Total liabilities	21,602,096	19,697,391	16,662,053

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Consolidated Balance Sheets As of December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

	2010	2009	2008
Contingencies and commitments (Notes 26, 27 and 28)			
Stockholders' equity:			
Common stock	\$ 123,475	\$ 122,354	\$ 121,224
Additional paid-in capital	817,486	674,503	483,815
Reserve for repurchase of shares	974,434	974,713	405,154
Retained earnings	7,487,748	5,347,682	5,782,491
Controlling interest	<u>9,403,143</u>	<u>7,119,252</u>	<u>6,792,684</u>
Noncontrolling interest	<u>1,834,904</u>	<u>1,672,586</u>	<u>870,713</u>
Total stockholders' equity	<u>11,238,047</u>	<u>8,791,838</u>	<u>7,663,397</u>
Total	<u>\$ 32,840,143</u>	<u>\$ 28,489,229</u>	<u>\$ 24,325,450</u>

See accompanying notes to consolidated financial statements.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Income For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos, except per share amounts)

	2010	2009	2008
Revenues from real estate development activities	\$ 19,154,424	\$ 17,713,169	\$ 14,613,705
Costs from real estate development activities	<u>14,212,567</u>	<u>13,083,087</u>	<u>10,799,642</u>
Gross margin	4,941,857	4,630,082	3,814,063
Selling, general and administrative expenses	<u>1,838,838</u>	<u>1,691,253</u>	<u>1,640,761</u>
Income from operations	<u>3,103,019</u>	<u>2,938,829</u>	<u>2,173,302</u>
Other expenses – Net	<u>59,423</u>	<u>85,507</u>	<u>31,285</u>
Comprehensive financing cost:			
Interest income	(60,017)	(123,989)	(99,772)
Interest expense	781,875	667,208	610,958
Exchange (gain) loss – Net	(2,088)	30,579	116,580
Effects of valuation of derivative financial instruments – Net	<u>(94,871)</u>	<u>42,915</u>	<u>-</u>
	<u>624,899</u>	<u>616,713</u>	<u>627,766</u>
Income from operations before income taxes, equity in (loss) income of associated companies, trusts and others and discontinued operations	2,418,697	2,236,609	1,514,251
Equity in (loss) income of associated companies, trusts and others	(64,689)	(2,821)	5,789
Income taxes	<u>662,194</u>	<u>736,899</u>	<u>485,716</u>
Income before discontinued operations	1,691,814	1,496,889	1,034,324
Loss from discontinued operations – Net	<u>13,914</u>	<u>46,058</u>	<u>8,828</u>
Consolidated net income	<u>\$ 1,677,900</u>	<u>\$ 1,450,831</u>	<u>\$ 1,025,496</u>
Controlling interest	\$ 1,490,268	\$ 1,364,336	\$ 982,032
Noncontrolling interest	<u>187,632</u>	<u>86,495</u>	<u>43,464</u>
Consolidated net income	<u>\$ 1,677,900</u>	<u>\$ 1,450,831</u>	<u>\$ 1,025,496</u>
Basic earnings per common share from continued operations	<u>\$ 2.68</u>	<u>\$ 2.42</u>	<u>\$ 1.81</u>
Loss per share from discontinued operation	<u>\$ (0.03)</u>	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>

See accompanying notes to consolidated financial statements.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity For the years ended December 31, 2010, 2009, 2008 (In thousands of Mexican pesos)

	Nominal	Additional Paid-in Capital	Reserve for Repurchase of Shares	Retained Earnings	Noncontrolling Interest	Total
Balances as of January 1, 2008	\$ 120,461	\$ 394,745	\$ 409,512	\$ 4,800,459	\$ 836,169	\$ 6,561,346
Repurchase of shares	-	-	(4,358)	-	-	(4,358)
Additional stock issuance for officer incentive plan	763	-	-	-	-	763
Fair value of officer incentive plan	-	89,070	-	-	-	89,070
Additional capital contribution of noncontrolling interest	-	-	-	-	359,897	359,897
Contractual payment to noncontrolling interest holders in trusts	-	-	-	-	(368,817)	(368,817)
Comprehensive income	-	-	-	982,032	43,464	1,025,496
Balances as of December 31, 2008	121,224	483,815	405,154	5,782,491	870,713	7,663,397
Additional capital contribution of noncontrolling Interest	-	-	-	-	1,117,590	1,117,590
Contractual payment to noncontrolling interest holders in trusts	-	-	-	-	(402,212)	(402,212)
Additional stock issuance for officer incentive plan	1,130	-	-	-	-	1,130
Fair value of officer incentive plan	-	125,627	-	-	-	125,627
Repurchase of shares	-	65,061	(25,287)	-	-	39,774
Increase of reserve for repurchase of shares	-	-	594,846	(594,846)	-	-
Effect of cancelation of unamortized balance of preoperating costs	-	-	-	(67,987)	-	(67,987)
Effect of additional liability from tax reform	-	-	-	(1,136,312)	-	(1,136,312)
Comprehensive income	-	-	-	1,364,336	86,495	1,450,831
Balances as of December 31, 2009	122,354	674,503	974,713	5,347,682	1,672,586	8,791,838
Additional capital contribution of noncontrolling interest holders	-	-	-	-	616,283	616,283
Contractual payment to noncontrolling interest holders in trusts	-	-	-	-	(641,597)	(641,597)
Additional stock issuance for officer incentive plan	1,121	-	-	-	-	1,121
Fair value of officer incentive plan	-	142,983	-	-	-	142,983
Repurchase of shares	-	-	(279)	-	-	(279)
Effect of cancelation additional liability from tax reform	-	-	-	649,798	-	649,798
Comprehensive income	-	-	-	1,490,268	187,632	1,677,900
Balances as of December 31, 2010	\$ 123,475	\$ 817,486	\$ 974,434	\$ 7,487,748	\$ 1,834,904	\$ 11,238,047

See accompanying notes to consolidated financial statements.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows

(Indirect Method)

For the years ended December 31, 2010, 2009 and 2008

(In thousands of Mexican pesos)

	2010	2009	2008
Operating activities:			
Income before income taxes, equity in income (loss) of associated companies, trusts and others and discontinued operations	\$ 2,418,697	\$ 2,236,609	\$ 1,514,251
Items related to investing activities:			
Depreciation and amortization	440,389	290,280	163,392
Other asset retirements	-	92,609	44,139
Valuation effects of derivative financial instruments	(94,871)	42,915	-
Loss on sale of fixed assets	-	8,248	-
Fixed asset retirements	4,937	-	-
Items related to financing activities:			
Interest expense	1,481,405	1,237,016	1,534,558
Fair value of officer incentive plan	142,983	125,627	89,070
(Gain) loss from repurchase of shares	(279)	39,774	(4,358)
Unrealized exchange (gain) loss	(4,851)	(17,332)	82,171
	<u>4,388,410</u>	<u>4,055,746</u>	<u>3,423,223</u>
(Increase) decrease in:			
Accounts receivable	(248,566)	86,329	(59,998)
Real estate inventories	(3,765,941)	(1,871,446)	(3,771,652)
Prepayments and others	(19,958)	(47,200)	29,635
Increase (decrease) in:			
Amounts payable to suppliers	592,864	565,851	98,391
Customer advances	437,810	191,356	(25,489)
Accrued expenses, taxes payable and other current liabilities	(294,042)	(485,656)	(242,938)
Income tax paid	(489,594)	-	-
Employee benefits	18,881	31,157	(13,286)
Net cash provided by operating activities	<u>619,864</u>	<u>2,526,137</u>	<u>(562,114)</u>
Investing activities:			
Purchases of other assets	(328,041)	(371,363)	(300,372)
Purchases of machinery and equipment (except purchases under capital lease)	(1,033,223)	(756,993)	(333,295)
Investments in concessions	(101,292)	-	-
Investments in associated companies, trusts and others	(79,455)	(73,164)	(41,820)
Acquisition of subsidiary, net of cash acquired	(20,000)	-	-
Proceeds from sale of machinery and equipment	-	245,871	52,064
Discontinued operations	(13,544)	(14,177)	49,409
Net cash used in investing activities	<u>(1,575,555)</u>	<u>(969,826)</u>	<u>(574,014)</u>
Cash to be (obtained from) used in financing activities	<u>(955,691)</u>	<u>1,556,311</u>	<u>(1,136,128)</u>

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows

(Indirect Method)

For the years ended December 31, 2010, 2009 and 2008

(In thousands of Mexican pesos)

	2010	2009	2008
Financing activities:			
Issuance of stock for officer incentive plan	1,121	1,130	763
Derivative financial instruments	-	11,761	-
Proceeds from borrowings and loans	14,816,243	12,678,332	4,605,541
Repayments of loans	(13,181,739)	(11,653,758)	(2,445,734)
Interest paid	(1,477,295)	(1,064,502)	(1,295,468)
Repayment of liabilities from capital leases	(139,386)	(186,056)	(34,560)
Obligations under sale of receivables contracts	(202,884)	(1,225,296)	760,833
Contractual payment to noncontrolling interest holders in trusts	(641,597)	(402,212)	(368,817)
Additional capital contribution of noncontrolling interest	616,283	1,117,590	359,897
Net cash (used in) provided by financing activities	<u>(209,254)</u>	<u>(723,011)</u>	<u>1,582,455</u>
Net increase (decrease) in cash and cash equivalents	(1,164,945)	833,300	446,327
Cash and cash equivalents at beginning of period	<u>3,393,374</u>	<u>2,560,074</u>	<u>2,113,747</u>
Cash, cash equivalents and restricted cash at end of period (\$139,278 in 2010)	<u>\$ 2,228,429</u>	<u>\$ 3,393,374</u>	<u>\$ 2,560,074</u>

See accompanying notes to consolidated financial statements.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2010, 2009 and 2008

(In thousands of Mexican pesos)

1. Nature of business

Corporación Geo, S. A. B de C. V. (“GEO”) is a holding company that, together with its subsidiaries (collectively, the “Company”), is incorporated as a Sociedad Anónima Bursátil de Capital Variable (Public Stock Company with Variable Capital). The Company is a fully integrated developer of affordable housing projects built in Mexico.

The Company’s principal activities in real estate development include (i) land acquisition, (ii) obtaining required permits and licenses, (iii) installing infrastructure improvements required for each housing development, (iv) designing, constructing and marketing housing developments, and (v) assisting home buyers in obtaining mortgage loans. In addition to its real estate development activities, the Company acts as a contractor for certain Mexican state government agencies, providing construction activities similar to its development activities, except that the Company does not acquire the land on which such projects are built. Additionally the Company develops, in smaller proportion, middle income and residential housing.

2. Basis of presentation

- a. **Explanation for translation into English** - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of Mexican Financial Reporting Standards (“MFRS”, individually referred to as *Normas de Información Financiera* or “NIFs”). Certain accounting practices applied by the Company that conform with MFRS may not conform with accounting principles generally accepted in the country of use.
- b. **Consolidation of financial statements** - The consolidated financial statements include those of GEO and its trusts and subsidiaries over which it exercises control and whose shareholding percentage in their capital stock is shown below. Significant intercompany balances and transactions have been eliminated in these consolidated financial statements. Permanent investments in entities in which the Company’s ownership interest is 50%, or less, but over which the Company exercises control, are also consolidated in these financial statements.

	Ownership Percentage		
	2010	2009	2008
	%	%	%
Consolidado de Nuevos Negocios, S. A. de C. V.	100	100	100
Construcciones BIPE, S. A. de C. V.	100	100	100
Cretram, S. A. de C. V.	100	100	100
Evitam, S. A. de C. V.	100	100	100
Geo Baja California, S. A. de C. V.	-	-	100
Geo D. F., S. A. de C. V.	99	99	99
Geo Edificaciones, S. A. de C. V.	100	100	100
Geo Urbanizadora Valle de las Palmas S. A. de C. V. (formerly Geo Guanajuato, S. A. de C. V.)	100	100	100
Geo Guerrero, S. A. de C. V.	100	100	100
Geo Hogares Ideales, S. A. de C. V.	100	100	100
Geo Importex, S. A. de C. V.	100	100	100
Geo Jalisco, S. A. de C. V.	100	100	100
Geo Noroeste, S.A. de C.V. (formerly Geo Laguna S. A. de C. V.)	100	100	100
Geo Monterrey, S. A. de C. V.	100	100	100
Geo Morelos, S. A. de C. V.	100	100	100
Geo Oaxaca, S. A. de C. V.	100	100	100
Geo Puebla, S. A. de C. V.	100	100	100
Geo Casas del Bajío, S. A. de C. V. (formerly Geo Querétaro, S. A. de C. V.)	100	100	100
Geo Tamaulipas, S. A. de C. V.	100	100	100
Tiendas Geo, S. A. de C. V.	100	100	100
Geo Veracruz, S. A. de C. V.	100	100	100

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

	Ownership Percentage		
	2010 %	2009 %	2008 %
Inmobiliaria Anso, S. A. de C. V.	100	100	100
Geo Producción Industrial, S. A. de C. V. (formerly Inmobiliaria Camar, S. A. de C. V.)	100	100	100
Maquinaria Especializada MXO, S. A. P. I. de C. V.	100	100	-
Lotes y Fraccionamientos, S. A. de C. V. (Investor in GEOICASA, S.A. de C.V.)	100	100	100
Administradora Profesional de Inmuebles Bienestar, S. A. de C. V. (formerly Obras y Proyectos Coma, S. A. de C. V.)	100	100	100
Promotora Turística Playa Vela, S. A. de C. V.	100	100	100
Sinergeo, S.A. de C.V. (formerly Sistemas y Promoción de Servicios, S. A. de C. V.)	100	100	100
Geopolis, S. A. de C. V.	99	99	100
La Tienda de Don Eco, S.A. de C.V. (formerly Geopolis Temixco, S. A. P. I. de C. V.)	100	100	100
Geopolis Zumpango, S. A. P. I. de C. V.	100	100	100
K-be Diseño y Funcionalidad, S. A. de C. V.	100	100	100
Geo Alpha Baja California, S. A. de C. V. (formerly Geo Alpha, S. A. de C. V.)	98	98	98
Administradora Alpha S. A. de C. V. (formerly Geo Maquinaria, S. A. P. I. de C. V.)	100	100	-
Geo del Noroeste S, A, de C. V. (formerly Fin México Servicios, S. A. de C. V., Holding of 100% de Geo Baja California, S. A. de C. V.)	100	100	-
Sociedad Financiera Equípate, S.A. de C.V., SOFOM, E.N.R	75	-	-

c. *Acquisition of subsidiaries -*

- a) With the objective of increasing housing sales in the low-income housing sector, on October 13, 2010, the Company acquired an additional 25% of the common voting stock of Sociedad Financiera Equípate, S.A. de C.V., SOFOM, E.N.R, (Equípate), in addition to the 50% investment the Company already held. Equípate is a company engaged in granting credit and executing capital lease and factoring contracts with individuals and corporations. The financial statements of Equípate have been consolidated in the accompanying consolidated financial statements as of October 1, 2010 and the Company's previous equity method investment was eliminated as of such date.
- b) The acquisition cost of Equípate was \$20,000, paid in cash, equal to 20% of the carrying value of its net equity as of October 1, 2010. The acquisition cost was assigned to the assets acquired and obligations assumed at their fair values as follows.

	Equípate Balances as of September 30, 2010	
Current assets	\$	269,800
Equipment, net		26,296
Total assets		296,096
Current liabilities		(174,057)
Long-term debt		(1,598)
Total liabilities		(175,655)
Stockholders' equity:	\$	120,441
Carrying value of investment in associate previously owned as of September 30, 2010	\$	61,420
Cash consideration		20,000
Fair value of new ownership interest (75%)		(90,331)

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

	Equipate
	Balances as of
	September 30, 2010
Gain on acquisition of subsidiary	\$ <u>8,911</u>

c) During 2009, the Company acquired 100% of the shares of Fin México Servicios, S. A. de C. V. through the capitalization of liabilities in addition to a contribution in-kind of shares of a subsidiary, Geo Baja California, S. A. de C. V. as a result of the group's restructuring. As the entities were under common control, the net assets acquired were recorded at their carrying value.

d. *Changes in subsidiaries -*

On October 29, 2010 Geo Laguna changed its corporate name to Geo Noreste, S. A. de C. V.

On October 29, 2010, Geopolis Temixco, S. A. de C. V., changed its corporate name to La Tienda de Don Eco, S. A. de C. V., modifying its activity from construction and sale of housing to convenience retail stores.

On November 26, 2010, Sistemas de Promoción y Servicios S. A. de C. V., changed its corporate name to Sinergeo, S. A. de C. V. modifying its activity to a holding company for new businesses related to GEO.

On February 24, 2010, Fin México Servicios, S. A. de C. V., changed its corporate name to Geo del Noroeste, S. A. de C. V.

On September 20, 2010, Geo Alpha, S. A. de C. V., changed its corporate name to Geo Alpha Baja California, S. A. de C. V.

On September 30, 2009, Geo Guanajuato, S. A. de C. V. changed its corporate name to Geo Urbanizadora Valle de las Palmas, S. A. de C. V., moved its location to Tijuana, Baja California, and modified its activity from construction and sale of housing to development of parcels and plots of land. The entity's previous operation in the State of Guanajuato was absorbed by Geo Casas del Bajío, S. A. de C. V., formerly, Geo Querétaro, S. A. de C. V.

On December 15, 2009, Geo Maquinaria, S. A. P. I. de C. V., changed its legal name and corporate denomination to Administradora Alpha, S. A. de C. V.

Discontinued operations (Geo Oaxaca, S. A. de C. V.) - During 2009, the Board of Directors agreed to close the operations of Geo Oaxaca, S. A. de C. V. as of September 2009. The close will consist of selling off houses and undeveloped plots of land, converting fixed assets, inventories, materials, and plots of land into cash and settling all liabilities. Management of the Company estimates that this process will conclude in April 2011. Condensed financial information with respect to the discontinued operation is presented in Note 29.

Trusts - The Company has entered into trust contracts in order to develop real estate projects. Such entities are considered special purpose entities ("SPE's") in accordance with NIF B-8, *Consolidated or Combined Financial Statements*, for which the Company holds variable equity and exercises control, for which reason it consolidates such trusts. The investment held by the noncontrolling interest in such contracts is presented in the condensed consolidated financial statements under the heading of "noncontrolling interest". The following are the most significant trusts consolidated in the accompanying condensed consolidated interim financial statements.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

Trust	Ownership Percentage		
	2010 %	2009 %	2008 %
JP Morgan (F-00370) Chalco	100	72	87
JP Morgan (F-00389) Los Quemados	79	69	78
JP Morgan (F-00416) Valle de San Miguel	80	74	73
JP Morgan (F-00426) Joyas Ixtapa	87	88	85
JP Morgan (F-00471) Mata de Pita	91	91	91
JP Morgan (F-00533) Vallarta	81	84	84
JP Morgan (F-00596) San Gabriel	90	90	-
JP Morgan (F-00470) La Florida	91	91	-
HSBC (F-232092) Los Cenizos	76	84	85
HSBC (F-231118) San Juan de las Vegas	76	76	82
HSBC (F-254185) El Porvenir	86	87	-
HSBC (F-254630) San Rafael	87	87	-
HSBC (F-254614) Salinas Victoria	87	86	-
HSBC (F-255955) Ozumbilla	88	89	-
HSBC (F-254622) San Miguel	88	88	-
HSBC (F-256048) Senderos del Lago	88	88	-
HSBC (F-257966) Pocitos (Arvento)	90	50	-
HSBC (F-262170) Acolman	90	84	-
HSBC (F-262145) Cayaco	89	87	-
HSBC (F-262153) Lobato	88	83	-
HSBC (F-262218) Morrocoy II	90	88	-
HSBC (F-262200) Pachuca	85	89	-
HSBC (F-257508) Loma Alta	94	50	-
Bank of New York (F-00648) San Francisco Ocotlán	50	50	-
Bank of New York (F-00622) Delicias III	88	50	-
Bank of New York (F-00658) San Juan del Río	86	50	-
Bank of New York (F-00669) Calimaya II	89	89	-

As of December 31, 2010, 2009 and 2008, the Company holds equity in the following associated companies and trusts, over which it exercises significant influence and thus accounts for such entities using the equity method of accounting, as discussed in Note 3g:

Trust	Ownership Percentage		
	2010 %	2009 %	2008 %
Associated companies:			
Grupo Punta Condesa, S. A. de C. V.	50.00	50.00	50.00
Telecapital, S.A. de C.V.	50.00	50.00	50.00
Servicios de Autoalmacenaje, S. A. de C. V.	45.60	45.60	45.60
Other:			
Hipotecaria su Casita, S. A.	7.11	6.94	6.94
Sociedad Financiera Equipate, S. A. de C. V. SOFOM, E.N.R	-	50.00	50.00
Fin México Servicios, S. A. de C. V.	-	-	50.00
Others	3.50	3.50	3.50
Trusts:			
Residential Investment Program 371	4.96	4.96	4.96
Residential Investment Program 412	1.85	1.85	1.85

- e. **Classification of costs and expenses** - Costs and expenses presented in the consolidated statements of income were classified according to their function because this is the practice of the industry to which the Company belongs.
- f. **Income from operations** - Income from operations is the result of subtracting cost of real estate development activities and selling, general and administrative expenses from revenues from real estate development activities. While NIF B-3, *Statement of Income*, does not require inclusion of

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

this line item in the consolidated statements of income, it has been included for a better understanding of the Company's economic and financial performance.

- g. ***Comprehensive income*** - Represents changes in stockholders' equity during the year, for items other than distributions and activity in contributed common stock, and is comprised of the net income of the year, plus other comprehensive income loss items of the same period, which are presented directly in stockholders' equity without affecting the consolidated statements of income. In 2010, 2009 and 2008, there were no items of other comprehensive income.
- h. ***Monetary unit of the financial statements*** - The consolidated financial statements and notes as of December 31, 2010, 2009 and 2008 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

3. Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in conformity with MFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the consolidated financial statements and their related disclosures; however, actual results may differ from such estimates. The Company's management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances. The significant accounting policies of the Company are as follows:

a. ***Accounting Changes***

Beginning January 1, 2010, the Company adopted the following new NIFs and Interpretations to the Financial Reporting Standards (INIFs):

INIF 14, *Construction Contracts, Sale of Real Estate and Rendering of Related Services* - As of January 1, 2010, the Company adopted the INIF 14, a supplement of Bulletin D-7, *Construction and Manufacturing Contracts for Certain Capital Assets*. INIF 14 requires the separation of the various components included in construction contracts into their separate elements to define whether the contract refers to the construction or sale of real estate or to the provision of related services. INIF 14 also establishes the applicable rules for recognition of revenues and related costs and expenses based on the identification of the different elements of the contracts. In contracts involving the sale of real estate, revenues may only be recognized when the entity has transferred control to the buyer and the significant risks and benefits inherent to ownership of the real estate, which generally occurs upon transfer of title to the buyer. Previous to the adoption of INIF 14, the Company recognized revenues using the percentage-of-completion method. The accounting changes from the adoption of INIF 14 are required to be recognized retrospectively. During June 2010, the Company placed debt and equity securities in the domestic and international markets. The offering document in connection with the sales of securities included the annual 2009, 2008 and 2007 consolidated financial statements alongside interim condensed consolidated financial statements for the three months ended March 31, 2010. Accordingly, at the time of the offering, the annual 2009, 2008 and 2007 consolidated financial statements were reissued to reflect the retrospective change from adopting INIF 14. Those restated amounts are reflected in the accompanying consolidated financial statements for 2009 and 2008.

INIF 18, *Recognition of the Effects of the 2010 Tax Reform on Income Taxes* - On December 15, 2009, the Company adopted INIF 18, *Recognition of the Effects of the 2010 Tax Reform on Income Taxes*, which establishes the accounting treatment for changes to the Mexican Income Tax Law which were enacted in 2009 and became effective in 2010, with respect to, among other changes: 1) income taxes resulting from changes to the tax consolidation regime, 2) changes in the income tax rate and 3) credits against Business Flat Tax ("IETU") for tax losses. The effects of adopting this interpretation resulted in the recognition of an income tax liability (with respect to changes to the tax consolidation regime) of \$1,136,312 (\$18,136 and \$1,118,176, current and

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2010, 2009 and 2008

(In thousands of Mexican pesos)

long-term, respectively) as of December 31, 2009, and a corresponding decrease in retained earnings in 2009 for the same amount. During 2010, as a result of the publication of new tax law revisions, the Company reassessed its bases for determining deferred income tax liabilities, which resulted in a decrease in long-term income tax liabilities and an increase in retained earnings of \$649,798.

NIF C-1, *Cash and Cash Equivalents* - Requires presentation of cash and restricted cash equivalents under a single line item titled “cash and cash equivalents”, as opposed to Bulletin C-1, which required these items to be separately presented. NIF C-1 also replaces the concept “temporary investments payable on demand” with “readily available investments” and considers a characteristic of this type of investment being maturity within three months from the date of acquisition.

Improvements to Mexican Financial Reporting Standards 2010. The main improvements that generate accounting changes are as follows:

INIF 17, *Service Concession Contracts*- This interpretation requires that the infrastructure of the service concession contracts falling within its scope not be recognized as property, plant and equipment; it also requires that revenues earned when the operator performs both construction or upgrade services and operating services under a single contract, be recognized according to each type of service, based on the fair value of the consideration received for each service at the time the service is rendered, provided the amounts are clearly identifiable. Once quantified, revenues should follow the relevant recognition criteria taking into account the nature of the service rendered. This means that when the operator provides construction or improvement services, both revenues and costs and expenses associated with the contract be recognized using the percentage-of-completion method while revenues from operating services should be recognized as services are rendered. INIF 17 also references the supplemental application of International Accounting Standard 18, *Revenue*.

NIF B-1, *Accounting changes and correction of errors* - Extended disclosures when the Company applies a specific new standard.

NIF B-2, *Statement of Cash Flows* - A separate line item, “Effects from changes in cash value” is required, to show the impact on cash and cash equivalent balances of changes in value resulting from exchange fluctuations and changes in fair value, plus effects from conversion to the reporting currency of cash flows and balances from foreign operations as well as the effects of inflation associated with the cash flows and balances of any of the entities making up the group, that is in an inflationary economic environment.

NIF B-7, *Business Acquisitions* - Intangible assets or provisions related to favorable and unfavorable leases in relation to market prices may only be recognized when the acquired business is the lessee of an operating lease agreement. This accounting change may be recognized retroactively beginning January 1, 2010.

NIF C-7, *Investments in Associated Companies and Other Permanent Investments* - The method to determine the effects of increases in the investment in an associated company is modified. It also requires that the effects of increases or decreases in the investment in an associated company be recognized in equity in income (loss) of associated companies, instead of under non-ordinary items in the statement of income.

NIF C-13, *Related Parties* - This improvement requires that if the direct parent company or the ultimate parent company of the reporting entity does not issue financial statements available for public use, the reporting entity should disclose the name of the direct parent company or the closest indirect parent company that issues financial statements available for public use.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

NIF D-8, Share-based Payments- This improvement sets the rules for recognition of transactions involving share-based payments (at fair value of goods received, or fair value of equity instruments granted), including granting employees the option to purchase Company shares, thus eliminating supplemental application of International Financial Information Standard No. 2, *Share-based Payments*.

- b. **Reclassifications** - Certain amounts in the consolidated financial statements as of and for the years ended December 31, 2009 and 2008 have been reclassified to conform to the presentation of the 2010 consolidated financial statements.
- c. **Recognition of the effects of inflation** - Since the cumulative inflation for the three fiscal years prior to those ended December 31, 2010, 2009 and 2008 was 13.86, 14.32% and 11.13%, respectively, the economic environment is considered non-inflationary in all three years. Inflation rates for the years ended 2010, 2009 and 2008 were 4.40%, 3.57%, 6.53, respectively.

Beginning January 1, 2008, the Company discontinued recognition of the effects of inflation in its financial statements. However, assets, liabilities and stockholders' equity include the restatement effects recognized through December 31, 2007.

- d. **Cash and cash equivalents** - Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, which are subject to insignificant value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in comprehensive financing (cost) income of the period. Cash equivalents are represented mainly by investments in Treasury Certificates (CETES), investment funds and money market funds.

As mentioned in Note 16, at December 31, 2010, the Company has restricted cash of \$139,288, principally derived from its derivative financial instrument transactions.

- e. **Allowance for doubtful accounts** - The Company estimates an allowance for doubtful accounts based on balances of uncollected accounts receivable, applying certain percentages based on the aging status of the accounts outstanding.
- f. **Real estate inventories** - Real estate inventory in progress and real estate inventory substantially completed are valued at the lower of its cost or realizable value. Undeveloped plots of land are subjected to impairment tests if indicators that their value will not be recoverable are present. Real estate inventory includes direct costs of land and materials, development and construction costs, including subcontract costs and indirect costs related to development, such as indirect labor, procurement, repairs and depreciation, , and the comprehensive financing cost (RIF) from mortgage bridge loans, and other financing credits related to the construction process. General and administrative expenses are charged to results as incurred.

If the total estimated real estate development cost exceeds realizable value, the expected loss is charged to results for the year.

Cost of sales of real estate inventories is determined on a prorated basis, considering the total costs of the developments or projects.

The construction time of real estate developments varies according to the type of housing (low-income and medium-income housing). Therefore, when construction takes longer than one year, construction revenues are recognized in a period different from when the construction costs were incurred, depending on the date on which each construction project commenced and the time until its completion and ultimate sale.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

- g. **Investment in shares of associated companies, trusts and others** - Beginning in January 2009, permanent investments in entities where significant influence exists, are initially recognized based on the net fair value of the entities' identifiable assets and liabilities as of the date of acquisition. Such value is subsequently adjusted for the portion related both to comprehensive income (loss) of the associated company and the distribution of earnings or capital reimbursements thereof. When the fair value of the consideration paid is greater than the value of the investment in the associated company, the difference represents goodwill, which is presented as part of the same investment. Otherwise, the value of the investment is adjusted to the fair value of the consideration paid. If impairment indicators are present, investment in shares of associated companies is subject to impairment testing. Through December 31, 2008, investment in shares of associated companies was valued based on the acquisition cost of the asset and any excess value paid was recognized within other assets.
- h. **Other permanent investments** - Permanent investments made by the Company in entities where it has no control, joint control, or significant influence, are initially recorded at acquisition cost and any dividends received are recognized in current earnings, except when they are taken from earnings of periods prior to the acquisition, in which case, they are deducted from the permanent investment. Beginning July 1, 2010, the Company considers Hipotecaria su Casita, S.A. SOFOM, E.N.R. as a permanent investment and has subjected such investment to impairment tests, similar to its other permanent investments that existed prior to such date.
- i. **Property, machinery and equipment** - Property, machinery and equipment are initially recorded at acquisition cost. Balances arising from acquisitions made through December 31, 2007 were restated for the effects of inflation by applying factors derived from the National Consumer Price Index ("NCPI") through that date. Depreciation and amortization are calculated using the straight-line method based on the useful lives of the related assets, as follows.

Useful Life in Years

Buildings	40
Machinery and equipment	3-6
Vehicles	4
Computers	3
Furniture and fixtures	10
Installation costs	5
Tools and equipment	3

Alpha Plants - The depreciation of the Alpha plants will be calculated using the depreciation based on units produced (completed units), identifying the components in accordance with their estimated useful lives. The average useful lives of the components ranges between 35 and 40 years. See further discussion in Note 10.

- j. **Leases** - Lease arrangements are recognized as capital leases if they meet at least one of the following conditions.
- Under the agreement, the ownership of the leased asset is transferred to the lessee upon termination of the lease.
 - The agreement includes an option to purchase the asset at a reduced price.
 - The term of the lease is essentially equal to the remaining useful life of the leased asset.
 - The present value of minimum lease payments is essentially equal to the market value of the leased asset, net of any benefit or scrap value.

When the lessor retains the risks or benefits inherent to the ownership of the leased asset, the agreements are classified as operating leases and rent is charged to results of operations.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2010, 2009 and 2008

(In thousands of Mexican pesos)

- k. ***Impairment of long-lived assets in use*** - The Company reviews the carrying amounts of long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the aforementioned amounts. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than that of previous years, obsolescence, reduction in the demand for the Company's products, competition and other legal and economic factors.
- l. ***Financial risk management policy*** - The activities carried out by the Company expose it to a number of financial risks, including market risk (which encompasses foreign exchange, interest rate and price risks), credit risk and liquidity risks. The Company seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Company uses derivative and non-derivative financial instruments to hedge against some exposures to financial risks embedded in the balance sheet (recognized assets and liabilities). Both, financial risk management and the use of derivative and non-derivative financial instruments are ruled by Company policies approved by the Board of Directors and are carried out by the Company's treasury. The Company identifies, assesses and hedges financial risks centrally. The Board of Directors has approved written policies of a general nature with respect to the management of financial risks, as well as policies and limits associated to other specific risks; guidelines for permissible losses, when the use of certain derivative financial instruments is approved, or when such instruments can be designated as hedges, or when they do not qualify for hedge accounting, but rather for trading, and certain interest rate and / or foreign currency forwards and swaps that have been contracted. Compliance by Company's management of established policies and exposure limits is reviewed by internal audit on an ongoing basis. Corporate treasury reports quarterly to the Audit Committee, which is part of the Board of Directors, responsible for monitoring risks and the policies implemented to mitigate risk exposures.
- m. ***Derivative financial instruments*** - The Company obtains financing under different conditions. If the rate is variable, interest rate swaps are entered into to reduce exposure to the risk of rate volatility, thus converting the interest payment profile from variable to fixed. These instruments are negotiated only with institutions of recognized financial strength and when trading limits have been established for each institution. The Company's policy is not to carry out transactions with derivative financial instruments for the purpose of speculation.

The Company recognizes all assets or liabilities that arise from transactions with derivative financial instruments at fair value in the consolidated balance sheet, regardless of its intent for holding them. Fair value is determined using prices quoted on recognized markets. If such instruments are not traded, fair value is determined by applying valuation techniques recognized in the financial sector.

When derivatives are entered into to hedge risks, and such derivatives meet all hedging requirements, their designation is documented at the beginning of the hedging transaction, describing the transaction's objective, characteristics, accounting treatment and how the effectiveness of the instrument will be measured.

Changes in the fair value of derivative instruments designated as hedges are recognized as follows: (1) for fair value hedges, changes in both the derivative instrument and the hedged item are stated at fair value and recognized in current earnings; (2) for cash flow hedges, changes in the effective portion are temporarily recognized as a component of other comprehensive income (loss) in stockholders' equity and then reclassified to current earnings when affected by the hedged item. The ineffective portion of the change in fair value is immediately recognized in current earnings; (3) for hedges of an investment in a foreign subsidiary, the effective portion is recognized as a

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2010, 2009 and 2008

(In thousands of Mexican pesos)

component of other comprehensive income (loss) as part of the cumulative translation adjustment. The ineffective portion of the gain or loss on the hedging instrument is recognized in current earnings, if it is a derivative financial instrument. If not, it is recognized as a component of other comprehensive income (loss) until the investment is sold or transferred.

The Company discontinues hedge accounting when the derivative instrument matures, is sold, cancelled or exercised, when the derivative instrument does not reach a high percentage of effectiveness to compensate for changes in fair value or cash flows of the hedged item, or when the Company decides to cancel its designation as a hedge.

For cash flow hedges, upon discontinuing hedge accounting, the amounts recorded in stockholders' equity as a component of other comprehensive income (loss) remain there until the time when the effects of the forecasted transaction or firm commitment affect current earnings. If it is not likely that the firm commitment or forecasted transaction will occur, the gains or losses accumulated in other comprehensive income (loss) are immediately recognized in current earnings. When the hedge of a forecasted transaction has proven satisfactory, but subsequently the hedge fails the effectiveness test, the cumulative effects recorded within other comprehensive income (loss) in stockholders' equity are proportionately recorded in current earnings, to the extent that the forecasted asset or liability affects current earnings.

While certain derivative financial instruments are contracted for hedging from an economic point of view, they are not designated as hedges because they do not meet all of the requirements and are instead classified as held-for-trading for accounting purposes. Changes in fair value are recognized as a component of other comprehensive income (loss).

- n. **Debt issuance costs** - Costs incurred related to the issuance of debt are capitalized and through December 31, 2007, were restated using the NCPI. Such amounts are amortized as interest expense over the life of the related debt using the effective interest method, or using the straight-line method when the total amount is paid upon expiration.
- o. **Other assets** - Costs incurred in the development phase that meet certain requirements and that the Company has determined will have future economic benefits are capitalized and are amortized based on the straight-line method over five years. Through December 31, 2007, other assets were restated for the effects of inflation. All internal and external software costs (ERP) incurred in the development phase are capitalized by the Company. Disbursements that do not meet such requirements, as well as research costs, are recorded in results of the period in which they are incurred. Preoperating costs incurred and capitalized up to December 31, 2002, were amortized through December 31, 2008, using the straight line method over 20 years; on January 1, 2009, accordingly to changes in MFRS, the unamortized balance of preoperating costs was cancelled against retained earnings.
- p. **Provisions** - Provisions are recognized for current obligations that result from a past event, that are probable to result in the future use of economic resources, and that can be reasonably estimated.
- q. **Direct employee benefits** - Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing ("PTU") payable, compensated absences, such as vacation and vacation premiums, and incentives.
- r. **Employee retirement obligations** - Liabilities from seniority premiums, pension plans and severance payments are recognized as they accrue and are calculated by independent actuaries using the projected unit credit method at net discount rates. Accordingly, the liability is being accrued which, at present value, will cover the obligation from benefits projected to the estimated retirement date of the Company's employees.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2010, 2009 and 2008

(In thousands of Mexican pesos)

- s. **Reserve for reacquisition of shares** - Share reacquisitions are recorded directly in the stock repurchase reserve account at acquisition cost. Upon resale, if there is a difference between the selling price and the acquisition cost, any such difference is recorded as a share issue/purchase surplus or deficit.
- t. **Statutory employee profit sharing** - PTU is recorded in the results of the year in which it is incurred and presented under other income and expenses in the accompanying consolidated statements of income. Deferred PTU is derived from temporary differences that result from comparing the accounting and PTU bases of assets and liabilities and is only recognized when it can be reasonably assumed that such difference will generate a liability or benefit, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.
- u. **Share-based payments** - The Company has implemented a share-based payment plan for its key officers. Payments are settled with the Company's own equity instruments. Compensation cost is recognized based on a projection of the fair value of the instruments, from the grant date to the estimated exercise date, taking into account terms and conditions according to which the equity instruments are granted.
- v. **Income taxes** - Income tax ("ISR") and the Business Flat Tax ("IETU") are recorded in the results of the year they are incurred. To recognize deferred income taxes, based on its financial projections, the Company determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on such expectation. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.
- Asset tax ("IMPAC") paid through 2007 that is expected to be recovered is recorded as a tax credit and is presented in the balance sheet under deferred income taxes.
- w. **Foreign currency balances and transactions** - Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of net comprehensive financing cost in the consolidated statements of income.
- x. **Recognition of revenues and costs** -
- (1) Revenues from the Company's real estate development activities are recognized when the Company transfers to its customers the significant risks and rewards derived from the ownership of the real estate property, which normally occurs at the time the transactions are formalized (transfer of title) and delivered.
 - (2) For those projects that qualify as construction and construction services agreements, the Company recognizes revenue using the percentage-of-completion method as established in Bulletin D-7, *Construction and Manufacturing Contracts for Certain Capital Assets*, in which revenues are recognized based on the stage of completion, which is determined by the proportion of costs incurred to total costs or based on construction incurred and approved by customers.

In instances when the total complex estimated costs exceed the total estimated earnings for the project, the expected loss is recorded within results of the period.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

- y. **Customer advances** - Current liabilities shown in the balance sheet under customer advances represent cash received from customers for down payments, expenses and other payments received during the presale stage before the properties are formalized.
- z. **Obligations under sale of receivables contracts** - As of December 31, 2010, 2009 and 2008, the Company has entered into sales contract programs with a financial institution (“factoring program” or “securitization”) with respect to certain of its contracts for the purchase and sale of housing. Under this program, the risks and rewards associated with the accounts receivable that will be obtained from the sale of homes are effectively transferred to the financial institution. A liability results from the cash received by the Company from the financial institution in advance of the collection of receivables from its customers, and thus represents an obligation of the Company for the future securitization of amounts to be received under housing sale agreements executed with customers. This obligation will be settled once the housing units related to such contracts are formalized and the associated cash is collected.
- aa. **Earnings per share** - Basic earnings per common share is calculated by dividing net income attributable to GEO by the weighted average number of shares outstanding during the year.

4. Cash, cash equivalents, and restricted cash

	2010	2009	2008
Cash and cash equivalents	\$ 2,089,141	\$ 3,393,374	\$ 2,560,074
Restricted cash	139,288	-	-
	<u>\$ 2,228,429</u>	<u>\$ 3,393,374</u>	<u>\$ 2,560,074</u>

See Note 16 with respect to details of the restricted cash held by the Company as of December 31, 2010.

5. Accounts receivable

	2010	2009	2008
Notes and accounts receivable from customers for real estate sales	\$ 1,177,492	\$ 829,915	\$ 875,334
Allowance for doubtful accounts	(100,497)	(27,450)	(32,478)
Commitment deposits	-	27,383	72,531
Other	2,246	827	1,617
	<u>\$ 1,079,241</u>	<u>\$ 830,675</u>	<u>\$ 917,004</u>

6. Real estate inventories

	2010	2009	2008
Land held for development	\$ 6,072,053	\$ 4,900,779	\$ 4,537,407
Construction in - progress of real estate developments	16,866,915	14,006,629	11,507,857
Construction materials	1,038,577	750,091	697,379
Advances to land suppliers	434,340	198,959	232,061
Advances to suppliers	83,302	295,811	263,795
	<u>24,495,187</u>	<u>20,152,269</u>	<u>17,238,499</u>
Non-current real estate inventory - Land	4,076,439	3,342,342	3,063,765
Construction in - progress of real estate developments	2,284,349	-	-
	<u>6,360,788</u>	<u>3,342,342</u>	<u>3,063,765</u>
	<u>\$ 18,134,399</u>	<u>\$ 16,809,927</u>	<u>\$ 14,174,734</u>

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

7. Assets subject to capitalization of comprehensive financing cost (“RIF”)

	2010	2009	2008
Real estate inventories	\$ 9,872,940	\$ 7,516,046	\$ 8,695,720
Construction in-progress in Alpha plants	1,195,449	492,862	-
	<u>\$ 11,068,389</u>	<u>\$ 8,008,908</u>	<u>\$ 8,695,720</u>

Reconciliation of RIF for the year:

	2010	2009	2008
Interest expense	\$ 1,481,405	\$ 1,237,016	\$ 1,534,558
Capitalized RIF attributable to real estate inventories	(580,497)	(538,951)	(923,600)
Capitalized RIF attributable to construction in-progress	(119,033)	(30,857)	-
Amount recognized in results	<u>781,875</u>	<u>667,208</u>	<u>610,958</u>
Interest income	(60,017)	(123,989)	(99,772)
Exchange (gain) loss – Net	(2,088)	30,579	116,580
Effects of valuation of derivative financial instruments – Net	<u>(94,871)</u>	<u>42,915</u>	<u>-</u>
Net amount recognized in RIF	<u>\$ 624,899</u>	<u>\$ 616,713</u>	<u>\$ 627,766</u>
Capitalized RIF attributable to real estate inventories released to cost	<u>\$ 767,140</u>	<u>\$ 730,817</u>	<u>\$ 804,125</u>

During 2010, 2009 and 2008, cumulative capitalized amounts (before their transfer to cost of sales) in the development of real estate inventories were \$9,872,940, \$7,516,046 and \$8,695,720, respectively (these do not include the territorial reserve).

The annualized capitalization rate in 2010, 2009 and 2008 was 7.06%, 6.95% and 11.5%, respectively.

8. Prepayments and other

	2010	2009	2008
Recoverable taxes	\$ 221,669	\$ 354,431	\$ 341,888
Sundry debtors	128,710	71,873	103,263
Prepayments	306,929	225,158	241,466
Sociedad Financiera Equipate, S. A. de C. V.			
SOFOM, E.N.R – related party	-	33,708	33,378
Geocasa, S.A. de C.V.- related party	22,828	51,666	-
Telecapital, S. A. de C. V.- related party	26,439	-	-
Grupo Punta Condesa, S.A. de C.V.-related party	37,260	36,814	-
Discontinued operations	109,099	123,959	233,020
Other	-	-	6,455
	<u>\$ 852,934</u>	<u>\$ 897,609</u>	<u>\$ 959,470</u>

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

9. Investments in associated companies, trusts and others

Investments in associated companies, trusts and others are as follows:

	2010	2009	2008
Associated companies:			
Grupo Punta Condesa, S.A. de C.V.	\$ 60,982	\$ 53,482	\$ 57,188
Servicios de Autoalmacenaje, S.A. de C.V.	67,330	74,029	71,950
Geo Icasa, S.A. de C.V.	17,462	-	-
Other permanent investments:			
Hipotecaria su Casita, S. A.(1)	162,508	208,362	211,531
Sociedad Financiera Equipate, S. A. de C. V. SOFOM, E.N.R	-	14,778	14,565
Other	9,531	7,134	1,927
Trusts and others:			
Trust Sólida	-	5,380	-
Trust Sólida Temixco	90,906	37,934	-
Residential Investment Program (Trust 371)	4,391	13,318	14,479
Residential Investment Program (Trust 412)	7,531	13,125	15,638
Trust Multiva	1,126	-	-
Residential Investment Program (Trust 850)	70,620	30,079	-
	<u>\$ 492,387</u>	<u>\$ 457,621</u>	<u>\$ 387,278</u>

Equity in income (loss) of associated companies, trusts and others is as follows:

	2010	2009	2008
Hipotecaria su Casita, S. A.(1)	\$ (77,098)	\$ (10,134)	\$ (14,087)
Residential Investment Program	8,758	9,021	17,315
Sociedad Financiera Equipate, S. A. de C. V. SOFOM, E.N.R (through September 30, 2010)	11,608	213	2,561
Geo Icasa, S.A. de C.V.	(7,566)	-	-
Other	(391)	(1,921)	-
	<u>\$ (64,689)</u>	<u>\$ (2,821)</u>	<u>\$ 5,789</u>

- (1) As a result of impairment test applied to this investment as of December 31, 2010, the Company recognized an impairment loss of \$30,000, recorded within equity in (loss) income of associated companies, trusts and others.

10. Property, machinery and equipment

	2010	2009	2008
Land	\$ 288,698	\$ 358,834	\$ 432,529
Buildings	183,737	339,481	355,984
Machinery, equipment and vehicles	1,622,001	1,478,799	1,458,516
Furniture, fixtures, tools and equipment	314,871	336,810	332,611
	<u>2,120,609</u>	<u>2,155,090</u>	<u>2,147,111</u>
Accumulated depreciation	(1,260,537)	(1,158,673)	(1,014,141)
Alpha plants (1)	860,072	996,417	1,132,970
Completed	1,216,992	-	-
Construction in-progress	97,490	492,862	-
	<u>1,314,482</u>	<u>492,862</u>	<u>-</u>
	<u>2,463,252</u>	<u>1,848,113</u>	<u>1,565,499</u>

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

	2010	2009	2008
Installation costs	676,271	464,493	400,687
Accumulated amortization	(376,364)	(261,327)	(216,207)
	<u>299,907</u>	<u>203,166</u>	<u>184,480</u>
	<u>\$ 2,763,159</u>	<u>\$ 2,051,279</u>	<u>\$ 1,749,979</u>

- (1) The Company concluded the first facility of the “Project Geo Alpha” located in Valle de las Palmas, Baja California. This is the first plant in Mexico that produces pre -furnished cement for housing usage. These facilities will deliver between 10 to 12 thousand houses per year.

11. Investment in concessions

	2010
Land	\$ 69,433
Improvements and road surfacing	26,141
Pluvial facilities	5,718
	<u>\$ 101,292</u>

The Company was granted a concession to operate and benefit from the usage of a section of a lagoon located in Acapulco Guerrero. Under the terms of such concession, the Company has the obligation to provide maintenance to the facilities and to return all facilities to the Municipal and State governments at the end of the concession term. As of December 31, 2010 the Company is determining a forecast of the potential income that these concessions will generate. As part of the grant of the concession, the Company is required to construct various rights-of-way to the lagoon. The amount recorded in the accompanying consolidated balance sheet represents investments made in those rights-of-way as of the date of the consolidated balance sheet.

12. Other assets

	2010	2009	2008
Debt issuance costs	\$ 332,479	\$ 157,064	\$ 37,715
Enterprise Resource Planning (“ERP”)	393,109	272,672	283,804
	<u>725,588</u>	<u>429,736</u>	<u>321,519</u>
Accumulated amortization	(235,930)	(37,300)	(28,155)
	<u>489,658</u>	<u>392,436</u>	<u>293,364</u>
New project developments	42,365	54,274	77,716
Commitment deposits	295,491	251,393	126,324
Debt coverage premium (1)	-	8,299	15,742
	<u>\$ 827,514</u>	<u>\$ 706,402</u>	<u>\$ 513,146</u>

A rollforward of intangible assets is as follows:

	Balance at December 31, 2009	Additions during 2010	Disposals during 2010	Balance at December 31, 2010
Debt issuance costs	\$ 157,064	\$ 175,415	\$ -	\$ 332,479
Enterprise Resource Planning (“ERP”)	272,672	120,437	--	393,109
	<u>429,736</u>	<u>295,852</u>		<u>725,588</u>

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

Accumulated amortization	(37,300)	(198,630)	--	(235,930)
	392,436	97,222	-	-
New projects development	54,274	42,365	(54,274)	42,365
Commitment deposits	251,393	44,098	-	295,491
Debt coverage premium (1)	(8,299)	-	(8,299)	-
	<u>\$ 706,402</u>	<u>\$ 183,685</u>	<u>\$ (62,573)</u>	<u>\$ 827,514</u>

	Balance at December 31, 2008	Removal of preoperating costs per NIF C-8	Additions during 2009	Disposals during 2009	Balance at December 31, 2009
Debt issuance costs	\$ 37,715	\$ -	\$ 119,349	\$ -	\$ 157,064
Enterprise Resource Planning ("ERP")	283,804	(67,987)	93,294	(36,439)	272,672
	321,519	(67,987)	212,643	(36,439)	429,736
Accumulated amortization	(28,155)	-	(23,948)	14,803	(37,300)
New projects development	293,364	(67,987)	188,695	(21,636)	392,436
Commitment deposits	77,716	-	28,304	(51,746)	54,274
Debt coverage	126,324	-	125,069	-	251,393
premium(1)	15,742	-	5,138	(12,581)	8,299
	<u>\$ 513,146</u>	<u>\$ (67,987)</u>	<u>\$ 347,206</u>	<u>\$ (85,963)</u>	<u>\$ 706,402</u>

(1) See Note 14.

13. Notes payable to financial institutions

	2010	2009	2008
Mexican pesos			
Bridge loans with real estate inventories as a collateral, bearing interest at the Mexican Interbank Equilibrium Interest Rate ("TIIE") plus an average of 342, 311 and 234 basis points as of December 31, 2010, 2009 and 2008, respectively.	\$ 2,336,825	\$ 1,486,138	\$ 1,878,254
Unsecured loan, bearing interest at THE rate plus 500 basis points. Maturity in April 2011.	43,626	-	-
Mortgage loan, bearing interest at the TIIE rate plus 500 basis points. Maturity in October 2011.	35,000	-	-
Unsecured loans, bearing variable interest at THE rate plus 338 basis points.	26,231	-	-
Unsecured loans, bearing variable interest at TIIE rate plus 450 basis points. Maturity in September 2011.	25,000	-	-
Mortgage loans for purchases of land with real estate inventories as a collateral, bearing interest at the THE rate plus 196, 276 and 260 basis points as of December 31, 2010, 2009 and, 2008, respectively.	19,463	48,495	88,525
Mortgage loan, bearing interest at a fix rate of 14%. Maturity in April 2011.	426	-	-
Unsecured loans bearing interest at an annual rate of 11.97%. Paid in full in January and February 2009.	-	-	850,429

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

	2010	2009	2008
Securitized certificate bearing interest at the TIIE rate plus 60, 290, and 320 basis points. Paid in full during 2009.	-	-	280,000
Commercial Europaper program up to an amount of U.S.\$200,000,000. In 2008, the amount of U.S.\$30,500,000 was borrowed at a fixed annual interest rate of between 6.70% and 6.32% and was paid in full in 2009.	-	-	421,891
	<u>\$ 2,486,571</u>	<u>\$ 1,534,633</u>	<u>\$ 3,519,099</u>

As of December 31, 2010, 2009 and 2008, the TIIE was 4.875%, 4.1950% and 8.6886%, respectively

All Interest rates mentioned above represent their annual rate.

14. Accrued expenses, taxes payable and other current liabilities

	2010	2009	2008
Taxes other than income taxes	\$ 208,713	\$ 130,499	\$ 75,821
Provisions	101,373	69,701	122,762
Services and other	1,215,657	1,628,776	1,350,373
Discontinued operations	23,235	37,725	114,905
	<u>\$ 1,548,978</u>	<u>\$ 1,866,701</u>	<u>\$ 1,663,861</u>

The Company has established mechanisms that provide its suppliers and creditors immediate payment of their open invoices with the Company via access to financing with various financial institutions, partly through a factoring program sponsored by Nacional Financiera, S. N. C. Institución de Banca de Desarrollo (called productive chains). The cost of the transaction is covered by the suppliers, as they are paid discounted invoice amounts by the financial institutions. The Company in turn repays the financial institutions the full open invoice amount.

15. Obligations under sale of receivables contracts

As of December 31, 2010, 2009 and 2008, the following obligations existed with respect to the Company's factoring and securitization programs:

	2010	2009	2008
	\$	\$	\$
Issuances	781,000	953,000	948,937
Other factoring	1,166,864	883,975	2,113,334
Funds (capacity)	(631,032)	(317,259)	(317,259)
	<u>\$ 1,316,832</u>	<u>\$ 1,519,716</u>	<u>\$ 2,745,012</u>

Subsidiaries of GEO established a revolving program to securitize collection rights of future receivables (the "Rights") derived from the Company's purchase-sale contracts of homes, which are placed in a trust established for such purpose with Nacional Financiera, S.N.C., Institución de Banca de Desarrollo ("Nacional Financiera"). Nacional Financiera acts as the trustee.

The trust obtains funds through public offerings of Amortizable Share Certificates (CBs), to purchase Rights, which include the issuance of preferred and subordinated series of CBs acquired by the general

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

public and GEO, respectively. Once Rights are collected, new acquisitions can be made, based on the maturity of the CBs issuances or by the early amortization of the issuance. As of December 31, 2009 and 2008 the Company had the fourth and fifth issuances outstanding, for \$172,000 and \$281,000, respectively, with maturity dates on March 2010 and 2011, respectively. As of December 31, 2010, only the fifth issuance of \$281 was outstanding.

GEO has the obligation to complete the construction of the housing units related to the Rights and is responsible for the collection of the Rights and for depositing the proceeds daily in the trust. Preferred CB's are paid at nominal value. The fourth issuance yields interest at a rate of 8.23% and 9.43% as of December 2009 and 2008, respectively. The fifth issuance yields interest at a rate of 5.99%, 7.97% and 9.50% as of December 31, 2010, 2009 and 2008, respectively. Both of them are charged to the trust's net worth. Using the resources obtained from the collection of the Rights, a fund (Capacity) was established in the trust to pay expenses and interest on the preferred CB's. Once the preferred CBs are paid in full, the remaining amount of the trust's net worth is used to pay the subordinated CBs.

Early amortization of preferred CBs, as established with the trust and subject to prior instructions from the Technical Committee to the trustee, will be made at face value, among other reasons, when:

- a. The trustors for any reason refuse to or cannot assign additional future Rights to the trust to make permitted investments, and such eventuality results in an accumulation of cash held in trust of 50% over the principal of the preferred CBs, and such situation remains in effect for 60 calendar days; or
- b. The Rights do not meet the eligibility criteria established in the terms of the trust.

Securitization - On September 28, 2008, Sólida Administradora de Portafolios, S.A. de C.V., in its capacity as Trustor, Banco Mercantil del Norte, S.A., in its capacity as Trustee, and Institución de Banca Múltiple and Grupo Financiero Banorte, in their capacity as Beneficiary, entered into trust contract F/00612. Among others, the purpose of this trust is to acquire the accounts receivable of the GEO subsidiaries.

Financial factoring with recourse - As of December 31, 2010, 2009 and 2008, a contingent obligation exists derived from factoring contracts with recourse of \$1,198,536, \$1,074,341 and \$623,949, respectively. Given the low probability that we will be required to reimburse such amounts to the financial institution, the accompanying consolidated financial statements do not include the provision of such obligation.

Financial factoring without recourse - The Company is jointly and severally liable for up to 5% of the discounted portfolio with a credit institution. The respective amount as of December 31, 2008 is \$24,268.

16. Long-term debt

	2010	2009	2008
Mexican pesos:			
Mortgage loans with land as collateral, bearing interest at the TIIE rate plus 261 basis points on average. Maturity dates in 2011, 2012 and 2013.	\$ 294,975	\$ 524,787	\$ 845,312
Revolving credit line up to \$1,000,000 with a fiduciary guarantee, maturing on November 17, 2014 bearing interest at the TIIE rate plus 375basis points. 8.19% as	217,500	—	—

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

	2010	2009	2008
Mexican pesos:			
of December 31, 2010.			
Capital leases for the acquisition of machinery and equipment bearing interest at a TIIE rate plus 231, and 350 and 239 basis points as of December 31, 2010, 2009 and, 2008, respectively.	196,377	185,336	281,442
Loan maturing on December 28, 2012, bearing interest at the TIIE rate plus 350 basis points.	60,000	—	—
Loan maturing on December 28, 2012, bearing interest at the TIIE rate plus 350 basis points.	20,824	—	—
Loan maturing on January 1, 2013, bearing variable interest rate at an annual average rate of 14%.	17,316	23,482	—
Loan maturing on November 1, 2012, bearing interest at the TIIE rate plus 4 basis points.	9,507	13,660	—
Loan maturing on January 1, 2013, bearing variable interest at an annual average rate of 14%.	8,757	11,875	—
Loan maturing on May 2, 2011, bearing variable interest at an annual average rate of 8.19%.	7,162	23,244	39,037
Securitized certificate maturing on March 25, 2011, bearing interest at the TIIE rate plus 175 basis points (prepaid in 2010).	—	1,000,000	1,000,000
Securitized certificate maturing on January 6, 2012, bearing interest at the TIIE rate plus 125 basis points (prepaid in 2010).	—	700,000	700,000
Securitized certificate which matured on November 26, 2010, and bore interest at the TIIE rate plus 175 basis points.	—	500,000	500,000
Securitized certificate which matured on January 6, 2010, and bore interest at the TIIE rate plus 400 basis points.	—	280,000	—
Loan which matured on June 29, 2010 and bore interest at the TIIE rate plus 154	—	6,687	—

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

	2010	2009	2008
Mexican pesos:			
basis points.			
Fixed asset loan which matured on March 15, 2010, and bore interest at 10.63%.	–	3,891	11,714
Securitized certificate which matured on October 29, 2009, and bore variable interest.	–	–	500,000
	2010	2009	2008
U.S. Dollars:			
Senior guaranteed note for U.S.\$250,000,000 maturing on September 25, 2014, bearing interest at a rate of 8.875% guaranteed with third-party security of the group's operating subsidiaries (1).	\$ 3,330,095	\$ 3,335,641	\$ –
Senior guaranteed note for U.S.\$250,000,000 maturing on June 30, 2020, bearing interest at a rate of 9.25% guaranteed with third-party security of the group's operating subsidiaries (2).	3,158,068	–	–
Fixed asset loan for U.S.\$13,084,723 maturing on December 30, 2016; bearing interest at the London Interbank Offered rate ("LIBOR") plus 220 basis points (3).	160,638	170,964	–
Fixed asset loan for U.S.\$3,892,276 maturing on April 24, 2016; bearing interest at the LIBOR rate plus 220 basis points (3).	41,345	50,855	–
Fixed asset loan for U.S.\$1,316,608 maturing on September 30, 2016; bearing interest at the LIBOR rate plus 220 basis points (3).	15,049	17,203	–
	7,537,613	6,847,625	3,877,505
Adjustment for the fair value of the senior guaranteed note resulting from a derivative financial instrument.	(823,952)	(135,511)	–
	6,713,661	6,712,114	3,877,505

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

	2010	2009	2008
U.S. Dollars:			
Less current portion of long-term debt	296,647	1,124,879	956,840
	<u>\$ 6,417,014</u>	<u>\$ 5,587,235</u>	<u>\$ 2,920,665</u>

Maturities of long-term debt as of December 31 are:

2012	\$ 282,655
2013	163,517
2014	3,122,610
2015	36,852
2016 and thereafter	<u>2,811,380</u>
	<u>\$ 6,417,014</u>

As of December 31, 2010 and 2009, the 180-day LIBOR rate was de 0.45594% and 0.42969%.

The loan agreements contain restrictive clauses, which require the Company to maintain certain minimum financial ratios and to adhere to other “affirmative and negative” covenants, during the term of the loan. As of December 31, 2010, 2009 and 2008, the Company has complied with all these obligations, restrictions and ratios.

Derivative financial instruments

(1) **First hedging relationship** - The Company issued a five-year senior guaranteed note maturing on September 25, 2014, for U.S.\$250,000,000, with an 8.875% fixed coupon and a 9% yield rate upon maturity. To reduce its exposure to exchange fluctuations, on September 23, 2009, the Company entered into two derivative instruments, designated as hedges against exchange rate fluctuations with two different financial brokers. The objective of these hedging instruments is to eliminate exchange rate fluctuations related to payments of interest and principal at maturity, stemming from the senior guaranteed note. The hedge period includes semi-annual payments beginning September 25, 2009, and a principal maturity payment on September 22, 2014. The two hedges have the following characteristics:

- Hedge of U.S.\$125,000,000 at an exchange rate of \$13.3850 Mexican pesos per U.S. dollar, bearing interest at the TIEE plus 642 basis points, maturity on September 25, 2014. The fair value as of December 31, 2010 was U.S.\$(8,356,273).
- Hedge of U.S.\$125,000,000 at an exchange rate of \$13.3850 Mexican pesos per U.S. dollar, bearing interest at the TIEE rate plus 639 basis points, maturity on September 25, 2014. The fair value as of December 31, 2010 was U.S.\$(8,217,842).

As of December 31, 2010, details of the hedge are as follows:

Year	Notional amount USD	Inception date	Maturity date	Rate paid:	Rate received USD	Fair value USD	Fair value MXN
2010	U.S.\$125	September	September	TIEE rate plus	8.875%	(8,217,842)	\$ (101,487)

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)

Year	Notional amount USD million	Inception date	Maturity date	Rate paid:	Rate received USD	Fair value USD	Fair value MXN
	U.S.\$125 million	September 2009	September 2014	TIIE rate plus 6.39%			
2010	U.S.\$125 million	September 2009	September 2014	TIIE rate plus 6.42%	8.875%	(8,356,273)	<u>(103,197)</u>
							<u>\$ (204,684)</u>

As of December 31, 2009, details of the hedge are as follows:

Year	Notional amount USD	Inception date	Maturity date	Rate paid:	Rate received USD	Fair value USD	Fair value MXN
2009	U.S.\$125 million	September 2009	September 2014	TIIE rate plus 6.39%	8.875%	(3,731,100)	\$ (48,750)
2009	U.S.\$125 million	September 2009	September 2014	TIIE rate plus 6.42%	8.875%	(3,666,288)	<u>(48,164)</u>
							<u>\$ (96,914)</u>

- (2) **Second hedging relationship** - The Company issued a ten-year senior guaranteed note maturing on June 30, 2020, for U.S.\$250,000,000, with a 9.25% fixed coupon and a 9.5% yield rate upon maturity. To reduce its exposure to exchange fluctuations, on July 9, 2010, the Company entered into derivative instruments, designated as hedges against exchange rate fluctuations, for notional amounts of U.S.\$100,000,000, U.S.\$100,000,000 and U.S.\$50,000,000, respectively, with three different financial brokers. The objective of these hedging instruments is to eliminate exchange rate fluctuations related to payments of interest and principal at maturity, stemming from the senior guaranteed note. The hedge period includes semi-annual payments on July 13, for the first instrument and June 30 for the two others, and a principal maturity payment on June 30, 2020 for each instrument.

As of December 31, 2010, details of the hedge are as follows:

Year	Notional amount USD	Inception date	Maturity date	Rate paid:	Rate received USD	Fair value USD	Fair value MXN
2010	U.S.\$100 million	June 2010	June 2020	TIIE rate plus 388.9 and 502.4 basis points.	9.25%	(14,889,129)	\$ (183,875)
2010	U.S.\$100 million	June 2010	June 2020	TIIE rate plus 388.5 and 502 basis points.	9.25%	(14,856,850)	(183,476)
2010	U.S.\$50 million	June 2010	June 2020	TIIE rate plus 386.5 and 500 basis points.	9.25%	(7,384,068)	<u>(91,190)</u>
							<u>\$ (458,541)</u>

- (3) **Third hedging relationship** - On September 14, 2010, the Company entered into derivative instruments, designated as hedges against exchange rate fluctuations, for notional amounts of U.S.\$13,754,570, U.S.\$3,592,870 and U.S.\$1,198,759, the first two effective on September 15, 2010, and the third on September 30, 2010, which mature on May 22, 2017, April 29, 2016 and September 30, 2016, respectively,

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

with a single financial broker. The objective of these hedge instruments is to eliminate exchange rate fluctuations related to interest and principal payments for these U.S. dollar-denominated fixed asset loans. The hedge period includes the monthly payments considered for repayment of principal.

Year	Notional amount USD	Inception date	Maturity date	Rate paid:	Rate received USD	Fair value USD	Fair value MXN
2010	13,754,570	Sept. 2010	May 2017	TIIE rate plus 218 basis points.	LIBOR rate plus 220 basis points.	(154,215)	\$ (8,178)
2010	3,592,870	Sept. 2010	April 2016	TIIE rate plus 217 basis points.	LIBOR rate plus 220 basis points.	(662,154)	(1,904)
2010	1,198,759	Sept. 2010	Sept. 2016	TIIE rate plus 224 basis points.	LIBOR rate plus 220 basis points.	(59,222)	(731)
							<u>\$ (10,813)</u>

1. The entity's strategy and objectives regarding risk management are as follows:

The purpose of the hedges is to reduce the variability of the fair value of an obligation denominated in a currency other than the functional currency of GEO. The strategy is to have financial derivatives contracted which also permit changes in the frequency of payment.

2. The specific risk to be hedged is as follows:

Interest rate and exchange rate risk. The risk comes from the changes in the LIBOR interest rate, and in the exchange rate between the Mexican peso and the U.S. dollar.

3. Identification of the primary positions subject to the hedge are as follows:

- Senior guaranteed note for U.S.\$250,000,000 at 8.875% maturing in 2014, issued by GEO on September 18, 2009.
- Senior guaranteed note for U.S.\$250,000,000 at 9.25% maturing in 2020, issued by GEO on June 30, 2010.
- Three U.S. dollar-denominated fixed asset loans for U.S.\$18,546,199.

4. The financial derivatives are used for hedging purposes are as follows:

- Two cross currency swaps ("CCS") in which GEO receives fixed rate and pays the 28-day TIIE rate plus an average of 6.40%. The swaps are non-redeemable with exchange of principal at the start and at the end of the instrument.
- Three cross currency swaps ("CCS") in which GEO receives fixed rates and pays the 28-day TIIE rate plus an average of 3.88% for the first five years and 5.01% for the last five years. The swaps are non-redeemable with exchange of principal at the start and at the end of the instrument.
- Three cross currency swaps ("CCS") in which GEO receives the same rates as the loans and pays the 28-day TIIE plus an average of 2.20%. The swaps have redemption similar to their primary position.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

5. The form that will be used by the entity to evaluate the effectiveness of the hedge, from the start (prospectively) and subsequently (retrospectively), offsetting the exposure to changes in fair value or in the cash flows of the primary position attributed to the risks hedged is as follows:

Effectiveness will be tested based on the comparison of changes in the fair values of the primary position (by means of a hypothetical derivative) and the derivatives.

The test will be conducted prospectively on the designation date and on each reporting date, using the scenarios method.

For the retrospective test, the changes observed in valuations of the hypothetical derivative and the derivatives contracted will be compared.

In both tests, the criteria to conclude whether the derivative is effective will be whether the results are in the range of 80% to 125% on an accumulated basis.

6. The treatment of the total gain or loss on the hedge instrument in the determination of the hedge effectiveness, indicating whether any factor will be excluded in such measurement, is as follows:

The gains or losses on the CCS will be recorded in results and surpluses above 100% efficiency will be classified as hedge inefficiencies.

In addition to the three hedging instruments, on July 8, 2009, the Company entered into three financial derivative instruments (variable to fixed interest rate swaps) with the following characteristics:

- Derivative for \$1,000 at a fixed 7.17% rate, maturing on March 25, 2011. The Company paid a premium of \$6,860 at the beginning of the transaction.
- Derivative for \$700 at a fixed 7.17% rate, maturing on January 6, 2012. The Company paid a premium of \$7,755 at the beginning of the transaction.
- Derivative for \$500 at a fixed 7.17% rate, maturing on November 26, 2010. The Company paid a premium of \$1,245 at the beginning of the transaction.

The fair value of the two instruments in effect as of December 31, 2010 is \$(7,722).

Although these instruments were entered into for hedging purposes from an economic standpoint, they have been designated as instruments for trading purposes from an accounting standpoint because they do not fulfill all the requirements established in the respective regulations to apply hedge accounting. The fluctuation in the fair value of these derivatives is recognized under comprehensive financing cost within the statements of income.

Summary of the effects of the derivative financial instruments (DFI) recorded under RIF for the year ended f December 31, 2010 is as follows:

	First relationship	Second relationship	Third relationship	DFI with no designation	Total
Change in fair value - (profit) loss	\$ (184,332)	\$ 93,298	\$ (19,837)	\$ 16,000	\$ (94,871)

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

Summary of DFI effects recorded under RIF for the year ended December 31, 2009:

	First relationship	DFI with no designation	Total
Loss in fair value	\$ 32,503	\$ 6,466	\$ 38,969
Ineffectiveness of DFI	3,946	-	3,946
Net effect of DFI in the RIF	<u>\$ 36,449</u>	<u>\$ (6,466)</u>	<u>\$ 42,915</u>

Summary of DFI fair values as of December 31, 2010 and 2009:

	First relationship	Second relationship	Third relationship	DFI with no designation	Total
Fair value 2010	\$ (204,684)	\$ (458,541)	\$ (10,813)	\$ (7,722)	\$ (681,760)
Fair value 2009	\$ (96,914)	-	-	-	\$ (96,914)

During 2010 and 2009, the Company recognized a charge to results and a corresponding credit to derivative liabilities of \$593,570 and \$178,426, respectively, which represents the fair value of the liability portion of the financial derivative. Similarly, during 2010 and 2009, the Company recognized a credit to results of \$688,441 and \$135,511, and a corresponding charge to the offsetting account for the change in the fair value of the debt, resulting in a (profit) loss for the net change in the fair value of derivatives transactions of \$(94,871) and \$42,915, respectively.

Reconciliation of the fair value adjustment to debt as of December 31, 2010 and 2009 is as follows:

	2010	2009
Opening balance resulting from change in the fair value of the debt	\$ 135,511	\$ -
Change in fair value as a result of the net effect of DFI in the RIF	<u>688,441</u>	<u>135,511</u>
Final balance resulting from change in the fair value of the debt	<u>\$ 823,952</u>	<u>\$ 135,511</u>

Restricted cash - As of December 31, 2010, due to the revaluation of the exchange rate between the Mexican peso and U.S. dollar, the hedges discussed above required margin calls of \$53,500, \$34,949, and \$35,443, which are deposited in an investment account of the Company and presented under restricted cash. This restricted cash represents a guarantee payable on the balance sheet date, if the hedge were settled on such date, and such amounts will be modified during the life of the hedge.

17. Employee benefits

Net periodic cost for obligations resulting from the pension plan, severance payments and seniority premiums was \$43,407, \$50,367 and \$41,983 in 2010, 2009 and 2008, respectively. Other disclosures required under financial reporting standards are not considered material.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

18. Transactions and balances with related parties

- a. Balances with related parties, other than those presented in Note 8, as of December 31 were as follows:

	2010		2009		2008
Due from related parties:					
Mexican Master Trust 412	\$ -		\$ 120,051		\$ 133,998
Mexican Master Trust 371	-		13,802		44,132
Due to related parties:					
Mexican Master Trust 412	\$ 41,760		\$ -		\$ -

- b. Transactions with related parties, carried out in the ordinary course of business whose consideration is equivalent to those in similar transactions carried out with independent parties were as follows:

	2010		2009		2008
Purchase of land	\$ 64,785		\$ 51,211		\$ 289,027

- c. Employee benefits granted to Company key management (and/or prominent executives) were as follows:

	2010		2009		2008
Salaries and benefits	\$ 291,337		\$ 254,245		\$ 280,145
Statutory year end benefit	23,223		21,257		20,537
Bonus	144,104		126,757		89,833
	<u> </u>		<u> </u>		<u> </u>
Total	<u>\$ 458,664</u>		<u>\$ 402,259</u>		<u>\$ 390,515</u>

19. Stockholders' equity

- a. As of December 31, 2010, 2009 and 2008, authorized common stock was 555,396,540 shares, at no par value. As of December 31, 2010, 2009 and 2008 the Company had 549,442,784, 544,445,650, and 537,802,359 shares outstanding, respectively, and 624,700, 616,600 and 2,350,000 shares held in treasury, respectively.

- b. At the stockholders' and Board of Directors' extraordinary meetings held in April, May and August, 2001, the creation of an employee and executive incentive plan was approved, which is subject to the following conditions:

- Participants must act as a Company officer during the established periods and under the respective terms, while recognizing that the value of shares will be \$0.224.
- Acquisition rights for shares will not have proportional effects based on the completed periods of the year; as such rights will only be generated on specifically established dates.
- On July 6, 2010, 5,005,234 shares of the "Employee and Officer Incentive Plan" were released. The market value as of the date of the assignment was \$1,221; therefore, a charge to results and a credit to stockholders' equity of \$142,983 was recorded. This

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

credit is presented within additional paid-in capital in the accompanying statement of changes in stockholders' equity.

- On January 23, 2009, 1,027,990 shares of the "Employee and Officer Incentive Plan" were released. The market value as of the date of the assignment was \$28.14; therefore, a charge to results and a credit to stockholders' equity of \$14,700 was recorded. This credit is presented within additional paid-in capital in the accompanying statement of changes in stockholders' equity.
- On August 7, 2009, 5,029,391 convertible debt securities were issued. They were acquired by a trust fund and converted into shares at par value of \$0.224, representing an increase in common stock of \$1,130. Release of the rights related to the shares is as follows: On August 19, 2009, rights to 1,295,352 shares; the market value of these shares as of the date of conversion was \$26.99; and on October 26, 2009, rights to 2,302,842 shares; the market value of these shares as of the date of conversion was \$32.99; rights to the remaining shares will be released in 2010. Accordingly, a charge to results and a credit to stockholders' equity of \$34,956 and \$75,971 respectively, were recorded. This credit is presented within additional paid-in capital in the accompanying statement of changes in stockholders' equity.

Effects of the incentive plan during the fiscal years ended 2010, 2009 and 2008 are as follows:

Issuance of stock officer incentive plan:

Released date	Stocks released	Issued value per share	Issued capital
July, 2010	5,005,234	\$ 0.224	\$ 1,121
August, 2009	5,029,391	\$ 0.224	\$ 1,130
January, 2008	3,400,000	\$ 0.224	763
	<u>13,434,625</u>		<u>\$ 3,014</u>

The balance of unsubscribed incentive plan shares as of December 31, 2010, 2009 and 2008 is 12,691,038, 10,334,290 and 15,363,681, respectively.

Amounts recorded to additional paid-in capital in 2010 are as follows:

Released date	Stocks released	Value per share	Additional paid-in capital
July, 2010	5,005,234	\$ 28.56	\$ 142,983
	<u>5,005,234</u>		<u>\$ 142,983</u>

Amounts recorded to additional paid-in capital in 2008 are as follows:

Released date	Stocks released	Value per share	Additional paid-in capital
January, 2009	1,027,990	\$ 14.30	\$ 14,700
August, 2009	1,295,352	\$ 26.99	34,956
October, 2009	<u>2,302,842</u>	\$ 32.99	<u>75,971</u>

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

4,626,184 \$ 125,627

Amounts recorded to additional paid-in capital in 2008 are as follows:

Released date	Stocks released	Value per share	Additional paid-in capital
January, 2008	2,555,215	\$ 34.86	\$ 89,070

- c. At the stockholders' ordinary meetings held on March 20, 2009, \$1,000,000 was approved as the maximum amount for the reserve fund for the repurchase of the Company's own shares for fiscal years 2009.
- d. Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2010, 2009 and 2008, the legal reserve, in historical pesos, was \$25,712.
- e. Stockholders' equity, except restated paid-in capital and tax retained earnings, will be subject to income tax at the rate in effect when dividends are distributed. Any tax paid on such distribution may be credited against the income tax payable of the year in which the tax on the dividend is paid and the two fiscal years following such payment.
- f. The balances of the tax accounts of stockholders' equity as of December 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Contributed capital account	\$ 3,769,372	\$ 3,610,510	\$ 3,486,058
Net tax income account	<u>752,287</u>	<u>799,461</u>	<u>825,940</u>
	<u>\$ 4,521,659</u>	<u>\$ 4,409,971</u>	<u>\$ 4,311,998</u>

20. Foreign currency balances

As of December 31, 2010, the foreign currency monetary position is as follows:

	Balances in Foreign Currency (Thousands)	Mexican Peso Equivalent
U.S. dollars:		
Monetary assets	1,395	17,228
Monetary liabilities	<u>(518,209)</u>	<u>(6,399,674)</u>
Net monetary liability	<u>\$ (516,814)</u>	<u>\$ (6,382,446)</u>

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

Mexican peso exchange rates in effect at the dates of the consolidated balance sheets and at the date of the related independent auditors' report were as follows:

	February 11, 2011	2010	December 31, 2009	2008
Mexican pesos per one U.S. dollar	\$ 12.0635	\$ 12.3496	\$ 13.0659	\$ 13.7700

21. Other expenses - net

	2010	2009	2008
Statutory employee profit sharing	\$ 58,949	\$ 48,192	\$ 27,078
Loss on sale of fixed assets	-	8,248	-
Fixed asset retirements	4,937	-	-
Other (income) expenses	(4,463)	29,067	4,207
	<u>\$ 59,423</u>	<u>\$ 85,507</u>	<u>\$ 31,285</u>

22. Noncontrolling interest

Noncontrolling interest as of December 31, 2010, 2009 and 2008, consisted of the following:

	2010	2009	2008
Common stock of consolidated trusts	\$ 3,056,069	\$ 2,439,786	\$ 1,322,196
Retained earnings	327,277	139,645	53,150
Contractual payment to noncontrolling interest holders in trusts	(1,548,442)	(906,845)	(504,633)
	<u>\$ 1,834,904</u>	<u>\$ 1,672,586</u>	<u>\$ 870,713</u>

23. Income taxes

The ISR rate for 2010, 2009 and 2008 was 30%, 28% and 28%, respectively. The rate will remain at 30% through 2012, and will be reduced to 29% for 2013, and 28% for 2014 and thereafter. The Company pays ISR, together with subsidiaries on a consolidated basis.

On December 9, 2009, amendments to the ISR Law were published, to become effective beginning in 2010. These amendments state that: a) ISR relating to tax consolidation benefits obtained from 1999 through 2004 should be paid in installments beginning in 2010 through 2015, and b) ISR relating to tax benefits obtained in the 2005 tax consolidation and thereafter, should be paid during the sixth through the tenth year after that in which the benefit was obtained. Payment of ISR in connection with tax consolidation benefits obtained from 1982 (tax consolidation starting year) through 1998 may be required in those cases provided by law.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. The IETU rate was 17.5% in 2010, 17.0% in 2009 and 16.5% in 2008. The Asset Tax Law was repealed upon enactment of the IETU Law; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid, may be recovered, according to the terms of the law. In addition, as opposed to ISR, the parent and its subsidiaries will incur IETU on an individual basis.

Income tax incurred will be the higher of ISR and IETU.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

Based on its financial projections and according to INIF 8, *Effects of the Business Flat Tax*, the Company determined that it will basically pay ISR. Therefore, it only recognizes deferred ISR.

Income tax expense for the years ended December 31 is as follows:

	2010	2009	2008
Income tax expense:			
Current	\$ 446,366	\$ -	\$ -
Deferred	148,891	688,361	408,529
Tax effect due to rate changes	-	50,980	-
Tax effect due to INIF 18	20,073	-	-
Write-off of tax loss carry forwards	46,864	-	-
Write-off of IMPAC	-	(2,442)	77,187
	<u>\$ 662,194</u>	<u>\$ 736,899</u>	<u>\$ 485,716</u>

- a. The reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income is:

	2010	2009	2008
Statutory rate	30.00%	28.00%	28.00%
Add the effect of permanent differences, mainly nondeductible expenses	1.06	1.74	3.07
Other	1.30	(0.03)	3.00
Tax effect due to rate changes	-	2.23	-
Inflationary effect	(4.23)	1.05	(2.12)
	<u>28.13%</u>	<u>32.99%</u>	<u>31.95%</u>

- b. The main items originating a deferred ISR liability are:

	2010	2009	2008
Deferred income tax liabilities:			
Unbilled receivables	\$ 52,251	\$ 35,569	\$ 24,116
Property, machinery and equipment	257,955	116,372	103,105
Real estate inventories	2,528,317	2,731,226	2,488,985
Prepayments and other	117,796	48,681	23,946
	<u>2,956,319</u>	<u>2,931,848</u>	<u>2,640,152</u>
Deferred income tax assets:			
Advances from customers	113,106	116,966	243,454
Provisions	81,581	92,011	70,783
Effects of tax loss carryforwards	109,843	196,527	487,932
	<u>304,530</u>	<u>405,504</u>	<u>802,169</u>
Subtotal	2,651,789	2,526,344	1,837,983
Recoverable asset tax	<u>21,260</u>	<u>16,705</u>	<u>14,263</u>
Net deferred tax liabilities	<u>\$ 2,630,529</u>	<u>\$ 2,509,639</u>	<u>\$ 1,823,720</u>

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

To determine deferred ISR at December 31, 2010, 2009 and 2008, the Company applied the applicable tax rates to temporary differences based on their estimated reversal dates.

- c. The benefits of restated tax loss carryforwards and recoverable IMPAC for which the deferred ISR asset has been recognized, can be recovered subject to certain conditions. Restated amounts as of December 31, 2010 and expiration dates are:

Year of Expiration	Tax Loss Carryforwards	Recoverable IMPAC
2018	\$ 366,144	\$ 21,260

- d. As of December 31, 2010, 2009 and 2008 the Company has temporary taxable differences derived from deferred PTU with a value of \$3,393,121, \$3,536,284 and \$3,360,094, respectively, mainly due to real estate inventories (land), the acquisition of which, based on the Company's activities, is still deductible. Consequently, a liability will not be recorded for deferred PTU since the Company considers that this situation will not arise given the continuity of its transactions.

INIF 18, *Recognition of the Effects of the 2010 Tax Reform on Income Taxes* – As discussed above, during 2009, the Mexican tax authorities issued a series of tax reforms that went into effect as of January 1, 2010. Subsequently, INIF 18 was issued, which establishes guidelines for accounting for the effects of the tax reforms on a company's financial information. During 2010, as a result of the publication of new tax law revisions, the Company reassessed its bases for determining deferred income tax liabilities, which resulted in a decrease in long-term income tax liabilities and an increase in retained earnings of \$649,798.

Year of Payment	Amount
2011	\$ 45,165
2012	92,389
2013	87,352
2014	71,906
2015	76,061
2016	59,520
2017	23,611
2018	15,910
2019	16,537
	488,451
Current	45,165
	\$ 443,286

24. Transactions that did not affect cash flows

As of December 31, 2010, 2009 and 2008, the principal items affecting assets and liabilities which did not generate or require inflows or outflows of cash are as follows.

	2010	2009	2008
Purchase of land, unpaid	\$ 351,097	\$ 472,517	\$ 459,074
Purchases under capital lease	151,234	78,638	207,481

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

25. Earnings per share

The amounts used to determine basic earnings per share were as follows:

	Income (loss)	Number of shares	Mexican pesos per share
Net income attributable to common stock for 2010 before discontinued operations	\$ 1,476,354	549,442,784	\$ 2.69
Net loss attributable to common stock from discontinued operations for 2010	\$ (13,914)	549,442,784	\$ (0.03)
Net income attributable to common stock for 2009 before discontinued operations	\$ 1,318,278	544,445,650	\$ 2.42
Net loss attributable to common stock from discontinued operations for 2009	\$ (46,058)	544,445,650	\$ (0.08)
Net income attributable to common stock for 2008 before discontinued operations	\$ 973,204	537,802,359	\$ 1.81
Net loss attributable to common stock from discontinued operations for 2008	\$ (8,828)	537,802,359	\$ (0.02)

26. Contingencies

- a. Neither the Company nor its assets are subject to any legal action other than those that arise in the normal course of business.
- b. Based on the provisions of the Mexican Law, one-year warranties for construction defects are provided by the Company to its customers. In order to resolve its customer's claims, the Company obtains collateral and guarantee deposits from its contractors, which are refunded when the warranty period has expired. The Company has contracted insurance against potential defects in the houses that it builds, for a ten-year period. The amounts of the premiums paid are \$8,900, \$5,206 and \$6,719 for the years ended December 31, 2009, 2008, 2007, respectively.
- c. On February 3, 2009, the Mexican Tax Authorities began to exercise its official inspection powers to enforce the tax position whereby the consolidated tax income should be added or the consolidated tax loss should be deducted in accordance with Article 68, Section II of the Income Tax Law, which is not the position taken by the Company. The effect of this deduction is approximately \$235,457. According to the Company's legal advisers, there are sufficient grounds to uphold the deduction position adopted.
- d. On February 15, 2010, the Company filed an action for annulment with the tax authorities challenging the reforms to the tax consolidation regime included in the ISR Law effective as of 2010, specifically the following aspects which adversely affect the Company:

The transition regime (the years 2004 and previous years): Future obligations arising from tax losses for such years, obligations arising from the comparison of net tax income accounts (CUFIN) aggregated for each subsidiary when compared to the consolidated CUFIN accounts, obligations arising from accounting dividends and other special consolidation items resulting in additional obligations for the Company.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

The regime applied as of the years 2005 through 2009: Future obligations arising from tax losses for such years, obligations arising from the comparison of net tax income accounts (CUFIN) aggregated for each subsidiary when compared to the consolidated CUFIN accounts and additional obligations arising from accounting dividends.

- e. The Mexican Tax Authorities (“SAT”) notified the Company of a tax liability it assessed due to improper offsetting of asset tax against income tax of 2007 for a historical amount of \$195,595 (the restated amount plus fines and surcharges is \$385,896). Company management and legal advisers believe that there are sufficient bases to uphold the offsetting made by the Company.
- f. Deferred income tax on consolidation – If the Company reduces its shareholding interest in a controlled company, divests the tax consolidation of a controlled company, or merges its subsidiary companies, it will be subject to deferred income tax on consolidation of up to \$649,798 for the differences in the net tax income and reinvested net tax income account records of the consolidated entity, which will be paid in conformity with the applicable tax provisions when determined.

27. Commitments

On August 19, 2003, an agreement was signed between Prudential Investment Management, Inc. (“Prudential”) and GEO, described as the “Residential Investment Program”.

The general purpose of the agreement is to establish an investment program for developing real estate projects that includes, among others, the purchase of land, the construction of housing, which may be affordable, medium-income and upper-income housing, and shopping malls. The structure defined for the program includes the creation of a trust under the laws of the State of New York, U.S.A. (“NY Trust”), whose principal participants will be the Company, Prudential and other institutional investors, with GEO holding a minority interest. Phase I of the program contemplates contributions for a total of U.S.\$175 million and Phase II, U.S.\$280 million. The participation of GEO pursuant to the terms of the Master Trust allows it to exert significant influence on the projects, but not control them.

In accordance with the program, in each specific trust contract GEO or its subsidiaries must make a deposit (“Significant Deposit”) to the Master Trust equal to 10% of the acquisition cost of any land which will be contributed to the specific trust. The deposit guarantees the trust the recovery of its investment, in order to construct the houses or develop the land.

GEO has no liability for any financing obtained by the Master Trust to finance these transactions. Accordingly, the risks and benefits for GEO in relation to the trusts are limited to the amount of its contribution, any development cost it incurs and the respective allocation of income or loss to GEO, and any significant deposits which it has to make.

As of December 31, 2009 and 2008, the Company has 4 and 9 projects in Phase I of this program; respectively. The balance of work completed by the Company is presented under the heading of real estate inventory with a value of \$136,953 and \$131,642, respectively.

As of December 31, 2009 and 2008, commitment deposits under Phase I have been made for the amounts of \$20,510 and \$66,609, respectively, recorded within other current liabilities.

As of December 31, 2010, 2009 and 2008, the Company has 15, 19 and 19 projects in Phase II of this program, respectively. The balance of work completed by the Company is presented under the heading of real estate inventory with a value of \$247,781, \$990,887 and \$1,294,863, respectively.

As of December 31, 2010, 2009 and 2008, commitment deposits under Phase II have been made for the amounts of \$190,406, \$179,933 and \$135,118, respectively, recorded within other current liabilities.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

Phase IV, a new investment phase, was implemented in June 2009 with Prudential for U.S.\$545 million. This is a revolving program contracted for a seven-year period. Work completed by GEO will be presented under the heading of real estate inventories. Prudential has purchased land with a value of \$973,813 and \$915,186 as of December 31, 2010 and 2009 respectively. The program involves six projects and a commitment deposit of \$84,718 and \$78,739 as of December 31, 2010 and 2009, respectively.

In June 2009, a new strategic program was implemented with Prudential to create the Macro Project or Integrally-Planned and Sustainable Cities Project with a capital investment of up to U.S.\$1 billion over the next 10 years. Fund capital will be used to acquire large extensions of land and develop infrastructure, urbanization and the equipment needed to generate "Macro Lots" with land use rights, residential, commercial, industrial and equipment services.

In June 2009, the initial stage was executed in which the Fund invested in the first phase of Valle de las Palmas, located in Tijuana, B.C., with an area of 347 hectares and a value of U.S.\$108.3 million. The project is based on land that will be used to develop more than 18,000 homes, as well as industrial and commercial properties.

The program was signed between Prudential and GEO under the following terms:

Works Contract Payment: GEO receives a 15% advance 12 months after project startup, 85% based on work completion and a 5% withholding against the delivery of the "Macro Lots".

Work and Budget Supervision: GEO will receive work and budget supervision fees.

GEO Fees: 3% of the total investment budget based on each partial payment and 2% of sales, excluding GEO residential areas.

Additional costs: any cost in addition to those approved in the Master Plan must be paid by GEO.

Aéreas GEO: GEO maintains purchase options for at least 50% of saleable land.

Partnership with Sólida, Administradora de Portafolios, S.A. de C.V.: Geo created a partnership with Sólida Administradora de Portafolios, S. A. de C. V. for real estate development projects. The partnership began operations in May 2006 based on a project-by-project approval scheme. During 2010, 2009 and 2008, the amount of \$1,279 million, \$605 million and \$83 million pesos has been invested, respectively. The accrued investment at December 31, 2010, 2009 and 2008 is \$3,261 million, \$1,982million and \$1,726 million pesos in 19, 14 and 11 projects.

28. Commitments for rentals

- a. The Company leases an aircraft under a ten year non-cancelable operating lease. Rental expense was \$7,840, \$8,700 and \$8,792 for the years ended December 31, 2010, 2009 and 2008, respectively. Future minimum payments for lease commitments in US dollars are:

Years	US dollars
2011	673,434
2012	673,434
2013	505,076

The basic rental payment is US\$673,434 and is adjusted by an adjustment factor consisting of the LIBOR rate in effect at the beginning of each quarterly period, plus 1.11%.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

**Notes to Consolidated Financial Statements
For the years ended December 31, 2010, 2009 and 2008
(In thousands of Mexican pesos)**

- b. The Company has executed operating lease agreements for the buildings where the “Alpha Project” development is located. The lease agreements are for a non-cancelable 10-year period and establish the following minimum payment commitments:

Years	US dollars
2011	1,389,096
2012	1,389,096
2013	1,389,096
2014	1,389,096
2015	1,389,096
2016 to 2020	6,945,480

- c. The Company leases construction machinery and equipment. Lease expense of \$111,417, \$225,228, and \$113,114 were incurred for year ended December 31, 2010, 2009 and 2008, respectively. Operating lease contracts have been executed for obligatory periods of two and three years and establish the following minimum payments:

Years	Amount
2011	\$ 111,417
2012	26,771
2013	16,773

- d. The Company has executed operating lease agreements for the buildings where some of its subsidiaries are located. Lease expense of \$36,340 and \$31,562, were incurred for years ended December 31, 2010 and 2009, respectively. The lease agreements are for a non-cancelable 15-year period and establish the following minimum payment commitments.

Years	Amount
2011	\$ 37,976
2012	39,684
2013	39,882
2014	41,876
2015	43,970
2016 to 2023	447,838

- e. The Company has assumed the commitment to construct different construction works benefiting the local communities where its projects are located, such as schools, parks, clinics, etc., as part of the licenses and authorizations, in accordance with the regulations in effect in each location. These expenses are already integrated on each project budget.

29. Discontinued operation

As discussed in Note 2, the operating results of Geo Oaxaca, S. A. de C. V. have been accounted for as discontinued operations and are shown separately from continued operations. Condensed financial information of the discontinued operation is as follows:

	2010	2009	2008
Income from discontinued operation	\$ (21,699)	\$ (123,348)	\$ (238,562)
Costs and expenses	31,263	179,387	256,875

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

	2010	2009	2008
Other (income) expenses – net	(165)	3,365	(4,248)
Income taxes	4,515	(13,346)	(5,237)
Net loss from discontinued operation	<u>\$ 13,914</u>	<u>\$ 46,058</u>	<u>\$ 8,828</u>

The assets and liabilities from discontinued operations are presented grouped with other balance sheet line items. The condensed figures of the balance sheet of Geo Oaxaca, S. A. de C.V. are as follows:

	2010	2009	2008
Current assets	\$ 94,341	\$ 108,713	\$ 262,077
Noncurrent assets	14,758	13,760	21,856
Current liabilities	17,199	25,952	121,611
Long-term liabilities	<u>6,037</u>	<u>3,642</u>	<u>31,749</u>
Total stockholders' equity	<u>\$ 85,863</u>	<u>\$ 92,879</u>	<u>\$ 130,573</u>

30. New accounting principles

As part of its efforts to make Mexican standards converge with international standards, in 2009, the Mexican Board for Research and Development of Financial Information Standards (“CINIF”) issued the following NIFs, INIFs and improvements to NIFs applicable to profitable entities, which become effective for fiscal years beginning on January 1, 2011, as follows:

B-5, *Financial Segment Information*

B-9, *Interim Financial Information*

C-4, *Inventories*

C-5, *Advance Payments and Other Assets*

Improvements to Mexican Financial Reporting Standards 2011

Some of the most important changes established by these standards are:

NIF B-5, *Financial Segment Information* - Establishes management's approach to disclose financial information by segment as opposed to Bulletin B-5, which, while using a management's approach, required that the information be disclosed by economic segments, geographical areas or homogeneous groups of customers. The standard does not require that the business areas be subject to different risks from one another to be considered an operating segment; it allows classifying, as a segment, components in the pre-operational stage; and requires the separate disclosure of interest income, interest expense and liabilities, as well as disclosure of information entity-wide information, information related to products, services, geographical areas, and major customers and suppliers. Similar to the previous Bulletin B-5, this standard is only mandatory for public companies or entities in process of becoming public.

NIF B-9, *Interim Financial Information* - Unlike Bulletin B-9, this standard requires a condensed presentation of the statement of changes in stockholders' equity and the statement of cash flows as part of the financial information at interim dates and, for comparative purposes, requires that the information presented at the closing of an interim period be presented together with information at the end of the same interim period of the previous year. In the case of the balance sheet, it requires presenting the closing balance sheet of the immediately preceding year.

NIF C-4, *Inventories* - This standard eliminates direct costing as a permitted system of valuation and the last-in first-out valuation method as a cost method. It requires that inventory be valued at the lower of cost or market, market represented only by net realizable value. It also sets rules for valuing inventory of service providers. It clarifies that, in the case of inventory acquisitions by installments, the difference

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements For the years ended December 31, 2010, 2009 and 2008 (In thousands of Mexican pesos)

between the purchase price under normal credit terms and the amount paid be recognized as a financial cost during the financing period. The standard allows that, under certain circumstances, the estimates for impairment losses on inventories that have been recognized in prior periods be reduced or canceled against current earnings of the period where changes to estimates are made. It also requires disclosing the amount of inventories recognized in the results of the period, when cost of sales includes other elements, or when part of cost of sales is included as part of discontinued operations, or when the statement of income is classified according to the nature of the expense items and no cost-of-sales line item is presented, but rather the individual elements making up cost. It requires disclosing the amount of any impairment losses on inventories recognized as cost of the period. It also requires that any change in the cost allocation method be treated as an accounting change. As well, it requires that advances to suppliers from the time when the risks and benefits of ownership are transferred to the Company, be recognized as inventories.

NIF C-5, *Advance Payments and Other Assets* - This standard sets as a basic feature of advance payments the fact that they do not yet transfer to the Company the risks and benefits of the ownership of goods and services to be acquired or received. Therefore, advances for the purchase of inventories or property, plant and equipment, among others, must be presented in the advance payments line item not in inventory or property, plant and equipment, respectively. It requires that advance payments be recognized as an impairment loss when they lose their ability to generate future economic benefits. This standard requires advance payments related to the acquisition of goods to be presented in the current or noncurrent sections of the balance sheet, based on their respective classification.

At the date of issuance of these consolidated financial statements, the Company has not fully assessed the effects of adopting these new standards on its financial information.

Improvements to Mexican Financial Reporting Standards 2011 - The main improvements generating accounting changes that should be recognized in fiscal years starting on January 1, 2011 are as follows:

NIF B-1, *Accounting Changes and Error Corrections* - This standard requires that if the entity has implemented an accounting change or corrected an error, it should present a retroactively adjusted statement of financial position at the beginning of the earliest period for which comparative financial information with that of the current period is presented. It also requires that each line item in the statement of changes in stockholders' equity shows: a) initial balances previously reported, b) the effects of the retroactive application for each of the affected items in stockholders' equity, segregating the effects of accounting changes and corrections of errors, and c) the beginning balances retroactively adjusted.

NIF B-2, *Statement of Cash Flows* - This standard eliminates the requirement to present the excess cash to be applied in financing activities, or cash to be obtained from financing activities line items and only recommends their presentation.

Bulletin C-3, *Accounts Receivable* - This Bulletin includes standards for the recognition of interest income from accounts receivable, and clarifies that it is not possible to recognize accrued interest income derived from receivables considered difficult to recover.

NIF C-10, *Derivative Financial Instruments and Hedging Activities* - The standard establishes specific cases when a component of a derivative financial instrument should be excluded when determining hedge effectiveness. The standard also requires that for valuation of options and currency forwards, certain components be excluded for purposes of determining effectiveness, thus resulting in recognition, presentation and pertinent disclosure in the following cases: a) valuation of derivative financial instruments such as an option or a combination of options: changes in fair value attributable to changes in the intrinsic value of the options may be separated from changes attributable to their extrinsic value and only the change attributable to the option's intrinsic value, and not the extrinsic component, may be designated as effective hedging; and b) valuation of currency exchange forwards: separation of the change in fair value relating to the element attributable to differences between interest rates of the currencies to be exchanged from

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2010, 2009 and 2008

(In thousands of Mexican pesos)

the change in fair value attributable to the component of changes in the spot prices of the currencies involved is possible, and the effect attributable to the component that was excluded from the cash flow hedge may be recognized directly in current earnings. The hedge accounting is limited when the transaction is carried out with related parties whose functional currencies are different among them. The standard requires that when the hedged position is a portion of a portfolio of financial assets or financial liabilities, the effect of the hedged risk relating to variances in the interest rate of the portion of such portfolio be presented as a supplement of the primary position, in a separate line. It also states that contribution or margin accounts received, associated with transactions for trading or hedging with derivative financial instruments, be presented as a financial liability separately from the financial instruments line item when cash or marketable securities are received and that only their fair value be disclosed if securities in deposit or qualifying financial warranties are received that will not become the property of the entity. The standard also states that a proportion of the total amount of the hedging instrument, such as a percentage of its notional amount, may be designated as hedging instrument in a hedging relationship. However, a hedging relationship cannot be designated for only a portion of the term in which the instrument intended to be used as hedge is in effect.

NIF C-13, *Related Parties* - This standard defines a close family member as a related party and considers all persons who qualify as related parties or, excludes those who, despite the family relationship, are not related parties.

Bulletin D-5, *Leases* - Bulletin D-5 removes the obligation to determine the incremental interest rate when the implicit rate is too low; consequently, it establishes that the discount rate to be used by the lessor to determine the present value should be the implicit interest rate of the lease agreement. It eliminates the requirement to use the lower interest rate between the incremental interest rate and the implicit interest rate of the lease agreement to determine the present value of minimum lease payments the lessee may capitalize. It requires using the implicit interest rate of the agreement if it can be easily determined; otherwise, the incremental interest rate should be used. Both the lessor and the lessee should disclose more detailed information on their leasing operations. The Bulletin requires that the result in a sale and leaseback transaction be deferred and amortized over the term of the agreement and not in proportion to the depreciation of the leased asset. The Bulletin also establishes that the gain or loss on the sale and leaseback in an operating lease be recognized in results at the time of sale, provided that the transaction is established at fair value, noting that if the sales price is lower, the loss should be recognized immediately in current earnings, unless the loss is offset by future payments that are below the market price, in which case it should be deferred and amortized over the term of the agreement. If the selling price results in a gain, the excess should be deferred and amortized over the term of agreement.

31. International Financial Reporting Standards

In January 2009, the National Banking and Securities Commission published the amendments to its Single Circular for Issuers, which requires companies to file financial statements prepared according to the International Financial Reporting Standards (“IFRS”) beginning in 2012, and permits their early adoption.

Given that the Company is in the process of evaluating the effects of adoption of IFRS, it is unable to disclose the effects in its principal line items in its financial statements.

Corporación Geo, S. A. B. de C. V. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2010, 2009 and 2008

(In thousands of Mexican pesos)

32. Consolidated financial statement issuance authorization

On February 11, 2011, the issuance of the consolidated financial statements was authorized by Luis Orvañanos Lascurain, Chairman of the Board of Directors and Chief Executive Officer; Daniel Gelové Gómez, Deputy Director of Administration; Saúl H Escarpulli Gómez, Deputy Director of Finance and Jorge Issac Garcidueñas de la Garza, Deputy Legal Director. These consolidated financial statements are subject to approval at the stockholders' ordinary general meeting, where they may be modified, based on the provisions of the Mexican General Companies Law

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ISSUER

**THE BANK OF NEW YORK MELLON, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, ACTING
EXCLUSIVELY AS TRUSTEE OF THE IRREVOCABLE TRUST AGREEMENT NO. F/00762**

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