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OFFERING MEMORANDUM

US$500,000,000

9.750% Senior Guaranteed Notes due 2022

Urbi, Desarrollos Urbanos, S.A.B. de C.V.

(Constituted under the laws of Mexico)

We will pay interest on the notes on February 3 and August 3 of each year, beginning on August 3, 2012. The notes will mature on February 3, 2022. We may redeem some or all of the notes at any time on or after February 3, 2017 at the redemption prices described in this offering memorandum. Prior to February 3, 2017 we may redeem, in whole or in part, the notes, by paying the principal amount of the notes plus the applicable "make whole" premium and accrued interest. On or prior to February 3, 2015 we may also redeem up to 35% of the notes with the net proceeds of certain equity offerings. In addition, in the event of certain changes in the Mexican withholding tax treatment relating to payments on the notes, we may redeem all (but not less than all) of the notes at 100% of their principal amount, plus accrued and unpaid interest. There is no sinking fund for the notes. See "Description of Notes."

The notes will rank equally with our existing and future senior unsecured indebtedness. Certain of our subsidiaries will fully and unconditionally guarantee the notes on a senior basis. Each guarantee will be unsecured and rank equally with all existing and future senior unsecured indebtedness of the subsidiary guarantors. The notes will also be effectively subordinated to our and our subsidiary guarantors' secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes and guarantees will be structurally subordinated to the indebtedness (including trade payables) of existing and future non-guarantor subsidiaries. As of September 30, 2011, after giving pro forma effect to this offering and the application of the net proceeds as described in "Use of Proceeds," we would have had Ps.12,418.1 million (US$925.2 million) of consolidated senior unsecured indebtedness and Ps.224.8 million (US$16.8 million) of consolidated secured indebtedness.

Investing in the notes involves risks. See "Risk Factors" beginning on page 15.

We have not registered the notes under the United States Securities Act of 1933, as amended (the "Securities Act"), or under any state securities laws. Therefore, we may not offer or sell the notes within the United States or to, or for the account or benefit of, any U.S. person unless the offer or sale would qualify for a registration exemption from the Securities Act and applicable state securities laws. Accordingly, we are only offering the notes (1) to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and (2) outside the United States in compliance with Regulation S under the Securities Act. See "Plan of Distribution" and "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*) MAINTAINED BY THE NATIONAL BANKING AND SECURITIES COMMISSION (THE *COMISION NACIONAL BANCARIA Y DE VALORES*, OR "CNBV"), AND MAY NOT BE OFFERED OR SOLD PUBLICLY, OR OTHERWISE BE THE SUBJECT OF BROKERAGE ACTIVITIES, IN MEXICO, EXCEPT PURSUANT TO A PRIVATE PLACEMENT EXEMPTION SET FORTH UNDER ARTICLE 8 OF THE *LEY DEL MERCADO DE VALORES* (THE "MEXICAN SECURITIES MARKET LAW"). AS REQUIRED UNDER THE MEXICAN SECURITIES MARKET LAW, WE WILL NOTIFY THE CNBV OF THE OFFERING OF THE NOTES OUTSIDE OF MEXICO. SUCH NOTICE WILL BE DELIVERED TO THE CNBV TO COMPLY WITH A LEGAL REQUIREMENT AND FOR INFORMATION PURPOSES ONLY, AND THE DELIVERY TO AND THE RECEIPT BY THE CNBV OF SUCH NOTICE, DOES NOT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES OR TO OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY. THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM OF THE NOTES IS EXCLUSIVELY THE RESPONSIBILITY OF THE COMPANY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN INVESTORS WHO MAY ACQUIRE NOTES FROM TIME TO TIME, MUST RELY ON THEIR OWN REVIEW AND EXAMINATION OF THE COMPANY.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. This offering memorandum constitutes a prospectus for purposes of Luxembourg law dated July 10, 2005 on Prospectuses for Securities. Notes sold to qualified institutional buyers are expected to be eligible for resale under Rule 144A of the Securities Act.

Price: 98.442% plus accrued interest, if any, from February 3, 2012.

The delivery of the notes has been made in book-entry form only through the facilities of The Depository Trust Company ("DTC") in New York, New York, including for the account of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"), on February 3, 2012.

Joint Bookrunners

Credit Suisse **BBVA** **Citigroup** **Santander**

Co-Manager

Barclays Capital

The date of this offering memorandum is March 27, 2012.

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You should rely only on the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the initial purchasers are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under the heading "Transfer Restrictions" in this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

We have submitted this offering memorandum confidentially to a limited number of institutional investors so that they can consider a purchase of the notes. We have not authorized its use for any other purpose. This offering memorandum may only be used for the purpose for which it has been published.

This offering memorandum is based on information provided by us and by other sources that we believe are reliable. We cannot assure you that this information is accurate or complete. This offering memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of our company and the terms of the offering and the notes, including the merits and risks involved.

We are not making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding any investment in the notes.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge and belief (and we have taken all reasonable care to ensure that), the information contained in this offering memorandum is in accordance with the facts and does not omit any material information.

You should contact the initial purchasers with any question about this offering or for additional information to verify the information contained in this offering memorandum.

Neither the CNBV nor the United States Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

Any prospective investor subject to Employee Retirement Income Security Act of 1974 ("ERISA") and/or Section 4975 of the Internal Revenue Code (the "Code") should consult with its own counsel and other advisors regarding the consequences under ERISA and/or Section 4975 of the Code of an investment in the notes and its ability to make the representations described in "Transfer Restrictions." See "Transfer Restrictions."

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 SECURITY 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 RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, 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.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum has been prepared on the basis that all offers of the notes will be made pursuant to an exemption under Directive 2003/71/EC (the "Prospectus Directive"), as implemented in member states of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of the notes. Accordingly, any person making or intending to make any offer within the EEA of the notes which are the subject of the placement contemplated in this offering memorandum should only do so in circumstances in which no obligation arises for Urbi or the initial purchasers to produce a prospectus for such offer. None of Urbi, the Trustee (as defined herein) or the initial purchasers has authorized, nor do any of them authorize, the making of any offer of notes through any financial intermediary, other than offers made by the initial purchasers which constitute the final placement of the notes contemplated in this offering memorandum.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This offering memorandum is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) investment professionals falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASERS AND THEIR AFFILIATES MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE

OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD OF TIME AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE INITIAL PURCHASERS TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with resales of the notes, we will be required under the indenture under which the notes are issued (the "Indenture"), upon request of a holder of Rule 144A notes or Regulation S notes (during the Distribution Compliance Period, as defined therein), to furnish to such holder and any prospective purchaser 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 we are neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. As long as we maintain this exemption, we 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 have also furnished, and will be required periodically to furnish, certain information, including quarterly and annual reports, to the CNBV and to the BMV. We publish our financial statements in Spanish on the website of the BMV at http://www.bmv.com.mx. Information contained or accessible through such website is not incorporated by reference and shall not be considered a part of this offering memorandum.

The Indenture further requires that we furnish to the Trustee (as defined herein) all notices of meetings of the holders of notes and other reports and communications that are generally made available to holders of the notes. At our request, the Trustee will be required under the Indenture to mail these notices, reports and communications received by it from us to all record holders of the notes promptly upon receipt. See "Description of Notes."

We will make available to the holders of the notes, at the corporate trust office of the Trustee at no cost, copies of the Indenture as well as this offering memorandum, including a review of our operations, and annual audited consolidated financial statements prepared in conformity with MFRS (as defined herein). We will also make available at the office of the Trustee our unaudited quarterly condensed consolidated financial statements in English prepared in accordance with MFRS (as defined herein). Information will also be available at the office of the Luxembourg Listing and Paying Agent (as defined herein).

Our principal office is located at Río Danubio #109, Colonia Cuauhtémoc, México, D.F. 06500 and our telephone number is +(52) (551) 102-0390.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We are a *sociedad anónima bursatil de capital variable* (a publicly traded variable capital corporation) organized under the laws of Mexico. All of our directors and officers reside outside the United States. Substantially all of the assets of such persons are located in Mexico. Furthermore, all of our assets are located in Mexico. As a result, it may not be possible for investors to effect service of process within the United States or in any other jurisdiction outside of Mexico upon our directors or officers or to enforce against us or them in any jurisdiction outside of Mexico judgments predicated upon the laws of any such jurisdiction, including any judgment predicated upon the federal and state securities laws of the United States. We have been advised by our Mexican counsel, González Calvillo, S.C., that there is doubt as to the enforceability in Mexican courts of civil liabilities under the laws of any jurisdiction outside of Mexico, including any judgment predicated solely upon the federal and state securities laws of the United States. See "Risk Factors—Risks Related to Mexico—It may be difficult to enforce civil liabilities against us or our directors and executive officers."

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements include, but are not limited to, statements about: our future financial position and results of operations; our strategy, plans, objectives, goals and targets; future developments in the markets where we participate or are seeking to participate; and other statements contained in this offering memorandum that are not historical facts.

In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "should" or "will" or the negative of such terms or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements expressed or implied by such forward-looking statements to differ materially from historical results or those anticipated. These forward-looking statements are based on numerous assumptions regarding our present and

future business strategies and the environment in which we will operate in the future. These risks, some of which are discussed in "Risk Factors," include economic and political conditions and government policies in Mexico or elsewhere, interest rates, regulatory developments, sources of mortgage financing, customer demand and competition.

These forward-looking statements speak only as of January 27, 2012 and we undertake no obligation to update our forward-looking statements or risk factors to reflect new information, future events or otherwise. Additional factors affecting our business emerge from time to time and it is not possible for us to predict all of these factors, nor can we assess the impact of all such factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Although we believe that the plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that those plans, intentions or expectations will be achieved. In addition, you should not interpret statements regarding past trends or activities as assurances that those trends or activities will continue in the future. All written, oral and electronic forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information

This offering memorandum includes our audited consolidated financial statements and related auditor's reports and notes as of December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010, which we refer to as the "Audited Financial Statements," and our unaudited condensed consolidated financial statements as of and for the nine-month periods ended September 30, 2010 and 2011, and the related notes thereto, which we refer to as the "Unaudited Financial Statements," and together with the Audited Financial Statements, as the "Financial Statements".

The financial information in this offering memorandum has been prepared in accordance with Mexican Financial Reporting Standards ("MFRS").

In accordance with MFRS, prior to January 1, 2010, we recognized revenues from our housing development activities by using the percentage-of-completion method of accounting proscribed under Mexican Accounting Bulletin D-7, "Construction and Manufacturing Contracts for Certain Capital Assets," to account for revenues and costs, measuring progress towards completion in terms of actual costs incurred compared to the total estimated cost of each housing development. Under this method, the amount of revenues to be recognized is determined by multiplying the percentage of completion of the development by the estimated total gross profit, and the resulting amount is added to the amount of actual costs incurred to that date.

For purposes of the Financial Statements and the financial information contained herein, we recognize revenues from our housing development activities in accordance with MFRSI 14, "*Real Estate Construction, Sales and Service Agreements*" ("MFRSI 14"), which became effective as of January 1, 2010, with retrospective application to any prior financial periods presented with our consolidated financial statements. MFRSI 14 supplements Mexican Accounting Bulletin D-7 and requires the separation of the various components of construction contracts into their separate elements in order to specify whether the contract refers to the construction or sale of real property or to the provision of related services. MFRSI 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 property, revenues may only be recognized when the entity has achieved certain events, including the execution of the public deed transferring the real property to the buyer; therefore, use of the percentage-of-completion method previously applied by Mexican housing developers, including Urbi, is no longer applicable.

The Company will be adopting International Financial Reporting Standards ("IFRS") as of and for the year ended December 31, 2012, with a transition date of January 1, 2011. As a result, our consolidated financial information for the year ended December 31, 2011 will undergo the process of conversion to IFRS as part of the period covered by the first IFRS annual financial statements. Beginning in the first quarter of 2012 we will begin to report under IFRS in order to comply with CNBV regulations. We have yet to quantify the potential impact that this IFRS adoption will have on our consolidated financial statements. Our adoption of IFRS may have effects on our consolidated financial position and results of operations.

Currency Information

Unless stated otherwise, references herein to "Pesos" or "Ps." are to Mexican Pesos, the legal currency of Mexico; references to "U.S. Dollars," "Dollars," "US$" or "$" are to United States Dollars, the legal currency of the United States.

This offering memorandum contains translations of certain Peso amounts into 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 Dollar amounts or could be converted into Dollars at the rate indicated as of the dates mentioned herein or at any other rate. Unless otherwise indicated, Dollar amounts in this offering memorandum have been translated from Pesos at an exchange rate of Ps.13.4217 to US$1.00 published by Banco de México in the *Diario Oficial de la Federación* (the Official Gazette) to be effective on September 30, 2011. See "Exchange Rates" for information regarding the rates of exchange between the Peso and the Dollar for the periods specified therein.

References herein to "UDIs" are to *Unidades de Inversión,* a 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. Under a UDI-based loan, the borrower's nominal Peso principal balance is valued at the UDI stated value at the balance sheet date. Differences in valuation are recognized as an

interest expense under the comprehensive result of financing. At December 31, 2010, one UDI was equal to Ps.4.526308 and at September 30, 2011, one UDI was equal to Ps.4.589563. Banco de México publishes the value of the UDI for every business day. Unless otherwise stated, all information herein pertaining to UDIs refers to its unit of account value as of September 30, 2011.

Industry and Market Data

Market data and other statistical information used throughout this offering memorandum are generally based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness.

In addition, in many cases, we have based certain statements contained in this offering memorandum regarding our industry and our position in the industry on certain assumptions concerning our customers and competitors. These assumptions are based on our experience in the industry and our own investigation of market conditions. We cannot assure you as to the accuracy of any such assumptions, and such assumptions may not be indicative of our position in our industry.

Other Information Presented

The standard measure of area in the real estate market in Mexico is the square meter (m^2), 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 approximately 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 otherwise defined, are defined in "Terms Used in This Offering Memorandum."

TERMS USED IN THIS OFFERING MEMORANDUM

Unless the context otherwise indicates, the following terms used in this offering memorandum have the meanings specified below.

"2001-2006 Housing Sector Program" means the Mexican *Programa Sectorial de Vivienda 2001-2006*.

"2007-2012 Housing Sector Program" means the Mexican *Programa Sectorial de Vivienda 2007-2012*.

"Affordable entry-level" refers to housing developed by us in Mexico with a per unit sales price up to Ps.400,000.

"BMV" means the *Bolsa Mexicana de Valores, S.A.B. de C. V.*, the Mexican Stock Exchange.

"Canadevi" means *Cámara Nacional de la Industria de Desarrollo y Promoción de la Vivienda*, the Mexican Home Building and Development Industry Chamber of Commerce.

"CINIF" means *Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C.,* the Mexican Financial Information Standards Research and Development Board.

"City Manager Partner" means the *Socio Concesionario Director de Plaza*, or the party directing the relevant housing development under our City Manager Partner Program.

"CNBV" means the *Comisión Nacional Bancaria y de Valores*, the CNBV.

"Conafovi" means the *Comisión Nacional de Fomento a la Vivienda*, the Housing Development Agency.

"Conapo" means *Consejo Nacional de Población*, the Mexican National Population Council.

"Conavi" means *Consejo Nacional de Vivienda*, the Mexican National Housing Council.

"DUIS" means *Desarrollos Urbanos Integrales Sustentables* or Self Sustainable Integral Urban Developments.

"EBITDA" means operating income plus depreciation and amortization and capitalized comprehensive result of financing.

"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.

"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.

"FSU" means Financial Services Unit. FSUs are not separate legal entities or subsidiaries of Urbi.

"High middle-income" refers to housing developed by us in Mexico with a per unit sales price exceeding Ps.720,000 but not more than Ps.1,350,000.

"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.

"Landowner Partner" means the *Socio Dueño de Tierra*, or the party participating with us in our Landowner Partner program.

"Low middle-income" refers to housing developed by us in Mexico with a per unit sales price exceeding Ps.400,000 but not more than and Ps.720,000.

"MFRS" collectively refers to Mexican Financial Reporting Standards issued by the CINIF, and individually refers to the *Normas de Información Financiera*, each Mexican Financial Reporting Standard.

"MFRSI" means *Interpretación a las Normas de Información Financiera*, Mexican Financial Reporting Standards Interpretation.

"Mortgage Commitment Backlog" means the number of homes for which the mortgage providers have confirmed to us that mortgage financing will be made available once we locate qualified home buyers.

"NAFTA" means the North America Free Trade Agreement.

"NCPI" means the *Indice Nacional de Precios al Consumidor*, the Mexican National Consumer Price Index.

"Northern States" means the Mexican states of Baja California, Chihuahua, Coahuila, Nuevo León, Sonora and Tamaulipas.

"Official Gazette" means *Diario Oficial de la Federación.*

"SBU" means Strategic Business Unit. SBUs are not separate legal entities or subsidiaries of Urbi.

"Sedesol" means the *Secretaría de Desarrollo Social*, the Mexican Ministry of Social Development.

"SHF" means the *Sociedad Hipotecaria Federal, S.N.C., Institución de Banca de Desarrollo*, the Mexican Federal Mortgage Bank.

"SMG" means *Salario Mínimo General Mensual del Distrito Federal*, the minimum monthly general wage in Mexico City, Federal District. One SMG is the day minimum wage multiplied by 30.4 days. As of September 30, 2011, the day minimum wage was equivalent to Ps.59.82 and one SMG was equal to Ps.1,819. Unless otherwise specified, all references herein to SMGs and Dollar equivalents of SMG multiples are calculated based on the SMG as adjusted, and the Peso-Dollar exchange rate, as of September 30, 2011.

"Sofoles" means *Sociedades Financieras de Objeto Limitado* or limited purpose financial companies.

"Sofomes" means *Sociedades Financieras de Objeto Múltiple* or multiple purpose financial companies.

"Softec" means the consulting firm Softec, S.C.

"TIIE" refers to the 28-day Mexican interbank rate (*Tasa de Interés Interbancaria de Equilibrio*), which was 4.7875% as of September 30, 2011.

"UDIs" means *Unidades de Inversión*, a 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.

"Upper-income" refers to housing developed by us in Mexico with a per unit sales price of more than Ps.1,350,000.

"Urbi" means *Urbi, Desarrollos Urbanos, S.A.B. de C.V.* References to "we," "us," "our" or "the Company" mean Urbi and its subsidiaries, collectively.

"*Urbi VidaResidencial*" is the registered trademark under which we commercialize and advertise our housing developments.

SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this offering memorandum. This summary highlights selected information from this offering memorandum and may not contain all the information that is important to you. For a more complete understanding of us and the offering made herein, you should read the entire offering memorandum, including the risk factors and the Financial Statements and accompanying notes appearing elsewhere in this offering memorandum.

Our Company

We are a vertically integrated and diversified Mexican housing development company. Based on publicly available information, including data published by housing development companies listed on the BMV, we believe that, at September 30, 2011, we were among the three largest developers of housing in Mexico in terms of revenues. At September 30, 2011, we had operations in 39 cities, covering the major metropolitan centers and the most dynamic medium-sized cities in Mexico.

Our revenues increased from Ps.6,883.4 million in the year ended December 31, 2008 to Ps.14,976.8 million in the year ended December 31, 2010. During the same period, our annual number of homes sold increased from 28,740 to 33,567, EBITDA increased from Ps.1,601.0 million to Ps.4,066.6 million, and net income grew from Ps.372.6 million to Ps.1,670.3 million. For the nine-month period ended September 30, 2011, our revenues were Ps.11,235.8 million (US$837.1 million). During the same period, the number of homes sold was approximately 25,934, EBITDA was Ps.2,971.6 million (US$221.4 million) and net income was Ps.1,763.1 million (US$131.4 million). Throughout these periods we have strengthened our margins while enhancing the quality and differentiation of our products.

We mainly target affordable entry-level and low middle-income home buyers, although we also develop a small percentage of homes for high middle-income and upper-income home buyers. As most home mortgage financing institutions categorize their financing programs by income level, we describe the homes we develop for affordable entry-level, low middle-income and high middle-income and upper-income home buyers as “affordable entry-level,” “low middle-income,” and “high middle-income and upper-income” housing, respectively. In 2010 and during the nine-month period ended September 30, 2011, our affordable entry-level and low middle-income housing accounted for approximately 96.1% and 96.9%, respectively, of the total number of homes we sold, and 88.0% and 88.7% of our housing development revenues, respectively, with high middle-income and upper-income housing accounting for the balance. The average sales price of our homes in 2010 and during the nine-month period ended September 30, 2011 was Ps.386,392 (US$32,637) and Ps.363,797 (US$27,105), respectively.

Since our incorporation in 1981, we have developed, built and sold more than 400,000 homes, enjoying a 30-year history of profitable operations. Despite adverse economic conditions in Mexico at times during this period, our growth in the housing business has benefited from our disciplined approach to matching mortgage availability with market demand and our design and selection of housing products to meet customer requirements in a variety of income strata. In addition, as a result of the geographic expansion strategy we have pursued in recent years, our business has benefited from recent economic and demographic growth experienced in many regions of Mexico.

As of September 30, 2011, we had 79 housing developments in progress. Consistent with our land reserve policy, as of September 30, 2011, we had land reserves of 5,331 hectares which we estimate are sufficient for constructing approximately 287,540 affordable entry-level and low middle-income homes, in addition to 420 hectares which we estimate are sufficient for constructing 18,562 high middle-income and upper-income homes. We believe that this combined land will be sufficient for approximately six years of operations. Our land reserves as of September 30, 2011 include land reserves from our Landowner Partner program. See “Our Business—Housing Development—Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress.”

As of September 30, 2011, we had additional land reserves of approximately 1,027 hectares, strategically located in large scale master-planned communities (macroprojects). As of September 30, 2011, we also had land reserves of more than 397 hectares (enough to accommodate approximately 28,400 homes) from housing projects in progress that we acquired from other housing developers, consistent with the strategy described below. See “Our Business—Housing Development—Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress.”

Starting in 2009, we adjusted our growth rate to prioritize balance sheet strength and the generation of free cash flow, as well as to increase our cash position. We believe this strategy will allow us to solidify our financial structure and achieve our goal of having one of the strongest free cash flow positions among housing development companies in Mexico.

Since 2010, we have utilized our increased liquidity and cash flows to acquire housing projects in progress initiated by small and medium-sized housing developers. We believe such acquisitions represent a business opportunity, which has already resulted in the addition of eleven new SBUs.

The Mexican Housing Industry

We believe the following factors provide us with substantial opportunities for growing our business within the Mexican housing industry:

Beneficial Demographic Trends

We believe that Mexico's current demographic trends are likely to contribute to increased demand for affordable entry-level and low middle-income housing. Mexico's population in 2010 was estimated to be approximately 112.3 million, according to INEGI. According to INEGI, between 2005 and 2010, Mexico's overall population grew at a compound annual growth rate of 1.8%. Further, according to INEGI and Conapo, Mexico's population in the 25-50 age bracket is expected to grow from approximately 31.0 million in 2000 to 45.0 million in 2030. As of December 31, 2010, 55.4% of Mexico's population was under 30 years of age. According to Conapo estimates, the growth of this age group is expected to contribute to increased housing demand in Mexico.

Fragmented Industry

Although the housing industry in Mexico includes ten to fifteen large housing developers, it is otherwise highly fragmented. According to Conavi, approximately 1,417 companies in Mexico perform construction and development services. We believe that the majority of these companies engage in small projects from 100 to 200 homes each and that there were no more than seven developers in Mexico that sold more than 10,000 homes during 2010. Because a significant majority of the homes in Mexico continue to be sold by these small developers, we believe this industry fragmentation will allow us to continue to increase our estimated market share of 6.3% (based on units sold and titled in 2010 as estimated by Conavi) through economies of scale and our efficient business and construction model.

Continuing Housing Deficit

Existing housing in Mexico totaled 28.6 million homes in 2010 according to INEGI. Based on the 2010 INEGI census, Mexico had a housing shortage of approximately 8.9 million units in 2010, including units in need of upgrading or replacement. In addition, according to Conavi, housing demand by 2030 is conservatively estimated at 20.2 million new homes, which would accomodate the development of an average of over 1 million units over each of the next 20 years.

Favorable Governmental Policies and Incentives

Mortgage financing in Mexico for affordable entry-level and low middle-income housing has been made available primarily through public interest housing programs, by government or government-sponsored institutions including Infonavit, Fovissste and SHF, and to a lesser extent by commercial banks and other mortgage loan providers, such as Sofoles and Sofomes. Infonavit and Fovissste are primarily funded through mandatory payroll contributions by employers on behalf of their employees. SHF provides financing to qualified homebuyers through financial intermediaries such as commercial banks, Sofoles and Sofomes that administer sponsored mortgage loans, including the disbursement of mortgage funds and the servicing of such mortgage loans. The National Housing Council (*Consejo Nacional de Vivienda*) has a stated goal of granting six million mortgage loans over the six-year period from 2007 to 2012. According to Conavi, the housing program goal for 2011 consists of 817,199 mortgages and 264,852 subsidies. In addition, to increase the liquidity of the mortgage industry through the capital markets, Infonavit and other mortgage providers have launched several mortgage-backed securitization programs.

To address Mexico's housing deficit, the Mexican federal government has implemented policies that are designed to expand the supply of affordable housing in a sustainable manner, including the following:

(1) SHF has, in conjunction with Conavi, commercial banks and Sofoles, developed programs aimed at the segment of the working population that is not affiliated with either Infonavit or Fovissste. According to SHF, there is currently a housing deficit of 5.8 million units in this segment. As a result of our eight years of expertise operating the *Alternativa Urbi* program (which targets self-employed workers), additional private investment and the *Renta con Opción a Compra* ("Rent to Own") program operated in collaboration with Infonavit, we believe that we are well-positioned to take advantage of this new initiative and increase our leadership in a market that represents more than 60% of the current working population. See "Our Business—Marketing and Sales—Customers and Customer Financing."

(2) The government is in the process of implementing incentives for vertical housing through a variety of subsidies and benefits to clients and developers. We have been developing technology for vertical housing with *UrbiNova*, our proprietary system for housing construction based on adjustable steel molds, which we believe has given us the expertise and know-how to allow us to continue taking advantage of the benefits and incentives created for this type of construction. See "—Our Strengths and Strategy—Innovation."

(3) The government has implemented a DUIS initiative that seeks to improve the quality of life of families through a balance of social, economic and environmental incentives. The first DUIS certified project in Mexico was Valle San Pedro, an Urbi project which allowed us to work with government agencies for the profitable development of low-income housing. See "—Our Strengths and Strategy—Profitable Growth."

(4) There are also government incentives targeting the redevelopment of communities. We believe that our track record and knowledge with respect to community integration provides us with an opportunity to capitalize on this expertise through programs for the redevelopment of housing projects, such as the redevelopment of abandoned homes by Infonavit.

Macroeconomic Stability and Robust Financial System

We believe Mexico's fiscal and monetary discipline provide both macroeconomic and political stability and contribute to a robust financial system, with a strong regulatory framework that has allowed the country and its financial institutions to successfully overcome the largest financial crisis of the past 80 years. According to Banco de México, Mexico's banking system maintains average capitalization levels of over 17%, two times higher than the regulatory minimum, which ensures the ongoing supply of credit for high middle-income and upper-income homes at competitive rates through commercial banks, Sofomes and Sofoles, and for affordable entry-level and low mid-income housing through co-financing schemes with Infonavit and Cofinavit.

Our Strengths and Strategy

Our goal is to become the leading provider of housing and services for the development of master-planned family housing communities in Mexico, with an emphasis on maximizing customer satisfaction while consistently creating value for our shareholders and employees. To achieve this goal, our primary long-term strategic objectives are to further strengthen our position as one of the leading Mexican homebuilders in terms of revenues, profitability, customer and employee satisfaction and the development of socially, environmentally and economically sustainable communities. To this end, we focus on the following competitive strengths and strategic imperatives:

Profitable Growth

In recent years our growth strategy has focused on generating liquidity and achieving the best margins in the industry. We have successfully accomplished these by taking advantage of our efficient business model, state-of-the-art IT platform, leading-edge construction technology, economies of scale and continued strengthening of our market position. As described below, we monitor our growth strategy from time to time to pursue a relatively conservative working capital and stable cash flow policies. We believe that our diverse range of housing products, our ability to design innovative methods of customer financing in conjunction with financial institutions and our continued geographic expansion are important factors in our sustained growth.

- *Leading Position in Key Markets*. We plan to continue to increase our leadership position in the affordable entry-level and low middle-income housing segments, which currently experience stronger demand levels than other market segments due to the continued availability of mortgages from government-sponsored housing agencies as well as an acute housing deficit. To this end, we intend to capitalize on business opportunities arising from policies implemented by the Mexican federal government that are designed to expand the supply of

affordable housing. We also intend to continue to participate selectively in the high middle-income and upper-income housing markets.

- *Continuing Geographic Expansion*. We expect to continue to expand our operations in several states throughout Mexico and to maintain our leadership position in the major cities of the Northern States of Mexico.

- *Macroprojects & DUIS Certification*. We intend to expand our housing supply to the low-income segment of the population, through the development of large scale master-planned communities (macroprojects) that we believe will attract government subsidies and public investment and will allow us to generate profitable housing targeted to this segment of the population, while also promoting social, economic and environmentally sustainable development. Urbi's Valle San Pedro macroproject in Valle Las Palmas, Tijuana was the first housing development to receive the Mexican federal government's DUIS certification for self sustainable integral urban developments. This certification could allow us to benefit from the government's basket of investments and incentives for these types of projects. See "The Mexican Housing Industry."

- *Expanding into Selected Markets*. We plan to take advantage of business opportunities in market segments that we believe will experience significant growth, such as the low-rise residential housing segment.

- *Growing our Partnerships*. In several small-sized and medium-sized cities, we have continued to enter into mutually beneficial and profitable partnerships with local landowners and developers through our Landowner Partner and City Manager Partner programs, pursuant to which we propose to combine the Urbi brand and our financial and logistical resources with the expertise, business relationships, local know-how and, as the case may be, available land provided by these third-party partners. In addition, we have developed a strategy of acquiring housing projects already in progress from small and medium-sized housing developers that we believe represent a business opportunity. See "Our Business—Housing Development—Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress."

Industry Leading Financial Performance

We believe we are one of the most profitable large-scale home developers in Mexico. In 2010 our EBITDA margin was 27.2%, despite the greater weight of affordable entry-level and low middle-income housing in our product mix in 2010, as a result of our growth strategy described below. We believe we maintain relatively conservative working capital and stable cash flow policies. We also believe we reacted quickly to the global financial crisis by implementing measures aimed at curtailing capital expenditures, reducing short-term debt and improving our working capital position. We believe our strong financial performance is largely the result of a highly efficient operating business model and a deep knowledge of the attractive geographic markets in which we operate.

Flexible and Efficient Operations

We believe we are one of the most efficient companies operating in the Mexican homebuilding industry. We believe we have accomplished this by aligning our information management processes with our business strategy and our organizational structure. Our overall organizational structure and our flexibility enable us to take advantage of, and react rapidly to, changing market conditions and to maintain profitability upon any operational expansion or contraction.

- *Efficient Business Model*. We continuously enhance our operations as a process manager by operating well-integrated housing production, mortgage processing and marketing lines with effective logistics, through which we are able to integrate our construction projects with sub-contractors that conduct nearly all of our construction process.

- *Operational Excellence*. We divide our operations into SBUs, which serve as localized development and sales centers in each of the cities where we operate. Our SBU structure allows us to operate more efficiently over multiple projects by allowing regional managers greater autonomy to cost-effectively expand into new markets.

- *Strong Relationships with Suppliers*. Strong, long-term relationships with our main suppliers of materials allow us to integrate our processes with theirs and to ensure that supplies of materials are delivered on a timely basis at competitive prices, as well as to share technology and operating know-how with them.

- *Experienced Management Team*. We benefit from a management team with significant experience, as most of our senior managers have between 9 and 30 years of experience in the Mexican housing industry.

- *ISO Recognition*. We were the first Mexican housing developer to receive an ISO 9000 Certification, in recognition of our efficient and technologically advanced organizational processes.

Innovation

We believe we are at the forefront of the modernization of the Mexican homebuilding industry through our ongoing focus on innovation. We have introduced several important innovations to our industry and have recently embarked on the following initiatives:

- *Our Partnerships*. Since 2007, as part of our continuing effort to reduce costs and improve operating efficiencies, we have developed (i) the Landowner Partner program to minimize the up-front cost associated with the acquisition of land and (ii) the City Manager Partner program to reduce the costs associated with the start-up of new SBUs in medium-sized cities and the development of land for future construction in those cities. We believe these programs will allow us to significantly reduce start-up costs and initial working capital investment. In addition, we have developed a strategy of acquiring housing projects in progress initiated by small and medium-sized housing developers as a means of reinforcing our geographic expansion and diversification.

- *New Financing Programs*. We continue to assist commercial banks, Sofoles and Sofomes in developing highly individualized mortgages and financing alternatives that they may potentially provide, which are tailored to conditions for our target clients, facilitating their purchase of our homes and thereby enhancing our growth and differentiating ourselves from our competition. We believe our ability to help introduce innovative financing products will allow us to penetrate new markets, including groups that have traditionally not received mortgages, such as the self-employed. We believe we are the leading company in this segment, having built an eight-year track record through *Alternativa Urbi*. This program, which targets self-employed workers, allows us to take advantage of the mortgage financing provided by SHF to this segment of the population through the *Ahorrashf* and *Renta con Opción a Compra* ("Rent to Own") programs, and recently in collaboration with Infonavit, through the *Renta con Opción a Compra Infonavit* program (the "ROC Infonavit program"). See "Our Business—Marketing and Sales—Customers and Customer Financing."

- *Strategy of Growth with Emphasis on Liquidity*. We are focused on maintaining a conservative financial position. We have limited our exposure to mortgages financed through commercial banks, Sofoles or Sofomes, which we believe minimizes our exposure to the higher default rates associated with such mortgages, enabling us to maintain a higher quality profile for our accounts receivable. During the past few years, we have strategically changed our product mix in order to increase the percentage of revenues from homes in the affordable entry-level and low middle-income housing categories, which can be sold through mortgages from Infonavit, Fovissste and SHF. In 2009 and 2010, 88.1% and 88.0%, respectively, of our housing development revenues came from affordable entry-level and low middle-income home sales. We believe our prudent strategy enhances our ability to respond quickly to market opportunities and minimizes any negative effects that might result from a downturn in the economy.

- *Advanced Construction Technology.* In 2008, we designed and developed *UrbiNova*, an advanced mold construction technology that allows us to reduce costs, improve the quality of our work product and maintain the same operating margins, even with respect to low-income housing. *UrbiNova* enables us to use a single mold to create a range of versatile designs for low-rise buildings, from affordable entry-level and low middle-income housing to high middle-income and upper-income housing. We believe this system allows us to efficiently cover the needs of our target market segments in the main medium-sized cities and major metropolitan areas of Mexico. With this new technology, we initiated projects in 2008 and 2009 directed to specific market niches in the metropolitan areas of Mexico City, Tijuana and Cancun. We believe our experience in developing low-rise vertical housing will allow us to take advantage of new programs and initiatives that the government may implement targeting this type of housing.

- *Advanced Information Technology Platform.* We believe that *UrbiNet,* our advanced information technology platform, distinguishes us from our competitors and plays a major role in our ability to maintain high quality standards and support decentralized, large scale and profitable growth. *UrbiNet* provides us with detailed financial and operational data on a real-time basis, improving the efficiency of our operations and allowing us to successfully identify new business expansion opportunities. In addition, our *UrbiNet* portal allows us to manage our business as two independent operating lines: one dedicated to housing construction and a second dedicated to obtaining mortgages for customers.

Streamlined and Targeted Sales and Marketing Processes

Our sales and marketing operations are organized to expedite our sales processes and increase our sales volume.

- *Targeted Demographic Groups*. We focus on targeted demographic groups based in part on income level, age, type of job, family and marital status. Once the target group is established we design our product, source of financing and marketing strategy accordingly.

- *Extensive Training Programs*. We believe our specialized training programs, combined with the tools our *UrbiNet* technology platform provides our sales force, enable us to successfully replicate standardized sales structures when entering new markets.

- *Emphasis on Client Service*. Our SBUs focus exclusively on our clients. Within the SBUs, we have personnel focused on sales, mortgage processing, and customer service, leveraging our ISO 9000-certified processes and information technology platform.

Strong Positioning and Quality Branding

We believe that our customers equate the “Urbi” brand with high quality and a strong commitment to customer service.

- *Effective Branding Strategy*. We have developed a strategy that includes using our proprietary brands under the “Urbi” umbrella brand for our various products for each housing category.

- *Strong Brand Recognition*. We seek to differentiate ourselves from our competitors through *Urbi VidaResidencial*, the brand name we use for our housing developments, which is identified with master-planned communities that emphasize the quality of life in a village-like setting suitable for families. We believe *Urbi VidaResidencial* is viewed as a symbol of status and prestige within our target market.

Recent Developments

In October 2011, we entered into an unsecured working capital facility with Deutsche Bank AG, London Branch in the amount of US$50 million maturing in September 2013 and bearing interest at LIBOR plus 3.70% prior to January 4, 2012 and bearing interest at LIBOR plus 5.75% thereafter. In December 2011, this agreement was amended and a second tranche of the loan was executed in the amount of US$35 million maturing in December 2012 and bearing interest at LIBOR plus 4.75%.

In December 2011, we issued *certificados bursatiles* in Mexico in the amount of Ps.600.0 million maturing in December 2014 and bearing interest at TIIE plus 4.00%.

Our headquarters are located at Río Danubio #109, Colonia Cuauhtémoc, México, D.F. 06500 and our telephone number is +(52) (551) 102-0390.

THE OFFERING

The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the notes, see "Description of Notes" in this offering memorandum.

Issuer	URBI, Desarrollos Urbanos, S.A.B. de C.V.
Notes Offered	US$500,000,000 aggregate principal amount of 9.750% senior guaranteed notes due 2022.
Issue Date	February 3, 2012.
Maturity	The notes will mature on February 3, 2022.
Interest Payment Dates	February 3 and August 3 of each year, beginning on August 3, 2012.
Guarantees	The payment of principal, interest and premium on the notes will be fully and unconditionally guaranteed on a senior unsecured basis by Ingeniería y Obras, S.A. de C.V., Obras y Desarrollos Urbi, S.A. de C.V., Cyd Desarrollos Urbanos, S.A. de C.V., Tec Diseño e Ingeniería S.A. de C.V., Promoción y Desarrollos Urbi, S.A. de C.V., Propulsora Mexicana de Parques Industriales, S.A. de C.V., Urbi Construcciones del Pacífico, S.A. de C.V., Constructora Metropolitana Urbi, S.A. de C.V. and Financiera Urbi, S.A. de C.V., Sofom E.N.R., which collectively held 99.8% of our total assets and accounted for 100% of our EBITDA as of September 30, 2011. See "Description of Notes—Note Guarantees."
Ranking	The notes and guarantees will rank equally in right of payment with all of our and the subsidiary guarantors' existing and future senior unsecured indebtedness and senior to all of our and the subsidiary guarantors' existing and future subordinated indebtedness. The notes and the guarantees will effectively rank junior in right of payment to all of our and the subsidiary guarantors' existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes and guarantees will be structurally subordinated to the indebtedness (including trade payables) of existing and future non-guarantor subsidiaries. In the event of bankruptcy, the notes and the guarantees will rank effectively junior in right of payment to certain obligations that are preferred by statute, including certain claims relating to taxes and labor. As of September 30, 2011, after giving *pro forma* effect to this offering and the application of the net proceeds as described in the "Use of Proceeds," we would have had Ps12,418.1 million (US$925.2 million) of consolidated senior unsecured indebtedness and Ps224.8 million (US$16.8 million) of consolidated secured indebtedness.
Optional Redemption	We may, at our option, at any time prior to February 3, 2017, redeem some or all of the notes by paying a redemption price equal to 100% of the principal amount of such notes plus a Make-Whole Amount and accrued and unpaid interest, if any, to the date of such redemption. The term "Make-Whole Amount" is defined under "Description of Notes—Optional Redemption." We may redeem the notes, at our option, in whole at any time or in part from time to time, on and after February 3, 2017 at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on February 3 of any year set forth below

Year	Percentage
2017	104.875%
2018	103.250%
2019	101.625%
2020 and thereafter	100%

Optional Redemption Upon Equity Offering	We may, at our option, at any time on or prior to February 3, 2015 use the net cash proceeds of certain equity offerings to redeem in the aggregate up to 35% of the aggregate principal amount of the notes, including any additional notes we may issue in the future under the Indenture, at a redemption price equal to 109.75% of the principal amount thereof, *provided*, that: ● after giving effect to any such redemption at least 65% of the aggregate principal amount of the notes (including any additional notes) issued under the Indenture remains outstanding; and ● we make such redemption not more than 90 days after the consummation of such equity offering. See "Description of Notes—Optional Redemption."
Redemption for Changes in Withholding Taxes	In the event that, as a result of certain changes in Mexican tax laws applicable to payments under the notes, we become obligated to pay additional amounts in respect of interest (or amounts deemed interest) payable under the notes, in excess of those attributable to a Mexican withholding tax rate of 10% with respect to the notes, the notes will be redeemable, in whole but not in part, at our option, at any time upon notice, at 100% of the outstanding principal amount, plus accrued and unpaid interest. See "Description of Notes—Optional Redemption."
Change of Control	If a Change of Control occurs, each holder of notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest. The term "Change of Control" is defined under "Description of Notes—Change of Control."
Use of Proceeds	We expect the net proceeds from the sale of the notes will be approximately US$485.6 million, after deducting the discounts and commissions to the initial purchasers and estimated offering expenses. We expect to use such net proceeds to repay certain indebtedness and working capital facilities, including amounts owed by us to affiliates of certain initial purchasers. The remainder, if any, will be used for general corporate purposes. See "Use of Proceeds."
Certain Covenants	The Indenture will contain certain covenants that, among other things, will limit our ability and the ability of our subsidiaries to: ● incur additional indebtedness; ● pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness; ● make investments; ● create liens; ● create any consensual limitation on the ability of our restricted subsidiaries to pay dividends, make loans or transfer property to us; ● engage in transactions with affiliates; ● sell assets, including capital stock of our subsidiaries; and ● consolidate, merge or transfer assets.

	If the notes obtain investment grade ratings from both Fitch Ratings Ltd. and Moody's Investors Services, Inc. and no default has occurred and is continuing, the foregoing covenants will cease to be in effect with the exception of covenants that contain limitations on liens and on, among other things, certain consolidations, mergers and transfer of assets for so long as each of the foregoing rating agencies maintains its investment grade rating. These covenants are subject to important exceptions and qualifications. See "Description of Notes—Certain Covenants."
Events of Default...........................	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, and any other amounts due in respect of the notes, see "Description of Notes—Events of Default."
Further Issuances..........................	Subject to the limitation contained in the Indenture, we may from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes of the same series as the notes offered pursuant to this offering memorandum.
Transfer Restrictions....................	We have not registered, and we are not required to and do not currently plan on registering, the notes under the Securities Act and, unless so registered, 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 U.S. state securities laws. See "Transfer Restrictions." The notes will not be registered in the National Registry of Securities maintained by the CNBV and may not be offered or sold publicly or otherwise be subject to brokerage activities in Mexico, except pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law. As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the notes outside of Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for information purposes only, and the delivery to and the receipt by the CNBV of such notice, does not imply any certification as to the investment quality of the notes or our solvency, liquidity or credit quality.
Book Entry; Form and Denominations	The notes have been issued in the form of one or more global notes without coupons, registered in the name of a nominee of The Depository Trust Company, or DTC, as depositary, for the accounts of its participants including the Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, société anonyme, Luxembourg, or Clearstream. The notes have been issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. See "Description of Notes."
Listing	Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market.
Risk Factors..................................	See "Risk Factors" and the other information in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the notes.
Governing Law	State of New York.

Trustee, Registrar, Paying Agent and Transfer Agent	The Bank of New York Mellon
Luxembourg Listing and Paying Agent..	The Bank of New York Mellon (Luxembourg) S.A.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables present our summary consolidated financial information and other data as of and for the periods indicated. These tables should be read in conjunction with the Financial Statements and notes thereto included elsewhere in this offering memorandum and are qualified in their entirety by the information contained therein. See "Presentation of Financial and Certain Other Information." Financial information as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010 has been derived from our Audited Financial Statements and notes thereto included elsewhere in this offering memorandum. The Audited Financial Statements included in this offering memorandum have been audited by Mancera, S.C., a member practice of Ernst & Young Global, our independent auditors. Financial information as of and for the nine-month periods ended September 30, 2010 and 2011 has been derived from our Unaudited Financial Statements and notes thereto included elsewhere in this offering memorandum. In the opinion of management, the unaudited financial information set forth below and presented elsewhere in this offering memorandum includes all adjustments necessary for a fair presentation of this financial information. The Financial Statements have been prepared in accordance with MFRS.

During 2008, MFRSI 14, "*Real Estate Construction, Sales and Services Agreements*", was issued. MFRSI 14 supplements Mexican Accounting Bulletin D-7, "Construction and Manufacturing Contracts for Certain Capital Assets," and requires the separation of the various components of construction contracts into their separate elements in order to specify whether the contract refers to the construction or sale of real property or to the provision of related services. MFRSI 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 property, revenues may only be recognized when the entity has achieved certain events, including the execution of the public deed transferring the real property to the buyer; therefore, use of the percentage-of-completion method previously applied by Mexican housing developers, including Urbi, is no longer applicable. MFRSI 14 became effective as of January 1, 2010, with retrospective application to any prior financial periods presented with our consolidated financial statements. Accordingly, the financial information for all periods presented in the following tables reflects the effects of the adoption of MFRSI 14. See "Presentation of Financial and Certain Other Information" and Note 20 to the Audited Financial Statements.

The Dollar amounts provided below are translations from the Peso amounts, solely for the convenience of the reader, at an exchange rate of Ps.13.4217 to US$1.00, the exchange rate published by Banco de México in the Official Gazette to be effective on September 30, 2011. See "Exchange Rates" for information regarding the rates of exchange between the Peso and the Dollar for the periods specified therein. These translations should not be construed as representations that the Peso amounts actually represent such Dollar amounts or could be converted into Dollars at the rate indicated or at any other rate.

Income Statement Data	**Year Ended December 31,**				**Nine Months Ended September 30,**		
	2008	**2009**	**2010**	**2010**	**2010**	**2011**	**2011**
		(in thousands of Ps.)		**(in thousands of US$)**	**(in thousands of Ps.)**		**(in thousands of US$)**
Net Sales	6,883,351	13,700,442	14,976,836	1,115,867	9,967,096	11,235,755	837,133
Cost of sales	(4,801,909)	(9,635,784)	(10,723,065)	(798,935)	(7,128,878)	(8,081,733)	(602,139)
Gross profit	2,081,442	4,064,658	4,253,771	316,932	2,838,218	3,154,022	234,994
General and administrative expenses	(1,553,059)	(1,159,438)	(1,343,140)	(100,072)	(885,367)	(982,664)	(73,215)
Operating income	528,383	2,905,220	2,910,631	216,860	1,952,851	2,171,358	161,779
Other income, net	19,263	685	63,414	4,725	1,584	2,262	169
Comprehensive result of financing	(20,479)	(151,674)	(335,943)	(25,030)	(305,690)	422,559	31,483
Income before taxes on profits	527,167	2,754,231	2,638,102	196,555	1,648,745	2,596,179	193,431
Taxes on profits	(154,608)	(1,220,008)	(967,779)	(72,106)	(497,933)	(833,122)	(62,073)
Net income	372,559	1,534,223	1,670,323	124,449	1,150,812	1,763,057	131,358

Balance Sheet Data	As of December 31, 2008	2009	2010	2010	As of September 30, 2010	2011	2011
	(in thousands of Ps.)			(in thousands of US$)	(in thousands of Ps.)		(in thousands of US$)
Cash and cash equivalents	1,985,498	4,393,122	6,154,595	458,556	5,657,970	6,931,281	516,423
Trade receivable, net	687,854	531,219	5,193,335	386,936	3,637,611	7,190,834	535,762
Short-term derivative instruments	---	---	---	---	---	164,438	12,252
Inventories[1]	18,534,753	20,419,192	16,180,350	1,205,537	17,411,426	17,973,337	1,339,125
Total current assets	22,212,122	27,052,198	29,952,285	2,231,631	29,333,915	35,010,177	2,608,476
Long-term derivative instruments	500,023	165,576	---	---	---	525,498	39,153
Total assets	**26,509,202**	**31,414,129**	**37,068,785**	**2,761,856**	**34,049,682**	**42,804,753**	**3,189,221**
Short-term debt	2,562,248	3,855,227	3,248,926	242,065	1,663,603	6,940,726	517,127
Current portion of long-term debt	198,248	---	---	---	---	89,478	6,667
Derivative instruments	---	---	21,845	1,628	---	---	---
Trade advances	548,353	469,667	546,356	40,707	552,921	655,391	48,831
Accounts payable	2,662,630	3,923,758	4,162,297	310,117	2,903,590	4,662,651	347,396
Taxes and other accounts payable	575,467	950,740	2,549,352	189,943	676,116	3,210,242	239,183
Total current liabilities	**6,546,946**	**9,199,392**	**10,528,776**	**784,460**	**5,796,230**	**15,558,488**	**1,159,204**
Long-term debt	4,377,368	4,018,093	6,986,757	520,557	8,428,943	7,016,221	522,752
Accounts payable	206,376	763,633	350,731	26,132	602,525	198,131	14,762
Derivative instruments	---	---	740,412	55,165	596,415	192,985	14,379
Labor obligations	2,448	3,386	3,530	263	3,386	3,531	263
Deferred income tax	3,015,818	3,720,515	2,688,030	200,275	4,085,051	2,090,235	155,735
Total long-term liabilities	**7,602,010**	**8,505,627**	**10,769,460**	**802,392**	**13,716,320**	**9,501,103**	**707,891**
Total liabilities	**14,148,956**	**17,705,019**	**21,298,236**	**1,586,852**	**19,512,550**	**25,059,591**	**1,867,095**
Total equity	**12,360,246**	**13,709,110**	**15,770,549**	**1,175,004**	**14,537,132**	**17,745,162**	**1,322,126**

Other Financial Information	Year Ended December 31, 2008	2009	2010	2010	Nine Months Ended September 30, 2010	2011	2011
	(in thousands of Ps.)			(in thousands of US$)	(in thousands of Ps.)		(in thousands of US$)
Capital expenditures	211,472	169,847	162,204	12,085	115,018	150,773	11,234
EBITDA[2]	1,601,024	4,132,061	4,066,580	302,985	2,786,322	2,971,632	221,405
Depreciation and amortization	274,998	376,312	277,655	20,687	206,229	97,101	7,235

Financial Ratios	As of and for the Year Ended December 31, 2008	2009	2010	As of and for the Nine Months Ended September 30, 2010	2011
Gross margin[3]	30.2%	29.7%	28.4%	28.5%	28.1%
EBITDA margin[4]	23.3%	30.2%	27.2%	28.0%	26.4%
Operating margin[5]	7.7%	21.2%	19.4%	19.6%	19.3%
Total debt/total capitalization[6]	34.9%	36.0%	41.1%	42.4%	43.3%
Return on equity[7]	3.1%	11.8%	11.3%	10.6%	14.1%
Current ratio[8]	3.4x	2.9x	2.8x	5.1x	2.3x

(1) Primarily comprising land held for construction (excluding long-term land held for construction). Land held for construction includes capitalized comprehensive result of financing. See Notes 2(g) and 5 to the Audited Financial Statements and Note 4 to the Unaudited Financial Statements for further information regarding how we classify our inventories.

(2) EBITDA is not a financial measure computed under MFRS. EBITDA is operating income plus depreciation and amortization and capitalized comprehensive result of financing. We capitalize interest expense derived from bank loans used primarily for both land development and housing construction, in amounts defined by each project. The expense attributable to capitalized comprehensive result of financing in a given year is included in our cost of sales and is not included in comprehensive result of financing. The following reconciles operating income to EBITDA:

	Year Ended December 31,				Nine Months Ended September 30,		
	2008	2009	2010	2010	2010	2011	2011
		(in thousands of Ps.)		(in thousands of US$)	(in thousands of Ps.)		(in thousands of US$)
Operating income	528,383	2,905,220	2,910,631	216,860	1,952,851	2,171,358	161,779
Depreciation and amortization	274,998	376,312	277,655	20,687	206,229	97,101	7,235
Capitalized comprehensive result of financing	797,643	850,529	878,294	65,438	627,242	703,173	52,391
EBITDA	1,601,024	4,132,061	4,066,580	302,985	2,786,322	2,971,632	221,405

We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies in our industry because it excludes the effect of depreciation, which represents a non-cash charge to earnings. We believe that EBITDA is also a useful basis of comparing our results with those of other companies because it presents operating results on a basis unaffected by capital structure. You should review EBITDA, along with net income (loss), changes in resources used in or provided by operating activities, investing activities and financing activities, when trying to understand our operating performance. While EBITDA may provide a useful basis for comparison, our computation of EBITDA is not necessarily comparable to EBITDA as reported by other companies, as each is calculated in its own way and must be read in conjunction with the explanations that accompany it. While EBITDA is a relevant and widely used measure of operating performance, it does not represent changes in financial position in accordance with MFRS and should not be considered as an alternative to net income (loss), determined in accordance with MFRS, as an indication of our financial performance, or changes in financial position, determined in accordance with MFRS, as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs for dividends, reinvestment or other discretionary uses. EBITDA has certain material limitations, including that: (i) it does not include taxes, which are a necessary and ongoing part of our operations; (ii) it does not include depreciation, which, because we must utilize property and equipment in order to generate revenues in our operations, is a necessary and ongoing part of our costs; and (iii) it does not include comprehensive result of financing, which is composed primarily of financial expense (net of financial income plus any net foreign exchange or monetary losses), which, because we have borrowed money to finance some of our operations, is a necessary and ongoing part of our costs and assisted us in generating revenue. Therefore, any measure that excludes any or all of taxes, depreciation and comprehensive result of financing has material limitations.

(3) Represents gross profit divided by sales, expressed as a percentage.

(4) Represents EBITDA divided by sales, expressed as a percentage.

(5) Represents operating income divided by sales, expressed as a percentage.

(6) Represents total debt divided by the sum of total debt and equity. Total debt includes the current portion of long-term debt, notes payable to banks, long-term debt and the value of the derivative instruments. See Notes 10 and 11 to the Audited Financial Statements and Note 6 to the Unaudited Financial Statements.

(7) Net income (last twelve months) divided by average equity, expressed as a percentage.

(8) Represents current assets divided by current liabilities.

Summary Operating Data

Operating Data	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
Homes sold[1]	28,740	29,709	33,567	23,599	25,934
Affordable entry-level	25,843	17,195	26,831	18,946	21,755
Low middle-income	2,341	10,875	5,419	3,714	3,372
High middle-income and upper-income	556	1,639	1,317	939	807
Mortgage Commitment Backlog[2]	42,014	39,726	34,798	36,377	33,474
			(in Ps.)		
Average home sales price per home	232,850	453,776	386,392	362,341	363,797
Affordable entry-level	202,903	305,355	292,943	271,333	288,437
Low middle-income	449,525	609,486	655,602	635,922	620,249
High middle-income and upper-income	712,496	977,734	1,176,199	1,116,498	1,323,787
			(in thousands of Ps.)		
Total sales	6,883,351	13,700,442	14,976,836	9,967,096	11,235,755
Revenues from housing development	6,692,103	13,481,238	12,961,811	8,550,890	9,434,720
Affordable entry-level	5,243,616	5,250,574	7,860,051	5,140,683	6,274,945
Low middle-income	1,052,339	6,628,158	3,552,706	2,361,815	2,091,479
High middle-income and upper-income	396,148	1,602,506	1,549,054	1,048,392	1,068,296
Revenues from housing-related activities[3]	191,248	219,204	2,015,025	1,416,206	1,801,035

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(1) MFRSI 14 became effective as of January 1, 2010, with retrospective application to any prior financial periods presented with our consolidated financial statements. Accordingly, the financial information presented reflects the effects of the adoption of MFRSI 14.

(2) Defined as the number of homes for which mortgage providers have confirmed that mortgage financing will be available once we locate and assign qualified home buyers. See "Our Business—Marketing and Sales—Mortgage Commitment Backlog."

(3) Consists of revenues from the *Casa Capital Plus* program (our program for the sale or purchase of existing homes), the sale of home furnishings and equipment and the sale of commercial land and macroprojects.

RISK FACTORS

Before making any investment in the notes, you should carefully read this offering memorandum and should consider carefully, in light of your own financial circumstances and investment objectives, all of the information set forth in this offering memorandum, including, without limitation, the risk factors set forth below. These risks are not the only risks that affect our business. Additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations. Our business, financial condition, liquidity, results of operations and ability to satisfy our obligations under the notes, could be materially adversely affected by any of these risks. The trading price of the notes could decline due to these risks, and you could lose all or part of your investment.

Risks Related to Our Business

Our ability to generate sufficient revenues to ensure our viability is dependent on public and private sector mortgage financing.

In 2010 and in the nine-month period ended September 30, 2011, buyers of our affordable entry-level and low middle-income housing accounted for 88.0% and 88.7% of our revenues from housing development, respectively. We depend on the availability of mortgage financing provided by government or government-sponsored entities in connection with our sales of affordable entry-level and low middle-income housing. In 2010 and in the nine-month period ended September 30, 2011, a substantial portion of total mortgages granted to our customers were provided by public sector entities. Substantially all mortgage financing for affordable entry-level and low middle-income housing in Mexico is provided by Infonavit, SHF and Fovissste. In general, financing for affordable entry-level housing has been stable at amounts starting at Ps. 232,700 (US$17,338) per house, in order to benefit workers with an income below 2.6 SMGs (approximately Ps.4,729 or US$352 per month as of September 30, 2011). See "The Mexican Housing Industry—Sources of Mortgage Financing."

Accordingly, our results of operations and financial condition have been, and will continue to be, affected by the level of funding, policies, programs and administrative procedures of Infonavit, SHF and Fovissste, as well as by the housing policies of the Mexican federal government. We cannot assure you that the amount of mortgage financing provided by Infonavit, SHF, Fovissste or any other funding source will be maintained at current levels, or that, either as a result of political or economic conditions, the Mexican federal government will not otherwise limit the availability of such financing or change the policies and methods under which such financing is provided. Any decrease in the amount of funds available from these 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 our business, results of operations, financial condition and prospects. In addition, we cannot assure you that these funds will continue to be allocated for housing development in regions in which we have operations.

Since Infonavit finances a large part of its loans through mandatory employer contributions equal to 5% of a worker's gross wages, financing from Infonavit depends upon prevailing conditions in the Mexican economy. 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, one of the principal source of funding for Infonavit, which could reduce payments by Infonavit. A reduction of Infonavit funds could have a material adverse effect on our business, results of operations, financial condition and prospects. Home financing by SHF depends on the return from its mortgage portfolio, World Bank financing, funds provided by the Mexican federal government and funds obtained from mortgage-backed securitizations for funding. From 2013 onwards, SHF's obligations will no longer be guaranteed by the Mexican federal government. In addition, Infonavit policy prioritizes the financing of affordable entry-level homes over more expensive homes. We cannot assure you that these policies will not affect our ability to expand our development of middle-income and upper-income housing or our flexibility to increase the prices of our affordable entry-level and low middle-income homes. Infonavit has also recently begun to emphasize financing for used homes in addition to new homes. We cannot assure you that this policy will not adversely affect our sales.

Currently, mortgage financing provided by private sector entities, commercial banks, Sofoles and Sofomes is largely limited to the high middle-income market and the upper-income market. Private sector financing is generally provided at higher interest rates than the interest rates prevailing in the U.S. and other international markets. In 2010 and in the nine-month period ended September 30, 2011, buyers of our high middle-income and upper-income housing accounted for 12.0% and 11.3% of our revenue from housing developments, respectively. Although, in the last few years, the availability of private sector financing in Mexico has increased, in recent periods the availability of such financing has been curtailed due to adverse global economic conditions. As a result, the amount of private sector financing available for the high middle-income and upper-income homes we build has been more difficult to obtain compared to the recent past. In addition, our customers'

ability to obtain private sector financing depends, to a certain extent, on our ability to maintain strong working relationships with commercial banks, Sofoles and Sofomes. A loss of such relationships could impact our customers' ability to successfully obtain mortgages from these sources for the purchase of our homes and there can be no assurance that we will be able to maintain these relationships.

Our business operations depend on our ability to secure financing.

We do not receive the proceeds from sales until the construction phase is over and the sales are consummated. Typical construction lasts two to three months for affordable entry-level housing and four to five months for middle-income and upper-income housing, from the date that construction commences; site development occurs prior to that time. As a result, we finance our housing development and construction activities with debt, primarily through funds obtained from the capital markets, including through notes and bonds, such as the *certificados bursátiles* we issued in Mexico in December 2011, our US$150.0 million aggregate principal amount of 8.50% Senior Guaranteed Notes due 2016 (the "2016 Senior Guaranteed Notes"), our US$300.0 million aggregate principal amount of 9.50% Senior Guaranteed Notes due 2020 (the "2020 Senior Guaranteed Notes" and, together with the 2016 Senior Guaranteed Notes, the "Senior Guaranteed Notes"), all of which are guaranteed by our subsidiaries, or through working capital, including our US$150 million unsecured working capital loan with Credit Suisse AG, an affiliate of Credit Suisse Securities (USA) LLC (the "Credit Suisse Senior Unsecured Working Capital Facility") and our unsecured working capital facility with Deutsche Bank AG, London Branch which was entered into in October 2011 and amended in December 2011 and to a lesser extent, through bridge loans from commercial banks or Sofoles. We cannot assure you that such financing will be available in the future on favorable terms, or at all.

Adverse developments in the Mexican and international credit markets, including higher interest rates, reduced liquidity or decreased interest by financial institutions in lending to us, have in the past and may in the future increase our cost of borrowing or refinancing maturing indebtedness, with adverse consequences to our financial condition and results of operations. We cannot assure you that we will be able to refinance any indebtedness we may incur or otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness.

The recent global economic downturn and future downturns in the Mexican and global economies may negatively affect the demand for our products and our results of operations.

Demand for housing is affected by general economic conditions in the Mexican market in which we operate. As a result, demand for our products and, consequently, our results of operations were negatively affected by the recent downturn in the economy in Mexico and may be negatively affected by future downturns in the Mexican and global economies. Such economic downturns in Mexico may also subject us to increased foreign currency exchange rate, convertibility and interest rate risks and impair our results of operations and our ability to raise capital or service our debt. Such downturns could also affect our ability to continue growing our business.

Our business is capital-intensive and extreme changes in capital requirements could affect our financial condition.

Our business is capital-intensive and requires significant investments in land and substantial expenditures for, among other things, developing and constructing housing developments. The amount and timing of these capital investments and expenditures depend in part on market conditions. We may not be able to accurately predict the timing or amount of capital investments and expenditures we will require. In addition, we do not receive proceeds from the sale of homes until the construction phase is over and the sales are consummated. As a result, we may not always have sufficient liquidity to satisfy our working capital needs at levels required to support growth in our housing development projects. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

If we do not accurately estimate our costs, the profitability of our business could be adversely affected.

We sign sales contracts for our homes before we begin construction. Although our sales contracts allow us to increase the sales price, our ability to do so is limited. Consequently, to the extent we fail to accurately estimate our cost of contractors, materials and in-house man-hour costs to achieve projected margins under our pricing arrangements, and our costs are higher than anticipated or if we miscalculate our costs, the profitability of our business could be adversely affected.

The monetary value of our Mortgage Commitment Backlog may not be realized.

Our Mortgage Commitment Backlog reflects the number of housing units for which we have received confirmation from a mortgage provider that, once we find qualified home buyers, mortgage financing will be made available to such buyers. Our general policy is to obtain and maintain sufficient mortgage commitments in our Mortgage Commitment Backlog to ensure the continuous sale of homes for approximately 12 months of future operations. We cannot assure you that the homes reflected in our Mortgage Commitment Backlog will be sold or that the monetary value of this backlog will be realized. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Practices."

A portion of our business is conducted in northern Mexico, which exposes us to risks relating to this region.

A portion of our business is conducted in the Northern States. As of September 30, 2011, we had operations in 39 cities throughout Mexico, 14 of which were located in the Northern States. Therefore, a portion of our results of operations depend on the general level of economic activity and mortgage financing granted in this region, in particular by Infonavit, SHF and other financial institutions. We cannot assure you that our present level of operations in this region will not decrease or that our growth will not be limited due to regional economic weakness, decreased *maquiladora* (Mexican assembly plants) activity in the region, increased competition or otherwise.

Due to the lending cycles of some providers of mortgage financing, we experience a variation in quarterly results with most homes completed in the last calendar quarter.

The Mexican affordable entry-level and low middle-income housing industry experiences significant seasonality during the year due to the operational and seasonal lending cycles of providers of mortgage financing. As a result, most construction of new homes financed by these programs begins toward the end of the first calendar quarter. With construction of affordable entry-level homes typically taking between two to three months and construction of middle-income and high-income homes typically taking between four to five months, most of the homes built by us are completed during the last quarter of the year. Consequently, historically we have experienced significant seasonal variations in our results of operations, with most revenues received in the fourth quarter and most construction activity in the second and third quarters. See "Selected Consolidated Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonality," "The Mexican Housing Industry" and "Our Business—Our Strengths and Strategy."

In addition, we generally do not receive payment until homes are completed and delivered to the purchaser. As a result, our results of operations for any particular quarter are not necessarily indicative of the results for the full year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonality."

We may not be able to locate suitable land at reasonable prices for future housing development projects.

As of September 30, 2011, we had land reserves of 5,751 hectares (approximately 14,378 acres) which we estimate are sufficient for approximately six years of operations. Furthermore, we had additional land reserves of 1,027 hectares (approximately 2,568 acres), strategically located in large scale master-planned communities (macroprojects). We cannot assure you, however, that we will be able to locate suitable land to meet our development needs beyond this time frame, or that we will be able to acquire such land at competitive price levels. See "Our Business—Housing Development—Land Reserves" and "Our Business—Housing Development—Land Acquisition."

Significant competition from other housing development companies may adversely affect our 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 we cannot assure you that we will compete successfully to maintain or increase our estimated market share of 6.3% (based on unit sold and titled in 2010 as estimated by Conavi). Some of our competitors in the affordable entry-level and low middle-income markets may have greater financial, technological and personnel resources than we do and may take advantage of greater economies of scale. Further, we cannot assure you that some of these competitors with a significant presence in various parts of Mexico will not expand their operations in our principal markets. Small developers in the high middle-income and upper-income housing market may be able to better adapt to specific demand and offer more customized housing than us.

In addition, we cannot assure you that foreign construction companies with significant financial resources will not begin operations in Mexico in the future and that we will not face significant competition from foreign entities.

Building and zoning regulations and environmental laws may adversely affect our 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.

Relevant to the housing sector are the laws and regulations regarding the management and disposal of hazardous waste that make owners and/or possessors of real property affected with soil contamination jointly and severally liable for the remediation of such sites, irrespective of any recourse or other actions such owners and/or possessors may have against the contaminating party, and regardless of any liability such contaminating party may have.

Further, the direct transfer of contaminated sites is subject to the approval of the *Secretaría de Medio Ambiente y Recursos Naturales* (Ministry of Environment and Natural Resources, "SEMARNAT"). Additionally, the relatively recent enactment and improved enforcement of legal requirements on forestry zoned areas have also had an impact on the housing sector in Mexico, and specifically on some of our projects, as we are now often required to obtain the "change of forestry land use" authorization, among the various environmental and zoning permits required for our development activities.

The expansion of our business depends in large part on our ability to timely obtain required governmental approvals, permits and other authorizations for our developments. Non-compliance with applicable environmental laws and regulations may entail a series of sanctions, depending on the severity of the violation, including monetary fines; revocation of authorizations, concessions, licenses, permits or registries; administrative arrests; seizure of contaminating equipment; in certain cases, temporary or permanent closure of facilities; and even incarceration, when environmental violations are classified as criminal offenses. The costs associated with obtaining building and zoning permits, paying purchase or development fees and taxes, securing utility service rights, and titling new homes are substantially higher in Mexico than in other countries and vary significantly from region to region in Mexico. We are required to obtain the approval of numerous federal, state, and local governmental authorities for our development activities. Changes in local circumstances or applicable law or regulations of such entities may require modifying or applying for additional approvals or changing our processes and procedures to comply with them. It is possible that these factors could cause delays in construction and result in increased costs.

Mexican environmental regulations will likely continue to become increasingly stringent and may be influenced by the North America Agreement on Environmental Cooperation ("NAAEC"), a side agreement to the North American Free Trade Agreement ("NAFTA"), whose key objectives are to promote sustainable development, encourage pollution prevention policies and practices and increase compliance with environmental laws and regulations. We cannot assure you that laws and regulations affecting the housing industry or the enforcement thereof will not change in a manner that could increase our costs of doing business or could have a material adverse effect on our business, results of operations, financial condition or prospects.

Our ability to accumulate and deduct tax loss carry-forwards could be limited in the future.

Our net results have benefited in the past from our net operating tax loss carry-forwards which reduce the amount of tax on profits charged to our income. Generally tax loss carry-forwards are the result of deductions from taxable income of purchases of land inventory and certain cash purchases. If our housing development activities do not continue at current levels, the tax loss carry-forwards created would be lower than in the past. That would result, after utilization of the accumulated available tax loss carry-forwards, in greater taxable income. See Note 16 to the Audited Financial Statements and Note 10 to the Unaudited Financial Statements.

An increase in the number of claims exercised under our construction warranties could adversely affect us.

As required by Mexican law, we provide a one-year warranty to our customers for construction defects, which could be derived either from our operations or from defects in materials supplied by third-parties or other circumstances outside our control. We cannot assure you that significant claims under such warranty might not be made in the future.

Increases in costs or scarcity of construction materials and labor could adversely affect our results.

Increases in prices of construction materials for new housing developments or increases in workers' wages could adversely affect our 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, our cost of obtaining raw materials could increase. In addition, we could be exposed to a potential scarcity of materials or labor that could cause project delays. We cannot assure you that such delays will not occur in the future.

Our principal shareholders may have the power to ultimately control us.

Cuauhtémoc Pérez Román and Netzahualcóyotl Pérez Román, our principal shareholders, collectively hold 43.47% of our outstanding common shares. Therefore, such persons are in a position to exercise significant influence over us, and may ultimately be able to control us. In particular, such persons may be in a position to elect a majority of the members of our board of directors and to determine the outcome of most actions requiring shareholder approval. The interests of our principal shareholders may differ from those of our noteholders. See "Principal Shareholders."

Loss of services of our key management personnel could result in disruptions to our business operations.

Our 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 our operations and their experience with Urbi, we believe that our future results will depend to a significant extent upon their efforts, and the loss of services of any of these individuals for any reason could result in disruptions to our business operations.

A malfunction of our information technology platform systems may have an adverse effect on our business operations.

Our information technology platform, *UrbiNet*, plays a critical role in our objective to maintain high quality standards and support continuing decentralized, large scale and profitable growth. Should *UrbiNet* malfunction or if we experience any difficulties or delays in connection with certain upgrades that are currently being implemented with respect to our SAP applications, we may not be able to access the detailed financial and operational data on a real-time basis and the efficiency of our business operations could be compromised, resulting in an adverse impact on our business, results of operations, financial condition or prospects.

A substantial portion of our business is subcontracted, which exposes us to risks relating to subcontractors' business.

Our construction methods are based on the mass production of housing units and the use of specialized labor. In this respect, we enter into agreements with local subcontractors specializing in different stages of the construction process. Nearly all of our construction processes are currently subcontracted to third parties and we expect to continue this trend of outsourcing. All of our subsidiaries employ subcontractors. Any delay or default on performance by the subcontractors could disrupt our business and have an adverse effect on our business operations. We cannot assure you that our subcontractors will perform outsourced projects on a timely basis.

We continue developing our Landowner Partner and City Manager Partner programs and continue implementing our strategy of acquiring housing projects in progress from other housing developers. These programs and projects do not yet have significant operating histories and may not be successful in the long term.

In 2010, we continued developing partnerships with local landowners and developers through our Landowner Partner and City Manager Partner programs for the opening of SBUs in new medium-sized cities. Under our Landowner Partner program, landowners agree to provide us with land for housing development and we agree to share revenues generated from home sales on such land. Under our City Manager Partner program, we hire local developers in the areas in which we operate or plan to operate, to manage our operations in those areas on an exclusive basis. In addition, we recently developed a strategy of acquiring housing projects in progress initiated by small and medium-sized housing developers that we believe represent a business opportunity. Because we have only recently begun to develop and implement these programs and projects, they do not yet have significant operating histories, and we cannot assure you that they will not have a negative impact on our future results of operations. In addition, we cannot assure you that the failure of these programs and projects would not have a material impact on our ability to participate in the cities targeted by these programs and projects.

Our* Alternativa Urbi *sales program exposes us to certain risks.

In 2006, we implemented the *Alternativa Urbi* sales program, which allows clients who do not qualify for mortgages from Infonavit or Fovissste to become eligible for a mortgage from SHF or another financial institution. Participating clients are subject to a screening process prior to moving into a new home and are required to make monthly payments for at least six consecutive months in an amount sufficient to cover 10% of the value of the home as down payment, in turn allowing such clients to demonstrate economic capacity and create a credit profile that will qualify them for a mortgage from SHF or another financial institution. This program involves the participation of third parties that provide funding during the period in which the client is making the monthly payments in order to build his or her credit profile and qualify for a mortgage. The *Alternativa Urbi* sales program currently qualifies for funding through SHF, including under the *Ahorrashf* and *Renta con Opción a Compra* programs. We are not required to refinance any amounts funded through SHF through our financial factoring with recourse lines of credit during the period in which the client is making monthly payments to cover the down payment on a house; however, funding offered by other financial institutions typically revolves every three months and is thus subject to refinancing through our financial factoring with recourse lines of credit to the extent the client has not completed payments to cover the down payment, which exposes us to the associated refinancing risk. In addition, to the extent a client does not complete all payments under the *Alternativa Urbi* sales program, any payments or proceeds received by us from the client or through such factoring facilities must be delivered to SHF or the other financial institution that originally provided the funding, which may result in a loss to us if we are unable to resell the house at the original price or at all.

Our sales to corporate customers expose us to certain risks.

In 2010, in collaboration with Infonavit, we implemented the ROC Infonavit program, which made the *Alternativa Urbi* program, subject to certain adjustments, available to clients affiliated with Infonavit that otherwise would not qualify for a mortgage due to insufficient credit scores. See "Our Business—Marketing and Sales—Customers and Customer Financing." Infonavit's endorsement of the *Alternativa Urbi* sales program has attracted private investment capital to the housing sector, which has led to an increase in our sales from the purchase by corporate customers of homes in large volumes for subsequent resale. We provide financing to corporate customers purchasing homes under this mass sale system, on market terms and subject to a credit review, in payment plans that range from three to nine months; none of the payment plans have a duration of more than one year. As of September 30, 2011, 63% of our overall accounts receivable portfolio was concentrated in three customers. Revenue recognition for such corporate customers typically occurs at the time of initial sale to such corporate customers, which is also the time we transfer legal title to the property. Among the various requirements for up-front revenue recognition is the up-front transfer of all significant risk and rewards related to the units to our corporate customers, with no significant subsequent involvement in either the projects or the corporate customers' resale of the units. Meeting this requirement involves not only our contemporaneous evaluation that collection is probable, but also that collection is in no way contingent upon the corporate customers' resale of the units to individuals. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Practices—Recognition of Revenues and Cost of Sales of Housing Units" and Note 2 of the Audited Financial Statements for additional information regarding our revenue recognition policy for corporate customers. Any deterioration in the financial condition or liquidity of any of our corporate customers could impact the level of our sales to such corporate customers and could also lead to the deferral of revenue recognition with respect to such corporate customers until the time of collection. To date, there has been no delay in payment of these corporate accounts. However, we cannot assure you that payment collections will continue to be successful, and will not adversely affect our business, financial condition and results of operations.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash is impacted by many factors and during certain times of our business cycle we generate negative cash flow.

Our ability to make payments on and to refinance our indebtedness, including the notes, and to fund planned capital expenditures and development efforts will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

In addition, we also generate negative cash flow (net of investing, interest and certain other cash payments) during certain times of our business cycle. In recent quarters, we have been experiencing an increase in receivables, due to a combination of factors including the implementation of our Alternativa Urbi sales program, a delay in certain payments to us from Fovissste, which is administered by the Mexican federal government, and purchases of certain in-progress housing projects initiated by small and medium-sized housing developers. These factors have combined to have a deleterious impact on our cash flow during this period. There can be no assurance that this trend will reverse itself and that we will be able to generate positive cash flow (net of investing, interest and certain other cash payments).

Based on our current level of operations and anticipated cost savings and operating improvements, we believe our cash flow from operations and cash available from other sources will be adequate to meet our foreseeable future liquidity needs for at least the next six months. We cannot assure you, however, that our business will generate sufficient cash flow from operations, that operating improvements will be realized on schedule or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness, including these notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including these notes on or before maturity. In such event, we would have to raise funds from alternative sources, which may not be available on favorable terms, on a timely basis or at all.

Risks Related to Mexico

Changes in Mexican federal governmental policies and economic factors could adversely affect our results of operations and financial condition.

We are incorporated in Mexico and all of our assets and operations are located in Mexico. As a result, we are 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 and policies concerning the economy, state-owned enterprises and state controlled, funded or influenced financial institutions (particularly Infonavit, Fovissste and SHF) and the Mexican housing organizations, in particular, could have a significant impact on private sector entities in general and on us in particular, and on market conditions, prices and returns on Mexican securities. See "Our Business—Government Regulation." In addition, many of our customers rely on mortgage financing programs, including the provision of subsidies, offered by government or government-sponsored institutions such as Infonavit, Fovissste and SHF. See "The Mexican Housing Industry—Mexican Federal Governmental Policies." We cannot assure you that changes in Mexican federal governmental policies or in mortgage financing programs offered by such institutions will not adversely affect our business, financial condition and results of operations.

A large part of our business depends on Mexican government housing finance policy, especially with regard to the funding and operation of government sponsored mortgage providers and the provision of subsidies from public housing agencies. As a result, the actions of the Mexican government in setting housing finance policy could have a significant effect on us and no assurance can be given as to whether the Mexican government may make changes to housing policy that will not adversely affect us.

Our financial condition, results of operations and prospects may also be affected by currency fluctuations, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico. There can be no assurance that future developments in the Mexican political, economic or social environment, over which we have no control, will not have a material adverse effect on our business, results of operations, financial condition or prospects or adversely affect the market price of the notes. In particular, no assurance can be given as to whether the Mexican government may make changes to any of its existing political, social, economic or other policies, which changes may adversely affect us.

Political events in Mexico may affect our operations.

Significant changes in laws, public policies and/or regulations that affect Mexico's political and economic situation could adversely affect our business. Any change in the current housing policies could have a significant effect on Mexican homebuilders, including us, as well as on housing finance, variations in interest rates demand for housing, market conditions, and the prices of and returns on Mexican securities. Furthermore, the lack of alignment between the legislature and the President of Mexico could result in deadlock and prevent the timely implementation of political and economic reforms, which in turn could have a material adverse effect on Mexican economic policy and on our business. It is also possible that political uncertainty may adversely affect Mexico's economic situation.

Recently, Mexico has experienced a period of increasing criminal activity, primarily due to organized crime. These activities, their possible escalation and the violence associated with them may have a negative impact on the business environment in which we operate, and therefore may adversely affect our financial condition and results of operations.

Social and political instability in Mexico or other adverse social or political developments in or affecting Mexico could adversely affect our business, financial condition and result of operations, as well as market conditions and prices for our securities. These and other future developments in the Mexican political or social environment may cause disruptions to our business operations and decreases in our sales and net income.

Weakness in the Mexican economy could adversely affect our business, financial condition and results of operations.

Our operations, results and financial condition are dependent in part upon the level of economic activity in Mexico. Mexico experienced a period of slow growth from 2001 through 2003, primarily as a result of the downturn in the U.S. economy. According to INEGI and Banco de México estimates, in 2008, GDP grew by approximately 1.2% and inflation was 6.5%. In 2009, GDP decreased by approximately 6.1% and inflation decreased to 3.6%. In 2010, GDP grew by approximately 5.4% and inflation was 4.4%

The annualized interest rates on 28-day *Certificados de la Tesorería de la Federación*, or Cetes, averaged approximately 7.7%, 5.4% and 4.4% for 2008, 2009 and 2010, respectively. Relative to the U.S. Dollar, the Peso depreciated by 24.6% in 2008 and appreciated by 3.5% and 5.4% in 2009 and 2010, respectively, all in nominal terms. Accordingly, to the extent that we incur Peso-denominated debt in the future, it could be at high interest rates.

Both the current recession or a significant increase in inflation and interest rates may have a corresponding impact on consumption. As a result, consumer purchasing power may decrease and demand for housing may also decrease. In addition, the current recession could affect our operations to the extent that we are unable to reduce our costs and expenses in response to falling demand. These factors could result in an adverse effect on our business, results of operations and financial condition.

Fluctuations in interest rates could adversely affect our financial condition and results of operations.

The mortgages for affordable entry-level and low middle-income housing are mostly provided by government-sponsored housing agencies like Infonavit or Fovissste. These institutions provide mortgages that have interest rates that are indexed to minimum wage growth. In the case of lower-income workers, the interest rate on mortgages are subsidized. However, the availability of mortgages to the high middle-income and upper-income housing markets depends upon fluctuations in interest rates and conditions of private mortgage providers. 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, Sofoles and Sofomes mortgages falls.

As a result of the current global financial crisis, the interest rates for mortgages from these institutions have increased significantly, causing demand for our products from these income segments to decrease.

In addition, fluctuations in interest rates affect our interest expense. As of December 31, 2010, Ps.4,479.5 million, or 40.7% of our total indebtedness, accrued interest at variable rates, at an average rate of 6.57%. As of September 30, 2011, Ps.7,429.4 million, or 54.8% of our total indebtedness, accrued interest at variable rates, at an average rate of 5.69%. We may also incur indebtedness in the future that accrues interest at higher rates or we may be required to refinance our debt at variable rates. Increases in interest rates could adversely affect our results of operations.

Depreciation of the Peso could adversely affect our financial condition, results of operations and cash flows.

Changes in the value of the Peso relative to the U.S. Dollar could adversely affect our financial condition and results of operations. Because substantially all of our revenues are and will continue to be denominated in Pesos and a significant portion of our indebtedness will be denominated in U.S. Dollars, if the value of the Peso decreases against the U.S. Dollar, our cost of financing will increase. Further, the devaluation or depreciation of the Peso could increase in Peso terms the amount of our foreign currency-denominated liabilities, negatively affecting our results of operations. As of December 31, 2010 and as of September 30, 2011, we had approximately US$654.9 million and US$794.9 million, respectively, in Dollar-denominated liabilities (of which US$750.0 million are covered by derivative instruments) while substantially all of our revenues were in Pesos. From December 31, 2009 through December 31, 2010, the Peso appreciated by approximately 5.4%. From December 31, 2010 through September 30, 2011, the Peso depreciated by approximately 8.6%. Severe depreciation of the Peso may also result in disruption of the international foreign exchange markets. The Mexican economy has in the past experienced balance of payment deficits and shortages in foreign exchange reserves. While the Mexican federal government does not currently restrict the ability of Mexican or foreign persons or entities to convert Pesos into U.S. Dollars or other currencies, the Mexican federal government could institute restrictive exchange control policies in the future. The effect of any exchange control measures adopted by the Mexican government on the Mexican economy cannot be predicted. In addition, any devaluation or depreciation of the Peso could also adversely impact the availability of financing on terms attractive to potential high middle-income and upper-income housing customers.

Developments in other countries could adversely affect the Mexican economy, the market value of our securities and our results of operations.

As is the case with respect to securities of issuers from emerging markets, the market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in these 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 recent years, for example, prices of both Mexican debt securities and Mexican equity securities dropped substantially as a result of developments in Russia, Asia, and Brazil. Most recently, the global financial crisis has resulted in significant fluctuations in the financial markets.

In addition, the direct correlation between economic conditions in Mexico and the United States has sharpened in recent years as a result of the North American Free Trade Agreement and increased economic activity between the two countries. As a result, economic downturns in the United States, like the current one, could have a significant adverse effect on the Mexican economy, which, in turn, could affect our financial condition and results of operations.

We are subject to different corporate disclosure and accounting standards than U.S. companies.

A principal objective of the securities laws of the United States, Mexico, and other countries is to promote full and fair disclosure of all material corporate information, including accounting information. However, there may be less or different publicly available information about foreign issuers of securities than is regularly published by or about U.S. issuers of listed securities.

It may be difficult to enforce civil liabilities against us or our directors and executive officers.

We are a *sociedad anónima bursátil de capital variable* (a publicly traded variable capital corporation) organized under the laws of Mexico. All of our directors and officers reside outside the United States. Substantially all of the assets of such persons are located in Mexico. Furthermore, all of our assets are located in Mexico. As a result, it may be difficult for you to effect service of process within the United States or in any other jurisdiction outside of Mexico upon these persons or to enforce against them or us in any jurisdiction outside of Mexico judgments predicated upon the laws of any such jurisdiction, including any judgment predicated upon the federal and state securities laws of the United States. We have been advised by our Mexican counsel González Calvillo, S.C., that there is doubt as to the enforceability, in original actions in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside of Mexico, of civil liabilities under the laws of any jurisdiction outside of Mexico, including any judgment predicated solely upon the federal and state securities laws of the United States. See "Service of Process and Enforcement of Civil Liabilities."

Risks Related to the Notes

Our level of debt could impair our financial condition.

We currently have, and after this offering will have, a substantial amount of debt and may incur substantially more debt. As of September 30, 2011, after giving pro forma effect to the issuance of the notes and the use of the net proceeds of this offering, we would have had Ps13,742.1 million (US$1,023.9 million) of total debt (including derivative instruments). Our significant level of debt could have important consequences to you, including:

- requiring a substantial portion of our cash flows from operations be used for the payment of principal and interest on our debt, therefore reducing the funds available to us for the operations or other capital needs;
- limiting our flexibility in planning for, or reacting, to changes in our business and the industry in which we operate because our available cash flow after paying principal and interest on our debt may not be sufficient to make the capital and other expenditures necessary to address these changes;
- increasing our vulnerability to general adverse economic and industry conditions because, during periods in which we experience lower earnings and cash flow, we will be required to devote a proportionally greater amount of our cash flow to paying principal and interest on our debt;
- limiting our ability to obtain additional financing in the future to fund working capital, capital expenditures, acquisitions and general corporate requirements;

- making it difficult for us to refinance our indebtedness or to refinance such indebtedness on competitive terms;
- restricting our ability to take advantage of opportunities that would permit us to acquire other businesses;
- placing us at a competitive disadvantage to other relatively less leveraged competitors that have more cash flow available to fund working capital, capital expenditures and general corporate requirements; and
- any borrowings we make at variable interest rates, including our revolving credit facility, leave us vulnerable to increases in interest rates generally.

Our ability to repay the notes and our other debt depends on cash flow from our subsidiaries.

While we are engaged directly in housing development activities, the issuer of the notes is mainly a holding company, whose principal assets and sources of revenues are the common stock of, and dividends distributed by, its subsidiaries. Consequently, we depend on distributions or other inter-company transfers of funds from our subsidiaries to meet our debt service and other obligations, including with respect to the notes. The extent of such cash flows to us will depend on the results of operations and financial condition of our subsidiaries. In addition, payments and transfers of funds may be restricted by the terms of any indebtedness that may be incurred by our subsidiaries and by applicable law. The inability of any or all of our subsidiaries to pay dividends or make other distributions directly or indirectly to us could have a material adverse effect on our financial condition.

Under Mexican law, companies may only pay dividends from retained earnings, after all losses applicable to prior fiscal years have been satisfied and the statutory legal reserve provisions have been covered.

The Indenture and the terms of our other indebtedness impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities.

The Indenture and the terms of our other indebtedness, mainly our Senior Guaranteed Notes, impose significant operating and financial restrictions on us and our restricted subsidiaries. These restrictions will limit our ability, among other things, to:

- incur additional indebtedness;
- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness;
- make investments;
- create liens;
- create any consensual limitation on the ability of our restricted subsidiaries to pay dividends, make loans or transfer property to us;
- engage in transactions with affiliates;
- sell assets, including capital stock of our subsidiaries; and
- consolidate, merge or transfer assets.

These restrictions could limit our ability to seize attractive growth opportunities for our businesses that are currently unforeseeable, particularly if we are unable to incur financing or make investments to take advantage of these opportunities.

For a description of additional operating and financial restrictions contained in the terms of our indebtedness, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness."

We may not have the ability to raise the funds necessary to finance the change of control offer required by the Indenture.

If we undergo a Change of Control (as defined in the Indenture), we may need to refinance large amounts of our debt, including the notes. Under the Indenture, if a Change of Control occurs, we must offer to buy back the notes for a price equal to 101% of the principal amount of the notes, plus any accrued and unpaid interest. Furthermore, under the indentures related to our Senior Guaranteed Notes, we must also offer to buy back our Senior Guaranteed Notes at 101% of the principal amount thereof, plus any accrued and unpaid interest, in connection with a Change of Control. We may not have sufficient funds available to us to make any required repurchases of the notes and our Senior Guaranteed Notes upon a Change of Control. If we fail to repurchase the notes or our Senior Guaranteed Notes in those circumstances, we will be in default under the Indenture or the indentures related to our Senior Guaranteed Notes, as applicable, which may, in turn, trigger cross-default provisions in future debt instruments.

The notes may not be transferred freely.

The notes have not been registered under the Securities Act or any state securities laws, and we are not required to and currently do not plan on making any such registration in the immediate future. 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 state securities laws. 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.

An active trading market for the notes may not develop.

Currently there is no market for the notes. Application has been made to have the notes traded on the Euro MTF market. Even if the notes become listed on this exchange, we may 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 our financial condition. The initial purchasers are not under any obligation to make a market with respect to the notes, and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you 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.

If we or the subsidiary guarantors were to be declared bankrupt, holders of notes may find it difficult to collect payment on the notes.

Under Mexico's Law of Reorganization Proceedings (*Ley de Concurso Mercantil*), if we or the subsidiary guarantors are declared insolvent (*quiebra*) or become subject to reorganization proceedings (*concurso mercantil*), our obligations and the obligations of the subsidiary guarantors under the notes, respectively, (i) would be converted into Pesos at the exchange rate prevailing at the time of the declaration of the *concurso mercantil* or *quiebra* 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, (ii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings, (iii) would be satisfied at the time claims of all our creditors are satisfied, (iv) would cease to accrue interest from the date a reorganization proceeding is declared and (v) would be subject to certain statutory preferences including tax, social security and labor claims and claims of secured creditors.

In addition, under Mexican law, it is possible that in the event we or the subsidiary guarantors are declared bankrupt or become subject to *concurso mercantil* or *quiebra* proceedings, any amount by which the stated principal amount of the notes exceeds their accreted value may be regarded as not matured and, therefore, claims of holders of the notes may only be allowed to the extent of the accreted value of the notes. There is no legal precedent in connection with bankruptcy or reorganization proceedings in Mexico on this point and, accordingly, uncertainty exists as to how a Mexican court would measure the value of claims of holders of the notes.

Payments of judgments against us on the notes would be in Pesos.

In the event that proceedings are brought against us or the subsidiary guarantors in Mexico, either to enforce a judgment or as a result of an original action brought in Mexico, we and the subsidiary guarantors would not be required to discharge those obligations in a currency other than Mexican currency. Under the Mexican Monetary Law (*Ley Monetaria*),

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 México and published every banking day in the *Diario Oficial de la Federación*, or 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.

In addition, if we or the subsidiary guarantors are the subject of a *concurso mercantil* or *quiebra* proceeding, our and the subsidiary guarantors' unsecured foreign currency-denominated obligations, including obligations under the notes, will be converted into Pesos at the exchange rate applicable on the date in which the declaration of the *concurso mercantil* or *quiebra* is effective, and the resulting amount, in turn, will be converted to UDIs. Foreign currency-denominated liabilities, including liabilities under the notes, will not be adjusted to take into account any depreciation of the Peso as compared to the U.S. Dollar occurring after the declaration of the *concurso mercantil* or *quiebra*. Also, all obligations under the notes will (i) cease to accrue interest from the date of the *concurso mercantil* or *quiebra* declaration; (ii) will be satisfied only when other creditors are satisfied; and (iii) will be subject to the outcome of, and amounts recognized as due, with respect to, the relevant *concurso mercantil* or *quiebra* proceeding.

The notes and the guarantees will be effectively subordinated to our secured debt and to certain claims preferred by statute.

Our obligations under the notes, and the obligations of the subsidiary guarantors under the guarantees are unsecured. As a result, the notes and the guarantees will be effectively subordinated to all of our and the subsidiary guarantors' secured debt to the extent of the value of the collateral securing such debt. As of September 30, 2011, Ps.2,674.2 million (US$199.2 million) of our debt, or 19.7% of our total debt outstanding, was secured by collateral, consisting of land reserves. Further, the terms of the Indenture permit us to incur additional secured debt in the future. In the event that we or the subsidiary guarantors are not able to repay amounts due under any existing or future secured debt obligations, creditors could proceed against the collateral guaranteeing such indebtedness. In that event, any proceeds upon a realization of the collateral would be applied first to amounts due under the secured debt obligations before any proceeds would be available to make payments on the notes. If there is a default, the value of this collateral may not be sufficient to repay both our secured creditors and the holders of the notes. Additionally, the claims of holders of the notes will rank effectively junior to certain obligations that are preferred by statute, including certain claims relating to taxes, social security and labor.

To the extent that certain of our subsidiaries are not guarantors, our obligations with respect to the notes will be effectively subordinated to all liabilities of these non-guarantor subsidiaries.

Certain of our subsidiaries will not be guarantors under the Indenture. These subsidiaries represented 0.2% of our total assets and none of our EBITDA as of September 30, 2011. With respect to such subsidiaries, and to the extent we acquire other subsidiaries that are not guarantors or our current subsidiary guarantors are released from their guarantees in accordance with the terms of the Indenture, any right that we or the guarantors have to receive assets of any of the non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries' assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors and holders of debt of that subsidiary.

The guarantees may not be enforceable.

The guarantees provide a basis for a direct claim against the subsidiary guarantors; however, it is possible that the guarantees may not be enforceable under Mexican law. While Mexican law does not prohibit the giving of guarantees and, as a result, does not prevent the guarantees of the notes from being valid, binding and enforceable against the subsidiary guarantors, in the event that a subsidiary guarantor becomes subject to a reorganization proceeding (*concurso mercantil*) or to bankruptcy (*quiebra*), the relevant guarantee may be deemed to have been a fraudulent transfer and declared void, based upon the subsidiary guarantor being deemed not to have received fair consideration in exchange for such guarantee.

It may be difficult to enforce civil liabilities against us or our directors and executive officers.

We are a *sociedad anónima de capital variable* (a variable capital corporation) organized under the laws of Mexico. All of our directors and officers reside outside the United States. Substantially all of the assets of such persons are located in Mexico. Furthermore, all of our assets are located in Mexico. As a result, it may be difficult for you to effect service of

process within the United States or in any other jurisdiction outside of Mexico upon these persons or to enforce against them or us in any jurisdiction outside of Mexico judgments predicated upon the laws of any such jurisdiction, including any judgment predicated upon the federal and state securities laws of the United States. We have been advised by our special Mexican counsel, González Calvillo, S.C., that there is doubt as to the enforceability, in original actions in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside of Mexico, of civil liabilities under the laws of any jurisdiction outside of Mexico, including any judgment predicated solely upon the federal and state securities laws of the United States. See "Service of Process and Enforcement of Civil Liabilities."

The collection of interest on interest may not be enforceable in Mexico.

Mexican law does not permit the collection of interest on interest and, therefore, the accrual of default interest on past due ordinary interest accrued with respect to the notes may be unenforceable in Mexico.

EXCHANGE RATES

On December 21, 1994, Banco de México implemented a floating foreign exchange rate regime under which the Peso is allowed to float freely against the U.S. Dollar and other foreign currencies. Banco de México will intervene directly in the foreign exchange market only to reduce what it deems to be excessive short-term volatility. Since mid-2003, Banco de México has been conducting auctions of U.S. Dollars in an attempt to reduce the levels of its foreign reserves. Banco de México conducts open market operations on a regular basis to determine the size of Mexico's monetary base. Changes in Mexico's monetary base have an impact on the exchange rate. Banco de México may increase or decrease the reserve of funds that financial institutions are required to maintain. If the reserve requirement is increased, financial institutions will be required to allocate more funds to their reserves, which will reduce the amount of funds available for operations. This causes the amount of available funds in the market to decrease and the cost, or interest rate, to obtain funds to increase. The opposite happens if reserve requirements are lowered. This mechanism, known as "*corto*" or "*largo*," as the case may be, or more formally "the daily settlement balance target," represents a device used by Banco de México to adjust the level of interest and net foreign exchange rates. We cannot assure you that Banco de México will maintain its current policies with respect to the Peso or that the Peso will not continue to depreciate significantly in the future.

Banco de México has provided for risk management and hedging mechanisms against fluctuations in the Peso/Dollar exchange rate. Banco de México allows Mexican banks and brokerage houses to participate in futures markets for the Peso. In April 1995, the Chicago Mercantile Exchange introduced Peso futures contracts and options on Peso futures contracts and started trading these options and futures. On December 18, 1998, trading started at the Mexican Derivatives Exchange, including Peso futures contracts.

In the event of shortages of foreign currency, we cannot assure you that foreign currency would continue to be available to private-sector companies or that foreign currency needed by us to service foreign currency obligations would continue to be available without substantial additional cost.

The following table sets forth, for the periods indicated, the period-end, average, high and low free market rates published by Banco de México in the Official Gazette, expressed in nominal Pesos per Dollar. See "Presentation of Financial and Certain Other Information." The rates shown below are in nominal Pesos and have not been restated in constant currency units.

	Banco de México Rate[1]			
	Period End	**Average**	**Low**	**High**
Year Ended December 31,				
2008	13.54	11.14	9.92	13.92
2009	13.06	13.51	12.60	15.37
2010	12.36	12.64	12.16	13.18
Month Ended				
January 31, 2011	12.02	12.15	12.02	12.38
February 28, 2011	12.17	12.08	11.99	12.19
March 31, 2011	11.97	12.02	11.92	12.12
April 30, 2011	11.54	11.76	11.54	11.92
May 31, 2011	11.63	11.65	11.50	11.77
June 30, 2011	11.84	11.80	11.58	11.96
July 31, 2011	11.68	11.67	11.57	11.79
August 31, 2011	12.41	12.20	11.68	12.50
September 30, 2011	13.42	12.92	12.26	13.89
October 31, 2011	13.20	13.47	13.20	13.97
November 30, 2011	14.03	13.64	13.11	14.24
December 31, 2011	13.98	13.75	13.48	13.99
January 31, 2012	12.95	13.49	12.93	13.98

(1) Source: Banco de México.

USE OF PROCEEDS

We expect the net proceeds from the sale of the notes will be approximately US$485.6 million, after deducting the discounts and commissions to the initial purchasers and estimated offering expenses. We expect to use such net proceeds to repay certain indebtedness and working capital facilities, including amounts owed by us to affiliates of certain initial purchasers. The remainder, if any, will be used for general corporate purposes.

For a description of the above referenced credit agreement and our other outstanding indebtedness, see "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization under MFRS as of September 30, 2011 and as adjusted to reflect this offering including application of an estimated amount of Ps.6518.2 million in net proceeds in the manner described under "Use of Proceeds."

This table should be read together with the Financial Statements included elsewhere in this offering memorandum. Information in the following table is presented in nominal Pesos as of September 30, 2011 and U.S. Dollar amounts are translated at the rate of Ps.13.4217 equal to US$1.00, as published by Banco de México on September 30, 2011.

	As of September 30, 2011			
	Actual	**Actual**	**As adjusted for this offering[1]**	**As adjusted for this offering[1]**
	(in thousands of Ps.)	**(in thousands of US$)**	**(in thousands of Ps.)**	**(in thousands of US$)**
Cash and cash equivalents[2]	6,931,281	516,423	6,931,281	516,423
Short-term debt[3][4]	6,865,766	511,542	1,041,894	77,628
Long-term debt[4]	6,683,708	497,978	12,700,222	946,245
Total debt	13,549,474	1,009,520	13,742,116	1,023,873
Total equity	17,745,162	1,322,125	17,745,162	1,322,125
Total capitalization	31,294,636	2,331,645	31,487,278	2,345,998

(1) Assuming an issuance of US$500 million in principal amount of notes and the application of estimated net proceeds from this offering in the manner described under "Use of Proceeds."

(2) Including cash and cash equivalents (Ps.6,808.8 million) and restricted cash (Ps.122.5 million).

(3) Consists of bank loans (Ps.6,940.7 million); current portion of long-term debt (Ps.89.5 million) and short-term assets arising from hedging derivatives (Ps.164.4 million).

(4) Including net asset position arising from long-term hedging derivatives (Ps.332.5 million). For additional information regarding our indebtedness as of September 30, 2011, see "Management's Discussion and Analysis of Financial Condition and Results of Operation—Contractual Obligations and Commercial Commitments" and Note 5 to the Unaudited Financial Statements.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present our selected consolidated financial information and other data as of and for the periods indicated. These tables should be read in conjunction with the Financial Statements and notes thereto included elsewhere in this offering memorandum and are qualified in their entirety by the information contained therein. See "Presentation of Financial and Certain Other Information." Financial information as of December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010 has been derived from our Audited Financial Statements and notes thereto included elsewhere in this offering memorandum. The Audited Financial Statements included in this offering memorandum have been audited by Mancera, S.C., a member practice of Ernst & Young Global, our independent auditors. Financial information as of and for the nine-month periods ended September 30, 2010 and 2011 has been derived from our Unaudited Financial Statements and notes thereto included elsewhere in this offering memorandum. In the opinion of management, the unaudited financial information set forth below and presented elsewhere in this offering memorandum includes all adjustments necessary for a fair presentation of this financial information. The Financial Statements have been prepared in accordance with MFRS.

During 2008, MFRSI 14, "*Real Estate Construction, Sales and Services Agreements*", was issued. MFRSI 14 supplements Mexican Accounting Bulletin D-7, "Construction and Manufacturing Contracts for Certain Capital Assets," and requires the separation of the various components of construction contracts into their separate elements in order to specify whether the contract refers to the construction or sale of real property or to the provision of related services. MFRSI 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 property, revenues may only be recognized when the entity has achieved certain events, including the execution of the public deed transferring the real property to the buyer; therefore, use of the percentage-of-completion method previously applied by Mexican housing developers, including Urbi, is no longer applicable. MFRSI 14 became effective as of January 1, 2010, with retrospective application to any prior financial periods presented with our consolidated financial statements. Accordingly, the financial information presented for all periods in the following tables reflects the effects of the adoption of MFRSI 14. See "Presentation of Financial and Certain Other Information" and Note 20 to the Audited Financial Statements.

The Dollar amounts provided below are translations from the Peso amounts, solely for the convenience of the reader, at an exchange rate of Ps.13.4217 to US$1.00, the exchange rate published by Banco de México in the Official Gazette on September 30, 2011. See "Exchange Rates" for information regarding the rates of exchange between the Peso and the Dollar for the periods specified therein. These translations should not be construed as representations that the Peso amounts actually represent such Dollar amounts or could be converted into Dollars at the rate indicated or at any other rate.

Income Statement Data	Year Ended December 31,				Nine Months Ended September 30,		
	2008	2009	2010	2010	2010	2011	2011
	(in thousands of Ps.)			(in thousands of US$)	(in thousands of Ps.)		(in thousands of US$)
Net Sales	6,883,351	13,700,442	14,976,836	1,115,867	9,967,096	11,235,755	837,133
Cost of sales	(4,801,909)	(9,635,784)	(10,723,065)	(798,935)	(7,128,878)	(8,081,733)	(602,139)
Gross profit	2,081,442	4,064,658	4,253,771	316,932	2,838,218	3,154,022	234,994
General and administrative expenses	(1,553,059)	(1,159,438)	(1,343,140)	(100,072)	(885,367)	(982,664)	(73,215)
Operating income	528,383	2,905,220	2,910,631	216,860	1,952,851	2,171,358	161,779
Other income, net	19,263	685	63,414	4,725	1,584	2,262	169
Comprehensive result of financing	(20,479)	(151,674)	(335,943)	(25,030)	(305,690)	422,559	31,483
Income before taxes on profits	527,167	2,754,231	2,638,102	196,555	1,648,745	2,596,179	193,431
Taxes on profits	(154,608)	(1,220,008)	(967,779)	(72,106)	(497,933)	(833,122)	(62,073)
Net income	372,559	1,534,223	1,670,323	124,449	1,150,812	1,763,057	131,358

Balance Sheet Data	As of December 31,				As of September 30,		
	2008	2009	2010	2010	2010	2011	2011
	(in thousands of Ps.)			(in thousands of US$)	(in thousands of Ps.)		(in thousands of US$)
Cash and cash equivalents	1,985,498	4,393,122	6,154,595	458,556	5,657,970	6,931,281	516,423
Trade receivable, net	687,854	531,219	5,193,335	386,936	3,637,611	7,190,834	535,762
Short-term derivative instruments	---	---	---	---	---	164,438	12,252
Inventories[1]	18,534,753	20,419,192	16,180,350	1,205,537	17,411,426	17,973,337	1,339,125
Total current assets	22,212,122	27,052,198	29,952,285	2,231,631	29,333,915	35,010,177	2,608,476
Long-term derivative instruments	500,023	165,576	---	---	---	525,498	39,153
Total assets	**26,509,202**	**31,414,129**	**37,068,785**	**2,761,856**	**34,049,682**	**42,804,753**	**3,189,221**
Short-term debt	2,562,248	3,855,227	3,248,926	242,065	1,663,603	6,940,726	517,127
Current portion of long-term debt	198,248	---	---	---	---	89,478	6,667
Derivative instruments	---	---	21,845	1,628	---	---	---
Trade advances	548,353	469,667	546,356	40,707	552,921	655,391	48,831
Accounts payable	2,662,630	3,923,758	4,162,297	310,117	2,903,590	4,662,651	347,396
Taxes and other accounts payable	575,467	950,740	2,549,352	189,943	676,116	3,210,242	239,183
Total current liabilities	**6,546,946**	**9,199,392**	**10,528,776**	**784,460**	**5,796,230**	**15,558,488**	**1,159,204**
Long-term debt	4,377,368	4,018,093	6,986,757	520,557	8,428,943	7,016,221	522,752
Accounts payable	206,376	763,633	350,731	26,132	602,525	198,131	14,762
Derivative instruments	---	---	740,412	55,165	596,415	192,985	14,379
Labor obligations	2,448	3,386	3,530	263	3,386	3,531	263
Deferred income tax	3,015,818	3,720,515	2,688,030	200,275	4,085,051	2,090,235	155,735
Total long-term liabilities	**7,602,010**	**8,505,627**	**10,769,460**	**802,392**	**13,716,320**	**9,501,103**	**707,891**
Total liabilities	**14,148,956**	**17,705,019**	**21,298,236**	**1,586,852**	**19,512,550**	**25,059,591**	**1,867,095**
Total equity	**12,360,246**	**13,709,110**	**15,770,549**	**1,175,004**	**14,537,132**	**17,745,162**	**1,322,126**

Other Financial Information	Year Ended December 31,				Nine Months Ended September 30,		
	2008	2009	2010	2010	2010	2011	2011
	(in thousands of Ps.)			(in thousands of US$)	(in thousands of Ps.)		(in thousands of US$)
Capital expenditures	211,472	169,847	162,204	12,085	115,018	150,773	11,234
EBITDA[2]	1,601,024	4,132,061	4,066,580	302,985	2,786,322	2,971,632	221,405
Depreciation and amortization	274,998	376,312	277,655	20,687	206,229	97,101	7,235

Financial Ratios	As of and for the Year Ended December 31,			As of and for the Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
Gross margin[3]	30.2%	29.7%	28.4%	28.5%	28.1%
EBITDA margin[4]	23.3%	30.2%	27.2%	28.0%	26.4%
Operating margin[5]	7.7%	21.2%	19.4%	19.6%	19.3%
Total debt/total capitalization[6]	34.9%	36.0%	41.1%	42.4%	43.3%
Return on equity[7]	3.1%	11.8%	11.3%	10.6%	14.1%
Current ratio[8]	3.4x	2.9x	2.8x	5.1x	2.3x

(1) Primarily comprising land held for construction (excluding long-term land held for construction). Land held for construction includes capitalized comprehensive result of financing. See Notes 2(g) and 5 to the Audited Financial Statements and Note 4 to the Unaudited Financial Statements for further information regarding how we classify our inventories.

(2) EBITDA is not a financial measure computed under MFRS. EBITDA is operating income plus depreciation and amortization and capitalized comprehensive result of financing. We capitalize interest expense derived from bank loans used primarily for both land development and housing construction, in amounts defined by each project. The expense attributable to capitalized comprehensive result of financing in a given year is included in our cost of sales and is not included in comprehensive result of financing. The following reconciles operating income to EBITDA:

	Year Ended December 31,				**Nine Months Ended September 30,**		
	2008	**2009**	**2010**	**2010**	**2010**	**2011**	**2011**
		(in thousands of Ps.)		**(in thousands of US$)**	**(in thousands of Ps.)**		**(in thousands of US$)**
Operating income.....	528,383	2,905,220	2,910,631	216,860	1,952,851	2,171,358	161,779
Depreciation and amortization	274,998	376,312	277,655	20,687	206,229	97,101	7,235
Capitalized comprehensive result of financing	797,643	850,529	878,294	65,438	627,242	703,173	52,391
EBITDA..................	1,601,024	4,132,061	4,066,580	302,985	2,786,322	2,971,632	221,405

We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods and with other companies in our industry because it excludes the effect of depreciation, which represents a non-cash charge to earnings. We believe that EBITDA is also a useful basis of comparing our results with those of other companies because it presents operating results on a basis unaffected by capital structure. You should review EBITDA, along with net income (loss), changes in resources used in or provided by operating activities, investing activities and financing activities, when trying to understand our operating performance. While EBITDA may provide a useful basis for comparison, our computation of EBITDA is not necessarily comparable to EBITDA as reported by other companies, as each is calculated in its own way and must be read in conjunction with the explanations that accompany it. While EBITDA is a relevant and widely used measure of operating performance, it does not represent changes in financial position in accordance with MFRS and should not be considered as an alternative to net income (loss), determined in accordance with MFRS, as an indication of our financial performance, or changes in financial position, determined in accordance with MFRS, as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs for dividends, reinvestment or other discretionary uses. EBITDA has certain material limitations, including that: (i) it does not include taxes, which are a necessary and ongoing part of our operations; (ii) it does not include depreciation, which, because we must utilize property and equipment in order to generate revenues in our operations, is a necessary and ongoing part of our costs; and (iii) it does not include comprehensive result of financing, which is composed primarily of financial expense (net of financial income plus any net foreign exchange or monetary losses), which, because we have borrowed money to finance some of our operations, is a necessary and ongoing part of our costs and assisted us in generating revenue. Therefore, any measure that excludes any or all of taxes, depreciation and comprehensive result of financing has material limitations.

(3) Represents gross profit divided by sales, expressed as a percentage.

(4) Represents EBITDA divided by sales, expressed as a percentage.

(5) Represents operating income divided by sales, expressed as a percentage.

(6) Represents total debt divided by the sum of total debt and equity. Total debt includes the current portion of long-term debt, notes payable to banks, long-term debt and the value of the derivative instruments. See Notes 10 and 11 to the Audited Financial Statements and Note 5 to the Unaudited Financial Statements.

(7) Net income (last twelve months) divided by average equity, expressed as a percentage.

(8) Represents current assets divided by current liabilities.

Summary Operating Data

Operating Data	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
Homes sold[1]	28,740	29,709	33,567	23,599	25,934
Affordable entry-level	25,843	17,195	26,831	18,946	21,755
Low middle-income	2,341	10,875	5,419	3,714	3,372
High middle-income and upper-income	556	1,639	1,317	939	807
Mortgage Commitment Backlog[2]	42,014	39,726	34,798	36,377	33,474
			(in Ps.)		
Average home sales price per home	232,850	453,776	386,392	362,341	363,797
Affordable entry-level	202,903	305,355	292,943	271,333	288,437
Low middle-income	449,525	609,486	655,602	635,922	620,249
High middle-income and upper-income	712,496	977,734	1,176,199	1,116,498	1,323,787
			(in thousands of Ps.)		
Total sales	6,883,351	13,700,442	14,976,836	9,967,096	11,235,755
Revenues from housing development	6,692,103	13,481,238	12,961,811	8,550,890	9,434,720
Affordable entry-level	5,243,616	5,250,574	7,860,051	5,140,683	6,274,945
Low middle-income	1,052,339	6,628,158	3,552,706	2,361,815	2,091,479
High middle-income and upper-income	396,148	1,602,506	1,549,054	1,048,392	1,068,296
Revenues from housing-related activities[3]	191,248	219,204	2,015,025	1,416,206	1,801,035

(1) MFRSI 14 became effective as of January 1, 2010, with retrospective application to any prior financial periods presented with our consolidated financial statements. Accordingly, the financial information presented reflects the effects of the adoption of MFRSI 14.

(2) Defined as the number of homes for which mortgage providers have confirmed that mortgage financing will be available once we locate and assign qualified home buyers. See "Our Business—Marketing and Sales—Mortgage Commitment Backlog."

(3) Consists of revenues from the *Casa Capital Plus* program (our program for the sale or purchase of existing homes), the sale of home furnishings and equipment and the sale of commercial land and macroprojects.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Financial Statements and notes thereto included elsewhere in this offering memorandum. Our Financial Statements have been prepared in accordance with MFRS.

During 2008, MFRSI 14, "Real Estate Construction, Sales and Services Agreements", was issued. MFRSI 14 supplements Mexican Accounting Bulletin D-7, "Construction and Manufacturing Contracts for Certain Capital Assets," and requires the separation of the various components of construction contracts into their separate elements in order to specify whether the contract refers to the construction or sale of real property or to the provision of related services. MFRSI 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 property, revenues may only be recognized when the entity has achieved certain events, including the execution of the public deed transferring the real property to the buyer; therefore, use of the percentage-of-completion method previously applied by Mexican housing developers, including Urbi, is no longer applicable. MFRSI 14 became effective as of January 1, 2010, with retrospective application to any prior financial periods presented with our consolidated financial statements. Accordingly, unless otherwise indicated, the financial information for all periods set forth in the following discussion reflects the effects of the adoption of MFRSI 14. See "Presentation of Financial and Certain Other Information" and Note 20 to the Audited Financial Statements.

Introduction

We are a vertically integrated and diversified Mexican housing development company. We mainly target affordable entry-level and low middle-income home buyers, although we also develop a small percentage of homes for high middle-income and upper-income home buyers. As most home mortgage financing institutions categorize their financing programs by income level, we describe the homes we develop as "affordable entry-level," "low middle-income," and "high middle-income and upper-income" housing. In 2010 and the nine-month period ended September 30, 2011, our affordable entry-level and low middle-income housing accounted for approximately 96.1% and 96.9%, respectively, of the total number of homes we sold, and 88.0% and 88.7%, respectively, of our housing development revenues, with high middle-income and upper-income housing accounting for the balance.

According to the 2010 INEGI census, the housing deficit in Mexico is 8.9 million units, with 57% belonging to the income segments of workers earning below four SMGs. Therefore, housing demand for affordable entry-level and low middle-income housing in Mexico is large and exceeds the available supply. The Mexican federal governmental has historically supported the housing sector with policies and incentives to provide mortgage financing and subsidies to lower income households, which have provided a relatively stable source of revenue for home developers like us. The National Housing Plan 2006-2012 estimates the delivery of over 6 million credits for housing, which represents a significant increase compared to the previous National Housing Plan 2000-2006 which delivered approximately 3.2 million credits for housing. In addition, new products may become available for workers who are not affiliated with Infonavit or Fovissste. In the past, the needs of this segment of the population have not been adequately addressed, despite the fact that such workers account for over 60% of the working population. We consider that the main factors in Mexico driving housing demand are Mexico's continuing housing deficit, current demographic trends and government policies aimed at segments of the population that traditionally are not able to obtain mortgages. At the same time, as a result of the recent global financial crisis, several small and medium-sized housing developers have faced difficulties obtaining financing to complete their projects, resulting in a reduced supply of new homes. According to Infonavit, as a result of the contraction in construction financing, new housing starts decreased by approximately 20% between 2008 and 2010. We believe that these factors will provide us with new opportunities to expand our operations.

Development of affordable entry-level and low middle-income housing in Mexico is heavily dependent on the availability of below-market interest rate mortgage financing provided to home buyers primarily by Infonavit, SHF and Fovissste, which are government or government-sponsored institutions. Most of our operating revenues in 2010 and in the nine-month period ended September 30, 2011 from sales of affordable entry-level homes, which represented 60.6% and 66.5% of our total housing development revenues in 2010 and in the nine-month period ended September 30, 2011, respectively, were derived from home mortgage financing made available to our clients by Infonavit, SHF and Fovissste. In addition, a substantial portion of our operating revenues in 2010 and in the nine-month period ended September 30, 2011 from sales of low middle-income homes, which represented 27.4% and 22.2% of our total housing development revenues in 2010 and in the nine-month period ended September 30, 2011, respectively, was derived from mortgage financing made available to our clients by SHF, Sofoles, Sofomes and banks. See "Risk Factors—Risks Related to Our Business— Our

ability to generate sufficient revenues to ensure our viability is dependent on public and private sector mortgage financing" for a discussion of how changes in SHF policy may affect funding of our housing developments in the future.

We have continued to develop our leadership position in affordable entry-level and low middle-income housing development. We believe our market share was 6.3% of the entire market, based on units sold and titled in 2010 as estimated by Conavi. We also continue to grow geographically, expanding into the most dynamic medium-sized cities in Mexico.

As a result of the recent global financial crisis, we have adopted a strategy focused on achieving steady growth while maintaining free cash flow generation, maintaining strong margins and strengthening our balance sheet and liquidity position. We believe this strategy will allow us to achieve the highest cash balance and one of the lowest indebtedness ratios in the industry, providing us with the flexibility to take advantage of new business opportunities available under the current economic environment. Since 2010, we have utilized our increased liquidity and cash flows to acquire housing projects in progress initiated by small and medium-sized housing developers, which also resulted in the addition of eleven new SBUs. We believe such acquisitions represent a significant business opportunity.

Seasonality

Historically, there have been significant seasonal variations in our results of operations, particularly related to our affordable entry-level and low middle-income housing development business. As a result of the lending cycles of the programs that finance those categories of housing, construction of these homes generally begins toward the end of the first calendar quarter, and is usually completed in the last quarter of the year. Proceeds from sales of affordable entry-level and low middle-income homes are not received until the homes are completed and delivered and actual, legal title has been transferred to the homebuyer. Since sales of most affordable entry-level and low middle-income homes are finalized during the second half of the year, we receive a significant portion of our cash flow during the last quarter of the year. Sales of high middle-income and upper-income housing units are not subject to the same seasonality. See "Risk Factors—Risks Related to Our Business—Due to the lending cycles of some providers of mortgage financing, we experience significant variations in quarterly results."

Critical Accounting Policies and Practices

We have identified certain key accounting policies and practices which impact our financial condition and results of operations. These key accounting estimates generally involve complex quantitative analyses or are based on subjective judgments or decisions. In the opinion of management, our most critical accounting policies and practices under MFRS are those we discuss immediately below. For a further description of our significant accounting estimates, see Note 2 to the Audited Financial Statements.

Basis of Preparation

The Financial Statements have been prepared on the basis of historical costs, except for non-monetary items that were acquired or recorded in the financial statements before December 31, 2007, as such items reflect the accumulated effects of inflation from their initial recognition date through December 31, 2007.

Inflation in 2008, 2009 and 2010, as determined based on the Mexican National Consumer Price Index published by the Bank of Mexico, was 6.53, 3.57% and 4.40%, respectively. Inflation in the nine-month period ended September 30, 2011, as determined by the National Consumer Price Index published by the Bank of Mexico, was 1.19%. Cumulative inflation for the past three years was 14.5%, which, according to Mexican Financial Reporting Standards, reflects a non-inflationary economic environment. Therefore, our financial information for 2008, 2009 and 2010 and the nine-month period ended September 30, 2011was prepared without recognizing the effects of inflation.

Recognition of Revenues and Cost of Sales of Housing Units

Through December 31, 2009, revenues and costs from sales of housing units were recognized through the percentage of completion method, in conformity with Bulletin D-7, Construction Contracts and Capital Goods Manufacturing.

Effective January 1, 2010, MFRSI 14, Real Estate Construction, Sales and Services Agreements, was adopted. The adoption of this Interpretation affected the manner in which revenues, costs and expenses from the Company's home sales

were recognized. In accordance with MFRSI 14, revenues and cost from home sales are now recognized when all of the following conditions are fulfilled:

- we have transferred control of the property or assets to the homebuyer (ie: the risks and benefits related to the property or assets have been transferred to the homebuyer);
- we do not retain any continued participation of the actual management of the sold assets, in the usual grade associated with the ownership of property, nor does retain the effective control of the sold assets;
- the amount of revenues can be estimated reliably;
- it is probable that we will receive the economic benefits associated with the transaction; and
- the costs and expenses incurred or to be incurred related to the transaction can be estimated reliably.

The above conditions are typically met upon the completion of construction, and signing by us, the customer and, if applicable, the lender of the legal contracts and deeds of ownership (*escritura*) related to the property. At that time, the customer would have the legal right to take possession of the home.

In 2010, we initiated a program whereby in addition to selling completed housing units to individuals, we also began selling multiple completed housing units to corporate customers for subsequent resale to individuals. We provide financing to corporate clients purchasing homes under this mass sale system, on market terms and subject to a credit review, in payment plans that range from three to nine months; none of the payment plans have a duration of more than one year. From the time of initial sale to these corporate customers, we are no longer involved in any manner in the construction or management of such units, in the corporate customers' subsequent resale of the units or in assisting the customers of the corporate customers in obtaining financing for such subsequent resale. The promissory notes we receive from corporate customers in connection with such sales are typically unsecured in nature. Revenue recognition for such corporate customers typically occurs at the time of initial sale to such corporate customers, which is also the time we transfer legal title to the property. Among the various requirements for up-front revenue recognition is the up-front transfer of all significant risk and rewards related to the units to our corporate customers, with no significant subsequent involvement in either the projects or the corporate customers' resale of the units. Meeting these requirements involves not only our contemporaneous evaluation that collection is probable, but also that collection is in no way contingent upon the corporate customers' resale of the units to individuals. See Note 2 to the Audited Financial Statements for additional information regarding our revenue recognition policy for corporate customers. As of December 31, 2010 and September 30, 2011, we had Ps.4,433.4 million and Ps.6,212.0 million, respectively, in corporate customer receivables, which we believe met the above requirements.

The cost of sales includes land, direct materials, labor and all the indirect costs related to the homes sold such as indirect labor, equipment, repairs, depreciation and the capitalization of the comprehensive result of financing.

Derivative Financial Instruments

We mitigate certain financial risks, such as interest rate and foreign currency risks (market risk) associated with financing obtained, through a controlled risk management program that includes the use of derivative financial instruments. Derivative instruments are contracted solely with financially-strong institutions. Our policy is not to carry out speculative transactions with derivative financial instruments.

All of our derivatives are contracted through the Mexican Derivatives Market. There must be an International Swaps and Derivatives Association (ISDA) Master Agreement for all interest rate hedges.

We value and record all derivative financial instruments as fair value assets and liabilities in the balance sheet, irrespective of their holding purpose.

Financial instruments are revalued from the acquisition date and then on a quarterly basis based on the changes in their fair value.

When a derivative financial instrument is acquired for hedging purposes and it complies with all hedging requirements, it is documented as a hedge upon inception. This documentation describes the objective, characteristics and accounting recognition of the hedge, and how the hedge effectiveness will be assessed.

For the years ended December 31, 2008, 2009 and 2010 and the nine-month period ended September 30, 2011, derivative financial instruments used by us were recorded as cash flow hedges. The effective portion of the cash flow hedge is temporarily recognized as other comprehensive income item and is carried to results of operations when the hedged transaction affects profit or loss, while the ineffective portion is immediately recognized in results of operations.

Our financial instruments are adjusted at fair value from the acquisition date and then on a quarterly basis based on the changes in their fair value.

Changes in the fair value of derivatives that do not qualify as hedges are immediately recognized in results of operations.

We suspend cash flow hedge accounting when (i) the derivative expires, (ii) it has been sold, cancelled or executed, (iii) it is not effective enough to offset the changes in the fair value or cash flows of the hedged item, or (iv) we decide to cancel the hedging designation. After suspending the accounting for cash flow hedges, the amounts recognized in equity as other comprehensive income items remain in equity until such time as the effects of the forecasted transaction or firm commitment affects earnings.

If a forecasted transaction or firm commitment is not expected to occur, the amounts previously recognized as part of other comprehensive income are immediately reclassified to results of operations. Whenever a cash flow hedge on a forecasted transaction was satisfactory and subsequently is determined to no longer meet the conditions for effectiveness, the cumulative effects on the comprehensive income caption in equity are charged to results of operations in proportion to the forecasted asset or liability affecting them.

Inventories

Constructions in process, land under development and land held for future housing developments are valued at acquisition cost. The inventory of land held for future housing developments constitutes the land reserve available for housing developments.

Inventories of construction materials are recognized at historical acquisition cost, including all intrinsic expenses incurred, and are valued using the average-cost method.

Capitalized comprehensive result of financing is determined by applying the weighted average capitalization rate of financing to the weighted average amount of investments in constructions in process and land under development. The capitalization of these costs begins at the time land development activities commence and continues over the period the Company works on the project. In the case of foreign currency denominated financing, capitalized comprehensive result of financing includes the related exchange gains or losses. See Note 5 to the Audited Financial Statements.

We evaluate whether there are indicators of decline in the value of its inventories due to obsolescence and slow movement. At December 31, 2009 and 2010, there were no indicators of impairment.

Our policy is to locate and acquire on an annual basis land to build new housing developments, and to classify as short-term the land that we are currently developing or that it expects to build on in the following year, although not all such current construction will be sold and realized in cash or accounts receivable within that one year period. Land slated for development within a term of more than one year is classified as non-current assets.

Taxes on Profits

Taxes on profits incurred during the fiscal year are presented as a short-term liability net of advance payments made during the year.

We determine deferred taxes on profits based on the asset and liability method, recognizing all differences between financial reporting and tax basis and applying to such differences the income tax (IRS) rate or the Flat Rate Business Tax (IETU) rate, as the case may be, in effect at the balance sheet date, or the enacted rates at such dates that will be in effect when the deferred tax assets and liabilities are expected to be recovered or settled, respectively.

We periodically evaluate the possibility of recovering deferred tax assets and, if necessary, create a valuation allowance for those assets that do not have a high probability of being realized.

Taxes on profits are reflected in the income statement as incurred, including the effect of deferred taxes. The deferred tax amount to be reflected in the income statement is determined by comparing the deferred tax balance at the beginning and at the end of the fiscal year, excluding from both balances any temporary differences recorded directly under equity, which are recorded in the same equity account that gave rise to them.

Sales by Category

The following table sets forth for the periods indicated, certain selected data by category of homes sold:

	Year Ended December 31,			Nine Months Ended September 30,	
Number of Homes Sold by Category	**2008**	**2009**	**2010**	**2010**	**2011**
Homes sold	28,740	29,709	33,567	23,599	25,934
Affordable entry-level	25,843	17,195	26,831	18,946	21,755
Low middle-income	2,341	10,875	5,419	3,714	3,372
High middle-income and upper-income	556	1,639	1,317	939	807
Homes sold (% of total homes sold)	100.0%	100.0%	100.0%	100.0%	100.0%
Affordable entry-level	89.9	57.9	80.0	80.3	83.9
Low middle-income	8.2	36.6	16.1	15.7	13.0
High middle-income and upper-income	1.9	5.5	3.9	4.0	3.1

Results of Operations

The following table sets forth for the periods indicated, certain selected financial data expressed as a percentage of total net sales:

	Year Ended December 31,			Nine Months Ended September 30,	
Consolidated Income Statement Data as Percentage of Sales	**2008**	**2009**	**2010**	**2010**	**2011**
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	(69.8)	(70.3)	(71.6)	(71.5)	(71.9)
Gross profit	30.2	29.7	28.4	28.5	28.1
General and administrative expenses	(22.6)	(8.5)	(9.0)	(8.9)	(8.7)
Operating income	7.7	21.2	19.4	19.6	19.4
Other income, net	0.3	0.0	0.4	0.0	0.0
Comprehensive result of financing	(0.3)	(1.1)	(2.2)	(3.1)	3.8
Taxes on profits	(2.2)	(8.9)	(6.5)	(5.0)	(7.4)
Net income	5.4	11.2	11.2	11.5	15.8

Nine-month Period Ended September 30, 2011 Compared to September 30, 2010

Net Sales

Net sales increased 12.7% to Ps.11,235.8 million in the nine-month period ended September 30, 2011 from Ps.9,967.1 million in the nine-month period ended September 30, 2010, primarily as a result of our continued focus on sales of affordable entry-level housing consistent with the strategy discussed under "Introduction" above and, to a lesser extent, an increase in sales funded through government subsidies, which are typically disbursed in the first and second quarters. The results also reflect Ps.1,801.0 million in revenues from housing-related activities, which consist of revenues from the *Casa Capital Plus* program (our program for the sale or purchase of existing homes), the sale of home furnishings and equipment and the sale of commercial land and macroprojects, which accounted for 16.0% of total sales in the nine-month period ended September 30, 2011. Sales during the nine-month period ended September 30, 2011 also increased due to the implementation of our sales to corporate customers of homes in large volumes for subsequent resale. During this period, our accounts receivable from corporate customers grew to Ps.6,212.0 million from Ps.4,433.4 million in 2010. We believe these sales represented an important part of our profitability for the nine-month period ended September 30, 2011. For additional information regarding sales to corporate customers, see "Our Business—Marketing and Sales—Customers and Customer Financing."

The total number of homes sold increased 9.9% to 25,934 units in the nine-month period ended September 30, 2011 from 23,599 units in the nine-month period ended September 30, 2010. The number of affordable entry-level homes sold increased 14.8% to 21,755 units in the nine-month period ended September 30, 2011 from 18,946 units in the nine-month period ended September 30, 2010. The number of low middle-income homes sold decreased 9.2% to 3,372 units in the nine-month period ended September 30, 2011 from 3,714 units in the nine-month period ended September 30, 2010. The number of combined high middle-income and upper-income homes sold decreased 14.1% to 807 units in the nine-month period ended September 30, 2011 from 939 units in the nine-month period ended September 30, 2010.

Our total average sales price per home remained stable, with an increase of 0.4% to Ps.363,797 in the nine-month period ended September 30, 2011 from Ps.362,341 in the nine-month period ended September 30, 2010, which we believe is consistent with our continued strategic focus on affordable entry-level and low middle-income housing while maintaining profitability. The average sales price per affordable entry-level home increased 6.3% to Ps.288,437 in the nine-month period ended September 30, 2011 from Ps.271,333 in the nine-month period ended September 30, 2010; the average sales price per low middle-income home decreased 2.5% to Ps.620,249 in the nine-month period ended September 30, 2011 from Ps.635,922 in the nine-month period ended September 30, 2010, and the average sales price per high middle-income and upper-income home increased 18.6% to Ps.1,323,787 in the nine-month period ended September 30, 2011 from Ps.1,116,498 in the nine-month period ended September 30, 2010.

In the nine-month period ended September 30, 2011, 66.5% of our housing development sales were derived from affordable entry-level homes, 22.2% from low middle-income homes and 11.3% from high middle-income and upper-income homes combined, as compared to 60.1%, 27.6% and 12.3% in the nine-month period ended September 30, 2010, respectively. The increase in the proportion of sales attributable to affordable entry-level housing in the nine-month period ended September 30, 2011 is due to our continued strategic focus on affordable entry-level housing.

Cost of Sales

Cost of sales increased 13.4% to Ps.8,081.7 million in the nine-month period ended September 30, 2011 from Ps.7,128.9 million in the nine-month period ended September 30, 2010, as a result of the increase in the proportion of affordable entry-level housing in our product mix. Cost of sales as a percentage of total sales was approximately 71.9% in the nine-month period ended September 30, 2011, as compared to 71.5% in the nine-month period ended September 30, 2010.

For the nine-month period ended September 30, 2011, cost of sales of affordable entry-level housing, low middle-income housing and combined high middle-income and upper-income housing as a percentage of total sales for each such category represented 73.9%, 69.8% and 69.0%, respectively. For the nine month-period ended September 30, 2010, cost of sales of affordable entry-level housing, low middle-income housing and combined high middle-income and upper-income housing as a percentage of total sales for each such category represented 73.7%, 69.6% and 68.4%, respectively. Cost of sales includes the expense attributable to capitalized comprehensive result of financing for both land development and housing construction. This expense was Ps.703.2 million in the nine-month period ended September 30, 2011, as compared to Ps.627.2 million in the nine-month period ended September 30, 2010. For a description of cost of

sales, see "– Significant Accounting Policies and Practices—Revenue and Cost Recognition" and Note 2(c) to the Audited Financial Statements.

Gross Profit

Gross profit increased 11.1% to Ps.3,154.0 million in the nine-month period ended September 30, 2011 from Ps.2,838.2 million in the nine-month period ended September 30, 2010 due to an increase in total sales, partially offset by an increase in the cost of sales over the same period. Gross margin was 28.1% in the nine-month period ended September 30, 2011 as compared to 28.5% in the nine-month period ended September 30, 2010, due to a product mix focus on affordable entry-level and low middle-income housing. The following table sets forth our gross profit by business segment for the nine-month periods ended September 30, 2010 and 2011:

	Nine Months Ended September 30,							
	2010				2011			
	Affordable entry-level	Low middle-income	High middle-income and upper-income	Housing-related activities	Affordable entry-level	Low middle-income	High middle-income and upper-income	Housing-related activities
	(in thousands of Ps.)							
Sales	5,140,683	2,361,815	1,048,392	1,416,206	6,274,945	2,091,479	1,068,296	1,801,035
Cost of Sales	3,789,789	1,642,908	716,682	979,499	4,634,590	1,459,125	737,568	1,250,450
Gross Profit	1,350,894	718,907	331,710	436,707	1,640,355	632,354	330,728	550,585

General and Administrative Expenses

General and administrative expenses include, among other items, the salaries of administrative and sales personnel, legal and other professional fees and expenses, sales and marketing expenses (including sales commissions), and depreciation.

General and administrative expenses increased 11.0% to Ps.982.7 million in the nine-month period ended September 30, 2011 from Ps.885.4 million in the nine-month period ended September 30, 2010. As a percentage of total sales, our general and administrative expenses decreased to 8.7% in the nine-month period ended September 30, 2011 from 8.9% in the nine-month period ended September 30, 2010, reflecting our productivity measures and cost-cutting originally implemented in 2009, in conjunction with our growth strategy discussed above.

Operating Income

As a result of the above, operating income increased 11.2% to Ps.2,171.4 million in the nine-month period ended September 30, 2011 from Ps.1,952.9 million in the nine-month period ended September 30, 2010. As a percentage of total sales, our operating income decreased to 19.3% in the nine-month period ended September 30, 2011 from 19.6% in the nine-month period ended September 30, 2010.

Comprehensive Result of Financing

Our comprehensive result of financing represents the sum of financial income, financial expense, foreign exchange gain or loss, and gain or loss on valuation of financial instruments. We capitalize financial expense and other components of the comprehensive result of financing arising from bank loans used primarily for land development and housing construction, in amounts determined for each project. The expense attributable to the capitalized comprehensive result of financing in a given year is included in our cost of sales and is not included in comprehensive result of financing. See "—Critical Accounting Policies and Practices—Revenue and Cost Recognition," and Note 2(c) to the Audited Financial Statements.

Our comprehensive result of financing decreased to an income of Ps.422.6 million in the nine-month period ended September 30, 2011 from an expense of Ps.305.7 million in the nine-month period ended September 30, 2010, mainly due to an increase in net financial income and a non-cash gain related to the Company's hedging derivatives as described below.

Financial expense decreased by 50.8% to Ps.121.4 million in the nine-month period ended September 30, 2011 from Ps.246.9 million in the nine-month period ended September 30, 2010, mainly due to lower non-qualified D6 financial expenses.

Financial income increased by 213.2% to Ps.354.1 million in the nine-month period ended September 30, 2011 from Ps.113.1 million in the nine-month period ended September 30, 2010, mainly due to a higher average balance of cash and cash equivalents.

We recorded an unrealized gain on valuation of financial instruments related to U.S. Dollar-denominated debt, of Ps.205.6 million in the nine-month period ended September 30, 2011, compared to an unrealized loss of Ps.156.3 million in the nine-month period ended September 30, 2010, primarily due to the depreciation of the Peso in addition to the recognition of an unrealized gain on the valuation of our financial instruments, which were in the money as of September 30, 2011.

Tax on Profits

Our total tax on profits expense increased by 67.3% to Ps.833.1 million in the nine-month period ended September 30, 2011 from Ps.497.9 million in the nine-month period ended September 30, 2010, derived mainly from an increase in income before taxes on profits and an increase in the effective tax rate, which led to an increase in current year income taxes that was not fully offset by the recognition of deferred taxes. The increase in our effective tax rate is attributable to estimated non deductible inflationary adjustment applied to taxable assets which increased during the nine-month period ended September 30, 2011. For this period our effective tax rate was 32% compared to 30% for the nine month period ended September 30, 2010.

Net Income

As a result of the foregoing, our net income in the nine-month period ended September 30, 2011 increased by 53.2% to Ps.1,763.1 million from Ps.1,150.8 million in the nine-month period ended September 30, 2010.

2010 Compared to 2009

Net Sales

In 2010 we continued the prudent growth strategy implemented in 2009, aimed at increasing liquidity and free cash flow in the near term by focusing on the affordable entry-level and, to a lesser extent, low middle-income segments of the housing industry in Mexico, taking advantage of higher demand levels in the affordable entry-level segment and greater overall availability of financing via government subsidies, co-financing through Infonavit and Cofinavit and financing through the SHF programs *Ahorrashf* and *Renta con Opción a Compra* ("Rent to Own"). We believe that an increase in liquidity and free cash flow will allow us to capitalize on future and long-term growth opportunities.

Net sales increased 9.3% to Ps.14,976.8 million in 2010 from Ps.13,700.4 million in 2009, with a strong focus on affordable entry-level housing, consistent with the aforementioned growth strategy. The results also reflect Ps.2,015.0 million in revenues from housing-related activities, which consist of revenues from the *Casa Capital Plus* program (our program for the sale or purchase of existing homes), the sale of home furnishings and equipment and the sale of commercial land and macroprojects, which accounted for 13.5% of total sales in 2010. Sales during 2010 also increased due to the implementation of our sales to corporate customers of homes in large volumes for subsequent resale. During this period, our accounts receivable from corporate customers grew to Ps.4,433.4 million from Ps.0 million in 2009. We believe these sales represented an important part of our profitability for the year ended December 31, 2010. For additional information regarding sales to corporate customers, see "Our Business—Marketing and Sales—Customers and Customer Financing."

The total number of homes sold increased 13.0% to 33,567 units in 2010 from 29,709 units in 2009. The number of affordable entry-level homes sold increased 56.0% to 26,831 units in 2010 from 17,195 units in 2009. The number of low middle-income homes sold decreased 50.2% to 5,419 units in 2010 from 10,875 units in 2009. The number of combined high middle-income and upper-income homes sold decreased 19.6% to 1,317 units in 2010 from 1,639 units in 2009.

Our total average sales price per home decreased 14.8% to Ps.386,392 in 2010 from Ps.453,776 in 2009, as a result of an increase in the proportion of affordable entry-level and low middle-income housing in our product mix. The average sales price per affordable entry-level home decreased 4.1% to Ps.292,943 in 2010 from Ps.305,355 in 2009; the average sales

price per low middle-income home increased 7.6% to Ps.655,602 in 2010 from Ps.609,486 in 2009, and the average sales price per high middle-income and upper-income home increased 20.3% to Ps.1,176,199 in 2010 from Ps.977,734 in 2009.

In 2010, 60.6% of our housing development sales were derived from affordable entry-level homes, 27.4% from low middle-income homes and 12.0% from high middle-income and upper-income homes combined, as compared to 38.9%, 49.2% and 11.9% in 2009, respectively. The increase in the proportion of sales attributable to affordable entry-level and low middle-income housing in 2010 is due to the implementation of the prudent growth strategy described above.

Cost of Sales

Cost of sales increased 11.3% to Ps.10,723.1 million in 2010 from Ps.9,635.8 million in 2009, as a result of the increase in the proportion of affordable entry-level housing in our product mix. Cost of sales as a percentage of total sales was approximately 71.6% in 2010, as compared to 70.3% in 2009.

In 2010, cost of sales of affordable entry-level housing, low middle-income housing and combined high middle-income and upper-income housing as a percentage of total sales for each such category represented 73.9%, 69.5% and 68.3%, respectively. In 2009, cost of sales of affordable entry-level housing, low middle-income housing and combined high middle-income and upper-income housing as a percentage of total sales for each such category represented 73.4%, 69.1% and 67.4%, respectively. Cost of sales includes the expense attributable to capitalized comprehensive result of financing for both land development and housing construction. This expense was Ps.878.3 million in 2010, as compared to Ps.850.5 million in 2009. For a description of cost of sales, see "– Significant Accounting Policies and Practices—Revenue and Cost Recognition" and Note 2(c) to the Audited Financial Statements.

Gross Profit

Gross profit increased 4.7% to Ps.4,253.8 million in 2010 from Ps.4,064.7 million in 2009 due to an increase in total sales, partially offset by an increase in the cost of sales over the same period. Gross margin was 28.4% in 2010 as compared to 29.7% in 2009, due to a product mix focus on affordable entry-level and low middle-income housing. The following table sets forth our gross profit by business segment for the years ended December 31, 2009 and 2010:

	Year Ended December 31,							
	2009				**2010**			
	Affordable entry-level	Low middle-income	High middle-income and upper-income	Housing-related activities	Affordable entry-level	Low middle-income	High middle-income and upper-income	Housing-related activities
	(in thousands of Ps.)							
Sales	5,250,574	6,628,158	1,602,506	219,204	7,860,051	3,552,706	1,549,054	2,015,025
Cost of Sales	(3,854,023)	(4,578,701)	(1,079,961)	(123,099)	(5,806,476)	(2,467,596)	(1,058,315)	(1,390,678)
Gross Profit	1,396,551	2,049,457	522,545	96,105	2,053,575	1,085,110	490,739	624,347

General and Administrative Expenses

General and administrative expenses increased 15.8% to Ps.1,343.1 million in 2010 from Ps.1,159.4 million in 2009. Due to the global financial crisis, in 2009 we primarily focused our resources on strengthening our balance sheet and liquidity and implementing efficient spending measures, which led to historically low levels of general and administrative expenses in 2009. In 2010, we resumed our growth strategy, increasing our general and administrative expenses compared to 2009. As a percentage of total sales, our general and administrative expenses increased to 9.0% in 2010 from 8.5% in 2009. Between December 31, 2009 and December 31, 2010, the number of permanent employees remained practically unchanged, increasing by 0.7%, from 3,372 to 3,394.

Operating Income

As a result of the above, operating income increased 0.2% to Ps.2,910.6 million in 2010 from Ps.2,905.2 million in 2009. As a percentage of total sales, our operating income decreased to 19.4% in 2010 from 21.2% in 2009.

Comprehensive Result of Financing

Our comprehensive result of financing increased to an expense of Ps.335.9 million in 2010 from Ps.151.7 million in 2009, mainly due to an increase in carrying cost resulting from the valuation of derivatives, which does not involve a cash outflow.

Financial expense increased by 54.4% to Ps.367.5 million in 2010 from Ps.238.0 million in 2009, mainly due to an increase in our total debt, which generated interest expense that was not eligible for capitalization and was required to be fully recognized in 2010 under applicable accounting rules.

Financial income increased by 169.0% to Ps.221.6 million in 2010 from Ps.82.4 million in 2009, mainly due to a higher average balance of cash and cash equivalents.

Foreign exchange results fell by 196.8% to a Ps.3.8 million loss in 2010 from a Ps.4.0 million gain in 2009 as a result of a lower exchange rate with respect to our U.S. Dollar-denominated assets.

We recorded an unrealized loss on valuation of financial instruments, related to U.S. Dollar-denominated debt, of Ps.186.2 million in 2010. In 2009, we did not record any unrealized result on valuation of financial instruments.

Tax on Profits

Our total tax on profits expense decreased by 20.7% to Ps.967.8 million in 2010 from Ps.1,220.0 million in 2009, due to a decrease in the effective tax rate despite an increase in the statutory tax rate from 28% to 30%. See Notes 16(e) and (f) to the Audited Financial Statements.

Net Income

As a result of the foregoing, our net income in 2010 increased by 8.9% to Ps.1,670.3 million from Ps.1,534.2 million in 2009.

2009 Compared to 2008

Net Sales

Net sales in 2009 reflect our implementation of a prudent growth strategy, which we announced in October 2008, aimed at strengthening our balance sheet and liquidity position in the near term by lowering our target levels of construction in process and housing production in the high middle-income and upper-income housing categories (which have larger accounts payable cycles and greater risk of non-payment), continuing to improve operating efficiencies and reducing general and administrative expenses. This strategy also contemplated a continued emphasis on the affordable entry-level and low middle-income segments of the housing industry, enabling us to take advantage of higher demand levels in those segments and the greater overall availability of financing via government subsidies, co-financing through Infonavit and Cofinavit and financing through the SHF programs *Ahorrashf* and *Renta con Opción a Compra* ("Rent to Own"). We believe that an increase in liquidity and free cash flow will allow us to capitalize on future and long-term growth opportunities.

Net sales increased 99.0% to Ps.13,700.4 million in 2009 from Ps.6,883.4 million in 2008 as a result of an increase in the sale of homes during the year and the changed product mix.

The total number of homes sold increased 3.4% to 29,709 units in 2009 from 28,740 units in 2008. The number of affordable entry-level homes sold decreased by 33.5% to 17,195 units in 2009 from 25,843 units in 2008. The number of low middle-income homes sold increased 364.5% to 10,875 units in 2009 from 2,341 units in 2008. The number of combined high middle-income and upper-income homes sold increased 194.8% to 1,639 units in 2009 from 556 units in 2008.

Our total average sales price per home increased 94.9% to Ps.453,776 in 2009 from Ps.232,850 in 2008, as a result of an increase in the proportion of middle-income housing in our product mix. The average sales price per affordable entry-level home increased 50.5% to Ps.305,355 in 2009 from Ps.202,903 in 2008; the average sales price per low middle-income home increased 35.6% to Ps.609,486 in 2009 from Ps.449,525 in 2008, and the average sales price per high middle-income and upper-income home increased 37.2% to Ps.977,734 in 2009 from Ps.712,496 in 2008.

In 2009, 38.9% of our housing development sales were derived from affordable entry-level homes, 49.2% from low middle-income homes and 11.9% from high middle-income and upper-income homes combined, as compared to 78.4%, 15.7% and 5.9% in 2008, respectively.

Cost of Sales

Cost of sales increased 100.7% to Ps.9,635.8 million in 2009 from Ps.4,801.9 million in 2008, as a result of the increase in sales described above as well as the offering of homes fitted with additional appliances and fixtures as part of our marketing strategy. Cost of sales as a percentage of total sales was approximately 70.3% in 2009, as compared to 69.8% in 2008.

In 2009, cost of sales of affordable entry-level housing, low middle-income housing, and combined high middle-income and upper-income housing as a percentage of total sales for each such category represented 73.4%, 69.1% and 67.4%, respectively. In 2008, cost of sales of affordable entry-level housing, low middle-income housing, and combined high middle-income and upper-income housing as a percentage of total sales for each such category represented 71.0%, 67.5% and 65.7%, respectively. Cost of sales includes the expense attributable to capitalized comprehensive result of financing for both land development and housing construction. This expense was Ps.850.5 million in 2009, as compared to Ps.797.6 million in 2008. For a description of cost of sales, see "—Significant Accounting Policies and Practices—Revenue and Cost Recognition" and Note 2(c) to the Audited Financial Statements.

Gross Profit

Gross profit increased 95.3% to Ps.4,064.7 million in 2009 from Ps.2,081.4 million in 2008, due to an increase of 99.0% in total sales. Our gross margin was 29.7% in 2009, as compared to 30.2% in 2008. The following table sets forth our gross profit by business segment for the years ended December 31, 2008 and 2009:

	Year Ended December 31,							
	2008				**2009**			
	Affordable entry-level	Low middle-income	High middle-income and upper-income	Housing-related activities	Affordable entry-level	Low middle-income	High middle-income and upper-income	Housing-related activities
	(in thousands of Ps.)							
Sales	5,243,616	1,052,339	396,148	191,248	5,250,574	6,628,158	1,602,506	219,204
Cost of Sales	3,720,930	710,335	260,464	110,180	3,854,023	4,578,701	1,079,961	123,099
Gross Profit	1,522,686	342,004	135,684	81,068	1,396,551	2,049,457	522,545	96,105

General and Administrative Expenses

General and administrative expenses decreased by 25.3% to Ps.1,159.4 million in 2009 from Ps.1,553.1 million in 2008, partly as a result of the implementation of our prudent growth strategy. As a percentage of total sales, general and administrative expenses decreased to 8.5% in 2009 from 22.6% in 2008 as a result of the implementation of our prudent growth and liquidity strategy, including the simplification and/or automation of many of our processes, thereby increasing efficiency. Between December 31, 2009 and December 31, 2008, the number of permanent employees decreased by 10.7%, to 3,372 from 3,776.

Operating Income

As a result of the foregoing, operating income increased 449.8% to Ps.2,905.2 million in 2009 from Ps.528.4 million in 2008. As a percentage of total sales, operating income increased to 21.2% in 2009 from 7.7% in 2008.

Comprehensive Result of Financing

Our comprehensive result of financing increased to an expense of Ps.151.7 million in 2009 from Ps.20.5 million in 2008, mainly due to a higher level of debt and a greater proportion of bridge loans as a percentage of total indebtedness, as bridge loans carry a higher average cost than our public debt.

Financial expense decreased by 23.5% to Ps.238.0 million in 2009 from Ps.311.2 million in 2008, mainly as a result of a decrease in the average interest rate on our short-term debt.

Financial income decreased 65.3% to Ps.82.4 million in 2009 from Ps.237.4 million in 2008, mainly as a result of a decrease in the prevailing average interest rates.

Foreign exchange gains decreased 92.6% to Ps.4.0 million in 2009 from Ps.53.4 million in 2008 as a result of lower volatility in the exchange rate with respect to the previous year.

Tax on Profits

Our total tax on profits expense increased in 2009 by 689.1% to Ps.1,220.0 million from Ps.154.6 million in 2008 mainly due to an increase in the income before taxes on profits driven by the increase in sales, and the increase in the effective tax rate, driven in part by the increase in the statutory tax rate from 28% to 30% in November 2009. See Notes 16(e) and (f) to the Audited Financial Statements.

Net Income

As a result of the foregoing, our net income in 2009 increased by 311.8% to Ps.1,534.2 million from Ps.372.6 million in 2008.

Liquidity and Capital Resources

Cash flows used in operating activities in the nine-month period ended September 30, 2011 were Ps.1,362.6 million, primarily derived from income before taxes on profit and non-cash items in the aggregate amount of Ps.1,833.4 million, that were primarily offset by increases in trade receivables and inventories in the amounts of Ps.1,946.5 million and Ps.726.9 million, respectively and a decrease in taxes and other accounts payable in the amount of Ps.745.1 million. Cash flows used in investment activities in the nine-month period ended September 30, 2011 were Ps.108.3 million, attributable to the purchase of property, machinery and equipment in the amount of Ps.150.8 million, which exceeded the interest income and proceeds from sale of property, machinery and equipment aggregate amount of Ps.42.5 million. Cash flows generated from financing activities in the nine-month period ended September 30, 2011 were Ps.2,247.6 million, primarily reflecting loans received and earned interest in the aggregate amount of Ps.8,605.0 million, offset by the payments to non-controlling interests, loans and interest in an aggregate amount of Ps.6,330.4 million. As a result of the foregoing, our cash and equivalents at September 30, 2011 amounted to Ps.6,931.3 million, a 22.5% increase from the beginning of the year, consistent with our focus on maintaining a strong liquidity position.

Cash flows generated from operating activities in 2010 were Ps.558.2 million, primarily attributable to income before taxes on profit and non-cash items in the aggregate amount of Ps.3,259.3 million, that were partially offset by increases in trade receivables and other accounts receivable in the amounts of Ps.4,999.4 million and Ps.702.5 million, respectively and a decrease in inventories in the amount of Ps.3,466.0 million. Cash flows generated from investment activities in 2010 were Ps.51.0 million, attributable to interest income and proceeds from sale of property, machinery and equipment in an aggregate amount of Ps.213.2 million, partially offset by the purchase of property, machinery and equipment in the amount of Ps.162.2 million. Cash flows provided by financing activities in 2010 were Ps.1,152.4 million, reflecting loans received and earned interest in the aggregate amount of Ps.15,898.2 million, offset by the payments to non-controlling interests, loan and interest in the aggregate amount of Ps.14,745.8 million. As a result of the foregoing, our cash and

equivalents at December 31, 2010 amounted to Ps.6,154.6 million, an increase of Ps.1,761.5 million from 2009, which is consistent with our prudent growth strategy and our focus on strengthening our liquidity position.

Cash flows generated from operating activities in 2009 were Ps.2,798.9 million, primarily attributable to income before taxes on profits and non-cash items in the aggregate amount of Ps.3,331.5 million, that were partially offset by our decision to invest a significant portion of our own capital and financial resources in the acquisition of land for housing development purposes and other inventories for urbanization and infrastructure projects in the amount of Ps.2,176.6 million and decreases in accounts payable and taxes and other accounts payable in the amounts of Ps.1,246.8 million and Ps.977.5 million, respectively. Cash flows used in investment activities in 2009 were Ps.17.9 million, primarily attributable to the purchase of property, machinery and equipment in the net amount of Ps.76.1 million, which exceeded the interest income and proceeds from sale of property, machinery and equipment aggregate amount of Ps.58.2 million. Cash flows used in financing activities in 2009 were Ps.373.3 million, reflecting the payment of principal and interest in the aggregate amount of Ps.17,462.9 million, which exceeded the loans received and earned interest amount of Ps.17,089.6 million. As a result of the foregoing, our cash and equivalents at December 31, 2009 amounted to Ps.4,393.1 million, an increase of Ps.2,407.6 million from 2008, this being consistent with our prudent growth strategy and our focus on strengthening our liquidity position.

Cash flows used in operating activities in 2008 were Ps.1,554.1 million, primarily attributable to income before taxes on profits and non-cash items in the aggregate amount of Ps.656.5 million, that were offset by increases in inventories and taxes and other accounts payable in the amounts of Ps.4,123.3 million and Ps.656.5 million, respectively and a decrease in trade receivables in the amount of Ps.1,304.5 million. Cash flows generated from investment activities in 2008 were Ps.131.1 million, primarily reflecting interest income and proceeds from sale of property, machinery and equipment in the aggregate amount of Ps.244.6 million, partially offset by the purchase of property, machinery and equipment in the net amount of Ps.113.5 million. Cash flows generated from financing activities in 2008 were Ps.16.9 million, reflecting the loans received amount of Ps.21,709.7 million, partially offset by payments of principal and interest in the aggregate amount of Ps.21,692.8 million. As a result of the foregoing, our cash and equivalents at December 31, 2008 amounted to Ps.1,985.5 million.

We actively manage the level of our working capital to optimize liquidity levels while attempting to maintain adequate resources to support our operations and growth. For example, we manage our working capital by synchronizing our business production line for the construction of housing with our business production line for granting mortgage loans to customers so that homes are allocated to a qualified buyer prior to the completion of construction. This synchronization reduces our working capital needs and allows us to minimize our inventory of homes. See "Our Business—Housing Development—Interaction of Home Production Line and Mortgage Production Line." We also improve our collection process and inventory management by outsourcing the construction of houses to third party subcontractors. Nearly all of our construction process is subcontracted to third parties.

In order to satisfy our liquidity and capital requirements, we principally rely on bank loans, proceeds from the issuance of *certificados bursátiles* in Mexico, the issuance of debt securities abroad, deferred payment land purchase agreements and our own capital, including cash from operations. Based on our current level of operations and anticipated cost savings and operating improvements, we believe our cash flow from operations and cash available from other sources will be adequate to meet our foreseeable future liquidity needs for at least the next six months.

Working Capital

Working capital at September 30, 2011 was Ps.19,451.7 million, including Ps.17,973.3 million in inventories, which for the most part consist of land held for construction.

Indebtedness

As of December 31, 2010 and September 30, 2011, our level of indebtedness was Ps.10,997.9 million and Ps. 13,549.5 million, respectively. Our indebtedness from bank loans and long-term debt, which does not include financial factoring lines of credit and related SHF funding, was Ps.10,517.3 million and Ps.13,549.5 million as of December 31, 2010 and September 30, 2011, respectively.

As of December 31, 2010, our indebtedness from bank loans and long-term debt consisted of: (i) Ps.6,301.1 million associated with the Senior Guaranteed Notes (the full amount includes Ps.740.4 million recorded as a liability and arising from the hedging derivatives associated with such debt) and (ii) Ps.4,216.2 million in bridge loans and other credit facilities

(including Ps.21.8 million recorded as liability, arising from the hedging derivatives associated with our US$150 million unsecured working capital loan with Barclays Bank PLC, an affiliate of Barclays Capital Inc. (the "Barclays Senior Unsecured Working Capital Facility")). The increase in our indebtedness from bank loans and long-term debt is due to new lines of credit from our financing providers in the amount of Ps.2,362.4 million and Ps.927.8 million in exchange-rate fluctuations affecting the Senior Guaranteed Notes, which are hedged until maturity under exchange-rate hedging instruments.

As of September 30, 2011, our indebtedness from bank loans and long-term debt consisted of: (i) Ps.5,707.3 million associated with the Senior Guaranteed Notes (the full amount includes a net asset position of Ps.332.5 million arising from the hedging derivatives associated with such debt) and (ii) Ps.7,842.2 million in bridge loans and other credit facilities (including a net asset position of Ps.164.4 million and arising from the hedging derivatives associated with the Barclays Senior Unsecured Working Capital Facility and the Credit Suisse Senior Unsecured Working Capital Facility). The increase in our indebtedness from bank loans and long-term debt is due to new lines of credit from our financing providers in the amount of Ps.3,953.9 million which was partially offset by exchange-rate fluctuations affecting our U.S. Dollar-denominated debt in the amount of Ps.1,093.4, which is hedged under exchange-rate hedging instruments.

As of December 31, 2010, the average maturity of our long-term debt was 7.1 years. Of our total indebtedness, 70.3% was comprised of long-term debt and 29.7% was comprised of short-term debt. Financial factoring lines of credit and SHF funding decreased by Ps.1,574.0 million in 2010 to Ps.480.6 million, all of which is SHF funding.

As of September 30, 2011, the average maturity of our long-term debt was 6.4 years. Of our total indebtedness, 49.3% was comprised of long-term debt and 50.7% was comprised of short-term debt.

As of December 31, 2010, we had Ps.2,574.3 million, or 23.4%, in Peso-denominated debt and Ps.8,423.7 million, or 76.6%, in U.S. Dollar-denominated debt, primarily originating in the Senior Guaranteed Notes.

As of September 30, 2011, we had Ps.3,801.2 million, or 28.1%, in Peso-denominated debt and Ps.9,748.3 million, or 71.9%, in U.S. Dollar-denominated debt, primarily consisting of the Senior Guaranteed Notes, the Barclays Senior Unsecured Working Capital Facility and the Credit Suisse Senior Unsecured Working Capital Facility. We repaid the full amount outstanding under the Barclays Senior Unsecured Working Capital Facility in December 2011.

The average interest rate of short-term debt as of September 30, 2011 was 5.1% compared to 5.2% as of December 31, 2010. The interest rate on long-term debt increased to 9.4% as of September 30, 2011 from 9.0% as of December 31, 2010. See "—Results of Operations—2010 Compared to 2009—Comprehensive Result of Financing," and Note 10 to the Audited Financial Statements and Note 5 to the Unaudited Financial Statements.

We are subject to financial and operating restrictions and covenants in connection with our bank loans and securities, which are reviewed on a quarterly basis. As of December 31, 2010 and September 30, 2011, we were in compliance with all such restrictions and covenants.

Senior Guaranteed Notes

On April 19, 2006, we issued the Senior Guaranteed Notes, of which US$150.0 million remained outstanding as of September 30, 2011. As of January 27, 2012, the 2016 Senior Guaranteed Notes were rated "B+" by Standard & Poor's Rating Group, "BB-" by Fitch México, S.A. de C.V., and "Ba3" by Moody's Investors Service, Inc. At the same time, we entered into cross-currency swaps to lock-in our principal and interest payments under the 2016 Senior Guaranteed Notes.

On January 19, 2010, we issued the 2020 Senior Guaranteed Notes in an aggregate amount of US$300 million, maturing on January 21, 2020 and bearing interest at 9.5%. As of September 30, 2011, the entire amount remained outstanding. As of January 27, 2012, the 2020 Senior Guaranteed Notes were rated "BB-" by Fitch México, S.A. de C.V. and "Ba3" by Moody's Investors Service, Inc. At the same time, we entered into cross-currency swaps to lock-in our principal and interest payments under the 2020 Senior Guaranteed Notes for the first five years.

The outstanding amount of both series of Senior Guaranteed Notes includes the value of the cross-currency swaps, which is a net asset position of Ps.332.5 million as of September 30, 2011.

The Senior Guaranteed Notes are guaranteed by all of our subsidiaries. The indentures governing the Senior Guaranteed Notes contain certain restrictive covenants with respect to us and the subsidiary guarantors of the Senior Guaranteed Notes that limit our ability to:

- incur additional debt;
- guarantee other debt;
- pay dividends on, redeem or repurchase our capital stock;
- transfer and sell assets;
- issue or sell stock of certain subsidiaries;
- create unrestricted subsidiaries;
- restrict dividend and other payments by certain of our subsidiaries;
- create certain liens;
- merge or consolidate with another company;
- enter into transactions with affiliates; and
- enter into sale and leaseback transactions.

We are currently in compliance with these covenants.

Loan Agreements

In September 2011, we entered into a Peso-denominated unsecured loan from Banco Mercantil del Norte, S.A., maturing in December 2011 and bearing interest at TIIE plus 3.60%, which at September 30, 2011 had a balance of Ps.300.0 million.

In August 2011, we entered into a Peso-denominated working capital bridge loan from BBVA Bancomer, S.A., maturing in December 2011 and bearing interest at TIIE plus 3.00%, which at September 30, 2011 had a balance of Ps.143.5 million.

In August 2011, we entered into a Peso-denominated secured loan from BBVA Bancomer, S.A., with maturing dates from October 2011 to February 2012 and bearing interest at TIIE plus 3.50%, which at September 30, 2011 had a balance of Ps.500.0 million.

In July 2011, we entered into a Peso-denominated working capital bridge loan from Santander (México), S.A., maturing in October 2011 and bearing interest at 8.10%, which at September 30, 2011 had a balance of Ps.492.6 million.

In July 2011, we entered into a Peso-denominated working capital bridge loan from Santander (México), S.A., maturing in December 2012 and bearing interest at TIIE plus 3.80%, which at September 30, 2011 had a balance of Ps.187.2 million.

In July 2011, we entered into a Peso-denominated secured loan from HSBC, S.A., maturing in November 2011 and bearing interest at TIIE plus 3.00%, which at September 30, 2011 had a balance of Ps.600.0 million and has been refinanced.

In July 2011, we entered into a Peso-denominated unsecured loan from BBVA Bancomer, S.A., maturing in October 2011 and bearing interest at TIIE plus 3.00%, which at September 30, 2011 had a balance of Ps.500.0 million.

In April 2011, we entered into the Credit Suisse Senior Unsecured Working Capital Facility, an unsecured working capital facility with Credit Suisse AG in the amount of US$150 million maturing in April 2012 and bearing interest at LIBOR plus 3.25%, which at September 30, 2011 remained outstanding in full (equivalent to Ps.2,013.3 million).

In January 2011 we entered into a Peso-denominated secured loan from Banco Nacional de México, S.A. for working capital purposes, maturing in December 2013 and bearing interest at TIIE plus 4.75%, which at September 30, 2011 had a balance of Ps.699.7 million.

In January 2011 and September 2011 we entered into Peso-denominated working capital bridge loans from Banco Mercantil del Norte, S.A., maturing in December 2011 and bearing interest at TIIE plus 3.30% to TIIE plus 3.50%, which at September 30, 2011 had a balance of Ps.93.5 million.

In December 2010, we entered into the Barclays Senior Unsecured Working Capital Facility, an unsecured working capital facility with Barclays Bank PLC in the amount of US$150 million maturing in December 2011 and bearing interest at LIBOR plus 3.00%, which at September 30, 2011 remained outstanding in full (equivalent to Ps.2,013.3 million). We repaid the full amount outstanding under the Barclays Senior Unsecured Working Capital Facility in December 2011.

In September 2010 we entered into an unsecured loan for working capital purposes from Banco de Crédito e Inversiones, S.A. in the amount of US$20 million, maturing in September 2013 and bearing interest at LIBOR plus 4.00%, which at September 30, 2011 had a balance of US$13.3 million (equivalent to Ps.179.0 million).

In September 2010 we entered into a Peso-denominated unsecured loan from Banco Nacional de México, S.A. for working capital purposes maturing in October 2011, and bearing interest at TIIE plus 3.75%, which at September 30, 2011 had a balance of Ps.200.0 million. We have repaid the full amount outstanding under this Peso-denominated unsecured loan.

See *" – Contractual Obligations and Commercial Commitments"* for a description of some of our other liabilities.

Capital Expenditures

Our operations do not require substantial capital expenditures, as we own the machinery and equipment we use, excluding the machinery and equipment owned by our subcontractors, and we subcontract a substantial portion of the services necessary to build the infrastructure of our developments. In 2009, 2010 and the nine-month period ended September 30, 2011, we spent approximately Ps.169.8 million, Ps.162.2 million and Ps.150.8 million, respectively, primarily to upgrade our *UrbiNet* information technology platform, implement our new SAP 6.0 business suite platform and maintain our software licenses. These expenditures have been capitalized. In 2011, we expect to incur approximately Ps.188.5 million in capital expenditures, primarily in computer equipment.

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments consist primarily of bank debt, bonds issued in the Mexican market and in other markets outside Mexico, and deferred payment land purchase agreements, as described below. The following table provides details regarding our contractual and commercial obligations as of September 30, 2011:

	Payments Due by Period (in millions of Ps.)				
		Less than 12 months	12-36 months	36-60 months	More than 60 months
Short-term debt	6,865.8	6,865.8	0.0	0.0	0.0
Bank loans[1]	6,865.8	6,865.8	0.0	0.0	0.0
Long-term debt	6,683.7	0.0	976.4	1,733.6	3,973.7
Bank loans[2]	976.4	0.0	976.4	0.0	0.0
Bonds[3]	5,707.3	0.0	0.0	1,733.6	3,973.7
Total Debt	13,549.5	6,865.8	976.4	1,733.6	3,973.7
Accounts payable	4,860.8	4,662.6	184.6	13.6	0.0
Construction supplies	4,429.2	4,429.2	0.0	0.0	0.0
Land acquisitions	268.8	175.1	93.7	0.0	0.0
Technology licensing and maintenance	162.8	58.3	90.9	13.6	0.0
Total contractual obligations	**18,410.3**	**11,528.4**	**1,161.0**	**1,747.2**	**3,973.7**

(1) Includes (i) secured loan from BBVA Bancomer, S.A. in the amount of Ps.500.0 million; (ii) unsecured loan from Banco Nacional de México, S.A. in the amount of Ps.200.0 million, which we have since repaid in full; (iii) current portion of a US$20 million unsecured loan from Banco de Crédito e Inversiones, S.A. in the amount of US$6.7 million (equivalent to Ps.89.5 million); (iv) working capital bridge loans from BBVA Bancomer, S.A. in the amount of Ps.143.5 million; (v) the Barclays Senior Unsecured Working Capital Facility in the amount of US$150 million (equivalent to Ps.2,013.3 million), which we repaid in full in December 2011; (vi) working capital bridge loans from Banco Mercantil del Norte, S.A. in the amount of Ps.93.5 million; (vii) secured loan from HSBC, S.A. in the amount of Ps.600.0 million, which was refinanced; (viii) unsecured loan from Banco Mercantil del Norte, S.A. in the amount of Ps.300.0 million; (ix) the Credit Suisse Senior Unsecured Working Capital Facility in the amount of US$150 million (equivalent to Ps. 2,013.3 million); (x) unsecured loan from BBVA Bancomer, S.A. in the amount of Ps.500.0 million; (xi) working capital bridge loans from Santander (México), S.A. in the amount of Ps.492.6 million; (xii) interest provision in the amount of Ps.84.7 million and (xiii) Ps.164.4 million recorded as an asset and arising from the hedging derivatives associated with the Barclays Senior Unsecured Working Capital Facility and the Credit Suisse Senior Unsecured Working Capital Facility.

(2) Includes (i) secured loan from Banco Nacional de México, S.A. in the amount of Ps.699.7 million; (ii) working capital bridge loans from Santander (México), S.A. in the amount of Ps.187.2 million; and (iii) long-term portion of a US$20 million unsecured loan from Banco de Crédito e Inversiones, S.A. in the amount of US$6.7 million (equivalent to Ps.89.5 million).

(3) Includes (i) Senior Guaranteed Notes in the amounts of US$150 million and US$300 million (equivalent to Ps.2,013.3 million and Ps.4,026.5 million, respectively) maturing in April 2016 and January 2020, respectively and (ii) a net asset position in the amount of Ps.332.5 million and arising from the hedging derivatives associated with such debt.

We are subject to financial and operating restrictions and covenants in connection with our bank loans and securities, which are reviewed on a quarterly basis. As of December 31, 2010 and September 30, 2011, we were in compliance with all such restrictions and covenants.

Market Risk Disclosures

Interest Rate Risk

In connection with our business activities, we have issued and hold financial instruments that currently expose us to market risks related to changes in interest rates. Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. At December 31, 2010, we had outstanding indebtedness, including related amounts funded by SHF, of Ps.10,997.9 million, 40.7% of which bore interest at variable interest rates. Excluding related amounts funded by SHF, at December 31, 2010, we had outstanding indebtedness of Ps.10,517.3 million, 38.0% of which bore interest at variable interest rates. At September 30, 2011, we had outstanding indebtedness of Ps.13,549.5 million, 54.8% of which bore interest at variable interest rates. The interest rate on our variable rate debt is determined primarily by reference to TIIE. Consequently, TIIE increases would increase our 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 and at September 30, 2011 would have increased our interest expense by approximately Ps.67.2 million, or 22.8%, and Ps.111.4 million, or 26.4%, respectively, over a twelve-month period.

We manage our exposure to changes in interest rates by timing construction and delivery of our homes and payments to our suppliers, which allows us to reduce our borrowing needs. In addition, we believe that a significant portion of our interest rate exposure was mitigated by the issuance of the Senior Guaranteed Notes in 2006 and 2010, as these instruments bear interest at a fixed rate.

Foreign Exchange Risk

At September 30, 2011, we had approximately US$54.7 million in foreign currency-denominated assets and approximately US$794.9 million in foreign currency-denominated liabilities. We have entered into derivative hedging agreements designed to limit the exchange rate risk associated with our payment obligations, including the Senior Guaranteed Notes, the Barclays Senior Unsecured Working Capital Facility and the Credit Suisse Senior Unsecured Working Capital Facility. We repaid the full amount outstanding under the Barclays Senior Unsecured Working Capital Facility in December 2011 and therefore cancelled the hedging arrangements associated with this facility and recognized a gain resulting from the sale. See Note 17 to the Audited Financial Statements.

Off-balance Sheet Arrangements

Neither we nor our subsidiaries had any off-balance sheet arrangements at December 31, 2010 or at September 30, 2011.

THE MEXICAN HOUSING INDUSTRY

Information in this section is based on materials obtained from public sources, including publications and materials from the Sedesol, INEGI, Infonavit, SHF, Conavi, Canadevi, Conapo and Softec. The information provided herein has not been independently verified by us.

The Mexican Housing Market

The housing market in Mexico is influenced by several social, economic, industrial, and political factors, including housing shortage, demographics and government policies. We believe Mexico's fiscal and monetary discipline provide both macroeconomic and political stability and contribute to a robust financial system, with a strong regulatory framework that has allowed the country and its financial institutions to successfully overcome the largest financial crisis of the past 80 years.

In the last decade, the developer-built market has continued to expand. Between 2000 and 2010, Canadevi estimates that the housing stock increased by approximately 6.7 million homes. According to the 2010 INEGI census, in 2010, Mexico had a housing shortage of approximately 8.9 million units, including units in need of upgrading or replacement, with 57% belonging to the income segments of workers earning below 4 SMGs. In addition, it is estimated that over 60% of the housing deficit is in the segment of workers not affiliated with Infonavit or Fovissste. Demographic trends drive demand for housing in Mexico. According to Conavi, the population in Mexico of people in the 25-50 age bracket is expected to grow from approximately 31.0 million in 2000 to 45.0 million in 2030. As a result, the demand for homes is expected to grow.

To address Mexico's housing deficit, the Mexican federal government has implemented policies in recent years that are designed to expand the supply of affordable housing in a sustainable manner. These policies are implemented through a variety of programs and incentives, including, for example, (1) new programs aimed at the segment of the working population that is not affiliated with either Infonavit or Fovissste; (2) the implementation of incentives for vertical housing through a variety of subsidies and benefits to clients and developers; (3) a DUIS initiative that seeks to improve the quality of life of families through a balance of social, economic and environmental incentives; and (4) government incentives targeting the redevelopment of communities.

As a result of these and other government programs, as well as improved economic conditions and increasing demand, we estimate that commercial banks, Sofoles and Sofomes have gradually increased their participation in mortgage financing, mainly in the high middle-income and upper-income groups and through the cofinancing schemes with Infonavit and Fovissste in both low middle-income and high middle-income housing. In addition, to increase the liquidity of the mortgage industry through the capital markets, Infonavit and other mortgage providers have launched several mortgage-backed securitization programs to provide increased liquidity in the secondary mortgage market. The current housing market provides us with opportunities for growth.

Housing Categories

The housing market in Mexico can be sub-divided into a "developer-built" market and a "self-built" market. The self-built housing market includes homes constructed gradually over time and usually without licenses or permits on land that may not be registered or to which the occupant does not have actual, legal title. Self-built units may not initially have municipal services such as electricity, sewage and water. Mortgage financing is typically not available in the self-built market.

The developer-built housing market consists of homes built by contractors and developers and sold with mortgage financing. These homes are built with official permits and have access to all municipal services, and the land is registered and the buyer has actual, legal title. The developer-built housing market depends upon the availability of mortgage financing to customers. According to Conavi, approximately 1,417 developers serve the developer-built housing market in Mexico as of December 31, 2010.

As most home mortgage financing institutions categorize their financing programs by income level, we have assigned the following price ranges based on these financing categories to each of our housing categories:

- "affordable entry-level," consisting of homes sold at prices of up to Ps.400,000 (US$29,802);

- “low middle-income,” consisting of homes sold at prices exceeding Ps.400,000 (US$29,802) but not more than Ps.720,000 (US$53,644);

- “high middle-income,” consisting of homes sold at prices exceeding Ps.720,000 (US$53,644); but not more than Ps.1,350,000 million (US$100,583); and

- “upper-income,” consisting of homes sold at prices of more than Ps.1,350,000 million (US$100,583).

Principal factors determining the price of homes are the size of the homes and their location. The price ranges for our housing categories has effectively remained unchanged for the past seven years. We re-evaluate these categories every six months, taking into account the effect of inflation.

There is no industry standard for the price range categorization of homes, and our competitors’ price range categories may differ from ours. In addition, certain public sector mortgage financing institutions will only provide mortgage loans for homes up to a maximum sale price per unit. For example, the maximum sale price per unit for Infonavit’s economic and traditional programs (including *Infonavit Total*) is up to 350 SMGs (approximately Ps.636,650 or US$47,434); there is no limit with respect to *Apoyo Infonavit, Infonavit Total AG and Cofinavit AG* financing programs.

Of the home categories, sales of high middle-income and upper-income homes are more directly related to fluctuations in interest rates, while affordable entry-level and low middle-income homes, which are usually sold with below-market interest rate mortgages, are less affected by interest rate movements.

Based on unit sold and titled in 2010 as estimated by Conavi, we believe our market share was 6.3% in the developer-built market as of December 31, 2010.

Mexican Federal Governmental Policies

2001-2006 Housing Sector Program

In an effort to improve the housing shortage in Mexico, the Mexican federal government, led by the previous administration of President Vicente Fox, initiated a 2001-2006 Housing Sector Program to provide for the financing and construction of 750,000 homes annually by the end of 2006. In order to reach this goal, the 2001-2006 Housing Sector Program included programs designed to improve the housing industry by working toward consolidating the growth of the housing industry, increasing financing for housing, expanding the productivity of the housing industry and increasing the availability of land equipped for infrastructure and housing services.

The National Housing Commission (*Comisión Nacional de Vivienda*, or “Conavi”) was initially created by Presidential decree in July 2001 as the National Commission for the Promotion of Housing (*Comisión Nacional de Fomento a la Vivienda*, or “Conafovi”), to develop and coordinate the programs and initiatives established by the Housing Sector Program. Subsequently, upon promulgation of the Housing Law on June 26, 2006, Conafovi was converted into Conavi, a decentralized public interest organization.

In 2002, SHF implemented a new policy to reduce its participation in financing construction and housing development for the private sector to focus its resources from the federal budget exclusively to provide mortgage financing. The implementation of this policy contemplates a transitional period in which: (i) SHF is gradually reducing the amounts directed to finance construction and housing developments, and (ii) SHF is providing guarantees in favor of the Sofoles and Sofomes to facilitate their access to funds from the securities markets and commercial banks. We do not believe this has had an impact on our funding costs.

As a result of legislation enacted in Mexico in 2003, individuals in Mexico are entitled to deduct real interest payments, which is adjusted by inflation rate, made in respect of a home mortgage from their taxable base when preparing their income tax returns.

In 2004, tax reform legislation preserved an exemption allowing homebuilders to deduct the cost of land investments from their taxable base in the year in which such costs were incurred when preparing their income tax returns.

In June 2006, a new Housing Law was promulgated, which established the bases for the long-term development of the Mexican housing sector.

2007-2012 Housing Sector Program

The Mexican government has planned a broader expansion of its Housing Sector Program, with plans to grant six million credits over a six-year period commencing with 2007, through the 2007-2012 Housing Sector Program.

The goals of the 2007-2012 Housing Sector Program are the following:

- Promote home ownership among the lowest-income families, which is the segment of Mexico's population with the biggest gap in housing.
- Foster the creation of quality housing.
- Duplicate the advances realized in housing over the last several years to close the housing gap.
- Strengthen ties between housing developers and financing entities to create alliances that will provide better financing opportunities for families to purchase a house.
- Support the development and improvement of infrastructure throughout Mexico.

Conavi will be responsible for coordinating the efforts of all governmental housing agencies and entities at the national, state, and municipal levels, and managing the implementation of the government's housing finance program initiative.

Sources of Mortgage Financing

According to Conavi, during 2010 approximately 845,229 mortgages were granted in Mexico for home acquisition, of which 468,025 were granted by Infonavit, 5,617 by SHF, 91,050 by Fovissste and 21,531 by Fonhapo. The balance of mortgages were granted by Sofoles and Sofomes, commercial banks and other sources, including other public housing agencies.

General

There are four main sources of mortgage funding for Mexico's housing market, each with different operational procedures and beneficiaries.

- *Governmental Housing Funds*. Governmental housing funds, such as Infonavit, for private sector employees, Fovissste, for public sector employees, and to a much lesser extent *Instituto de Seguridad y Servicios Sociales para las Fuerzas Armadas Mexicanas*, for military personnel, provide mortgage financing. These funds are mostly financed by employer contributions. According to Conavi, in 2010 financing provided by Infonavit and Fovissste constituted approximately 55.4% and 10.8% of total mortgages provided in Mexico for home acquisition, respectively.
- *SHF*. Government-controlled bank which guarantees and funds the mortgage loans granted by commercial banks and Sofoles. According to Conavi, in 2010 mortgages provided by SHF constituted approximately 0.6% of total mortgages provided in Mexico for home acquisition.
- *Commercial Banks, Sofoles and Sofomes*. Commercial banks, Sofoles and Sofomes provide financing for each of the various housing categories except the lower ranges of the affordable entry-level housing category. According to Conavi, in 2010 mortgages provided by commercial banks, Sofoles and Sofomes constituted approximately 14.2% of total financing provided in Mexico for home acquisition.
- *Public Housing Agencies*. A small portion of mortgage financing in Mexico consists of direct subsidies from public housing agencies, including the Fonhapo and the state housing trusts. According to Conavi, in 2010

mortgages provided by public housing agencies constituted approximately 4.8% of total financing provided in Mexico for home acquisition.

During 2010, the Mexican federal government, through Conavi, provided approximately 119,723 housing subsidies, which constituted approximately 14.2% of total mortgages provided in Mexico for home acquisition.

National Housing Plan

In January 2008, President Felipe Calderón announced the housing strategy that the Mexican federal government will implement during his administration. The document released sets out the main guidelines for the National Housing Plan, which has four main objectives:

- increase available home financing, particularly to low-income families;
- promote a sustainable housing development;
- strengthen the National Housing System, through improvements in public management; and
- develop a support policy for the Mexican federal government that facilitates the access by the low-income segment of the population to home financing, and promotes sustainable housing development.

The administration has stated a goal of granting six million mortgage loans over the six-year period from 2007 to 2012.

During 2008, an inter-secretarial group was formed to develop public policies that will allow the Mexican federal government to provide incentives for regional development in Mexico through the development of DUIS. DUIS aim to provide better housing for low-income families through: sustainable and efficient urban infrastructure; industrial development, employment, commerce and services; integral mobility and accessibility solutions; social, health, commercial and entertainment equipment and facilities; environmental protection and the rational use of natural resources; and a higher quality of life.

Government Housing Funds

There are two Mexican federal government housing funds, Infonavit and Fovissste, which are funded with mandatory employer contributions of 5% of their employees' total gross salaries per pay period. These funds provide financing for housing construction, acquisition or improvements.

Infonavit

Infonavit increased the number of mortgages it provided from approximately 275,000 in 2002 to 475,091 in 2010, including loans for home acquisition and loans for home improvement and other purposes, resulting in an annual compounded growth rate of 7.1%. Approximately 55.4% of the credits for acquisition of new homes provided in Mexico during the year 2010 were provided by Infonavit.

Infonavit was established in 1972 pursuant to the *Ley del Instituto del Fondo Nacional de la Vivienda para los Trabajadores* (the "Infonavit Law") as a fund for the benefit of private sector employees. Infonavit operates primarily as an affordable housing loan institution, directly providing financing to its beneficiaries.

Pursuant to the Infonavit Law, Infonavit receives contributions from private sector employers equal to 5% of their employees' gross wages. With these funds, Infonavit provides loans for housing construction, acquisition, or improvement to existing homes for workers who are qualified through a rating system that considers age, wage, disability, amounts of unutilized credit and voluntary savings, among other considerations. Beginning January 2003, the allocation of mortgage loans is made through a permanent registration process, which allows Infonavit's beneficiaries to apply for a mortgage loan any time throughout the year. Current policy awards maximum points to workers who earn a sufficient wage to repay the mortgage loan over the course of their remaining working life. As of September 30, 2011, Infonavit maintained a list of approximately 16.5 million active contibutors registered with Infonavit and had provided more than 6.2 million mortgages since its foundation.

Infonavit does not require a down payment for the purchase of a home. Although, typically, Infonavit will finance 90% to 95% of the value of the home and expenses related to the loan, Infonavit provides 100% mortgage financing for affordable entry-level homes. Debt service on the loan is calculated by reference to the SMGs, based on the income of the borrower. The maximum value of a home that can be financed is up to 350 SMGs (approximately Ps.636,650 or US$53,776) for homes in any national area. The term of an Infonavit loan is up to 30 years and repayment is made by direct deduction of

the worker's salary by his or her employer. Infonavit mortgages carry an annual interest rate within the range of 4% to 10%, depending on the borrower's income.

Currently, Infonavit offers four lines of credit. Substantially all of our business with Infonavit currently is, and is expected to continue in the foreseeable future to be, under its Line 2 program, under which Infonavit provides mortgage financing to qualified beneficiaries who buy finished homes. Under the Line 2 program, Infonavit approves and publishes annual projects and financing plans on a national, state or city basis. We then register our housing programs with Infonavit pursuant to published procedural rules and technical specifications. Once our housing program is registered we develop the land, perform all necessary infrastructure and housing construction, and locate qualified Infonavit beneficiaries to purchase the homes. Infonavit on its part is required to provide mortgage financing for qualified beneficiaries who purchase the homes. Under the Line 2 program, Infonavit does not provide bridge loans to housing developers.

Under the other programs, a qualified beneficiary receives mortgage financing from Infonavit for the construction (Line 3) or improvement (Line 4) of a house, or for the payment of an existing debt derived from the construction, acquisition, or improvement of a house (Line 5).

In early December 2010, Infonavit announced that, starting in 2011, homes acquired, built or remodeled with Infonavit mortgage loans for the purchase of new or existing homes, construction on self-owned land, or expansion, remodeling or improvements, will be required to include eco-technologies ensuring a minimum monthly savings from lower electricity, water and gas consumption. To finance the acquisition and installation of these eco-technologies, Infonavit will guarantee access to a "green mortgage" for all its members. The amount they receive in excess of their loan will be based on their salary and the monthly savings required in connection with such green technologies. In order to ensure that all borrowers have access to a "green mortgage", in 2011 Infonavit will allocate Ps.3,069 million to finance the acquisition and installation of eco-technologies.

Infonavit and Hipotecaria Total (HiTotal) carried out their first issuance of HiTotal certificates in the amount of Ps.1,500 million, which will contribute to strengthening the Infonavit Total credit product. HiTotal is a mortgage securitization and administration company. In Mexico, with a view to lowering the cost of mortgage financing, HiTotal has launched a new generation of mortgage-backed securities designed to attract investors. The transaction was performed in a single series: HiTotal 10U, denominated in UDIs, with a yield to maturity of 5.23%, a maximum legal term of 30 years and an expected mean life of 7.6 years. Afores (pension funds) and institutional investors participated in this issue.

To ensure the availability of affordable housing for Infonavit members, particularly low-income earners, and contribute to the continued strength of the industry, Alsis Funds and Banca Hipotecaria Bancomer are joining in a strategic alliance aimed at providing financing to home developers and builders to support them in the various stages of the housing project construction and sale process. Under this strategic alliance, Alsis Funds and Banca Hipotecaria Bancomer will jointly offer selected developers a comprehensive financial solution in the form of project development partnerships. These partnerships will allow developers to lock-in financial certainty in the medium-term, accelerate their growth, and increase their supply of affordable entry-level housing. Through this alliance, Alsis Funds and BBVA Bancomer will seek to maximize their synergies, ensuring an adequate supply of affordable entry-level housing, channeling institutional investments toward the sector, and making assured funding available to developers recognized for their alignment with Infonavit strategy, operating excellence, and creditworthiness. Commencing in 2011, the benefits of this alliance will be offered to a group of 50 home developers operating in Mexico. The investment goal of the alliance over the next four years is to drive the construction of more than 100,000 homes with a total investment of approximately Ps.21 billion, of which 85% will be invested by BBVA Bancomer and the remaining 15% by Alsis Funds.

Certificados de Vivienda ("Cedevis") are an alternative source of financing for Infonavit, since their placement proceeds are reinvested in new mortgages for Infonavit members. In 2010, Infonavit issued Cedevis in the aggregate amount of Ps.13,680 million.

Fovissste

Fovissste increased the number of mortgages it provided from approximately 11,000 in 2002 to 91,050 mortgages in 2010, resulting in an annual compounded growth rate of 30.1%. Fovissste mortgages represented approximately 10.8% of the total financing provided in Mexico in 2010 for home acquisition. Fovissste's stated goal is to provide housing to all public employees with maximum lending terms of 30 years. Fovissste mortgages carry an annual interest rate within the range of 4% and 6%, depending on the borrower's income, and repayment is made by direct deduction of the worker's salary.

Fovissste is a fund established in 1972 and administered by the Mexican federal government on behalf of public sector employees to provide financing for affordable housing.

Fovissste operates in a manner similar to Infonavit, collecting a 5% monthly contribution from salaries of all public sector employees and deducting loan payment amounts from their salaries. Fovissste does not require a down payment to purchase a home. The maximum mortgage amount currently available is approximately Ps.803,545 plus the balance in the housing sub-account, at December 31, 2010. Fovissste borrowers are approved for mortgage loans pursuant to a drawing that is conducted on an annual basis, as well as through five different mortgage loan plans that instead require meeting certain conditions, such as being a low-income earner in the case of a subsidy loan, being a retiree with certain characteristics in the case of a retiree loan, etc. The higher a borrower's salary, the larger the amount of credit he or she will be eligible to receive.

Like Infonavit, Fovissste has an alternative source of financing, *Bonos Hipotecarios Emitidos por Fovissste* ("TFOVIs"), which generates resources to reinvest through the extension of credit to members. In 2010, Fovissste issued TFOVIs in an aggregate amount of approximately Ps.18,500 million.

SHF

SHF decreased the number of mortgages it provided from 46,136 in 2002 to 40,178 in 2010. In 2010, SHF provided approximately 0.6% of the total mortgages provided in Mexico for home acquisition.

SHF was created in October 2001 to, among other things, manage and oversee Fovi, the Mexican Housing Operation and Bank Financing Fund. SHF is a specialized national development bank the purpose of which is to encourage the development of primary and secondary credit markets for housing, which SHF accomplishes by funding and guaranteeing the obligations of financial intermediaries who grant mortgage loans. SHF provides financing to qualified home buyers through financial intermediaries, such as commercial banks, Sofoles and Sofomes, that administer the loans, make disbursements and service the SHF-sponsored mortgage loans. The financial intermediaries making SHF-funded loans are also responsible for evaluating the creditworthiness of the home buyers applying for mortgage loans, underwriting the loans and assuming the risk of the mortgage loans granted. These financial intermediaries evaluate home buyers based on age, wage and credit history, among other considerations.

SHF funds and grants mortgage loans in UDIs or Pesos or through the *Apoyo Infonavit* and co-financing programs according to the following criteria:

- the size of the mortgage for home acquisition may not be over 90% of the value of the finished home and it is determined in UDIs or its equivalent in Pesos, without ever exceeding 500,000 UDIs;
- a mortgage in Pesos may only be granted for the acquisition of a new or used home, it also may be granted to investors that purchase homes for rental or for a rent-to-own program;
- in the case of mortgages under *Apoyo Infonavit*, *Infonavit Cofinancing* and *Infonavit Cofinancing with Additional Income*, the maximum amount of the mortgage may be up to 95% of the value of the finished home. The home value by the time of titling will be: (i) up to 115,000 UDIs in category HE (economic); (ii) between 115,000 and 300,000 UDIs in category HM (middle); and (iii) over 300,000 UDIs in category HR (residential);
- in the case of land lots with services, the value may not exceed 150,000 UDIs. For mortgages cofinanced through Fovissste programs, such as *Fovissste Cofinancing* (Alia 2), the maximum value of the cofinancing is equal to 1,876 times the official minimum wage in Mexico City at the time of the titling of the mortgage;
- if there is a balance in the housing subaccount of the Retirement Saving System, the mortgage cofinanced through Fovissste, such as "*Respaldo Financiero*" (Financial Support), may be applied to homes of any value;
- in mortgages for home acquisition originated with resources from SHF, under the schemes of *Apoyo Infonavit*, *Infonavit Cofinancing* and *Infonavit Cofinancing with Additional Income*, there is no ceiling on the home value.

The expenses incurred in obtaining SHF mortgage loans are paid by the qualified home buyers.

SHF grants mortgage loans at prevailing market rates with maturities ranging between 5 and 25 years. Mortgage loan payments are due monthly and are adjusted in accordance with fluctuations in the SMG. For mortgages of up to 500,000 UDIs, an additional 5% of the monthly payment is charged for fluctuations in the UDI relative to the SMG. Home buyers are generally required to make a down payment of 10% of the home's purchase price.

SHF publishes and makes its mortgage loan programs available to developers through the financial intermediaries who dispense SHF's funds so that developers can obtain mortgage loan commitments once such developers have obtained a Clave Unica de Vivienda ("Unique Housing Code") for each house they offer. As part of the registration process, SHF assigns a Unique Housing Code to each home in a developer's inventory, which identifies homes by location, construction status and purchase price. This registry enables us to exercise our rights to allocate mortgages with any financial intermediary we choose.

Upon receipt of SHF's confirmation of the registry and the allocation of mortgage rights, we have up to three years to complete the construction of the development and find qualified home buyers. We then proceed to secure construction financing (from commercial banks, Sofoles, Sofomes and issuance of bonds in the form of *certificados bursátiles*), and simultaneously proceed to find qualified home buyers. Upon completion of the homes and finding a qualified buyer, we exercise our allocation of mortgage rights, the financial intermediary receives matching funds from SHF and originates the mortgage loan. Subsequently, we transfer the home to the homebuyer at which time we receive payment for the home. Except for a construction warranty (see "Our Business—Warranties"), we have no long-term commitment with regard to the loan.

SHF has set forth plans to focus on the promotion of DUIS. SHF, along with other institutions from the Mexican federal, local, and municipal governments, will provide housing developers a package of incentives in order to promote DUIS that will allow a greater production of quality housing for the low-income sectors.

In March 2010, SHF announced it was lowering interest rates on its bridge lines of credit for mortgage Sofoles and Sofomes in order to continue to encourage home construction. Eleven mortgage Sofoles and Sofomes (which in the future may be joined by others) signed an agreement with SHF undertaking to make the lower rates available for construction loans. On average, SHF funding rates will decrease by 126 basis points, equivalent to 14% of the current rate level.

In February 2010, SHF presented a new type of bridge loan facility for home developers. Known as COVICADE, participants also include private equity funds and financial institutions. COVICADE is the result of the SHF strategy of encouraging home construction financing and seeking to jumpstart the housing industry, affected by a lack of liquidity at financial institutions due to the global financial crisis.

In May 2009, SHF signed an agreement to ensure the stability of Sofomes and Sofoles. Through this agreement, SHF will offer six Sofomes and Sofoles a 65% guarantee so they can renew debt maturing in 2009 and 2010. In this manner, SHF will bring liquidity to the sector and improve investors' positions.

Commercial Banks, Sofoles and Sofomes

Commercial banks, Sofoles and Sofomes generally target the high middle-income and upper-income categories of the housing market to provide their mortgage funding. Commercial banks, Sofoles and Sofomes provided approximately 14.2% of all financing in Mexico for homeownership in 2010. Mortgage origination is concentrated in the largest commercial banks, which have started reentering this market as a result of improved economic conditions and increasing demand.

Mortgages originated by commercial banks have terms of up to 25 years.

While commercial banks, Sofoles and Sofomes provide mortgage financing directly to home buyers, financing is still usually coordinated through the housing developer. In order to obtain construction financing 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. Generally, the bank then submits the project to its internal credit committee and, once approved, provides construction financing to the developer. Funds are disbursed to the developer as the project advances. In this process, however, the bank has no obligation to provide take-out financing to the homebuyer. Most banks have offered funding to developers on a project-by-project basis, with funds tied to a single project.

Other Public Housing Agencies

In 2010, public housing agencies including Fonhapo and other state housing trusts provided approximately 4.8% of mortgage financing in Mexico for home acquisition. These agencies exist at the federal and local levels, and serve the largest segment of the population, mainly non-salaried workers earning less than 2.5 times the minimum wage. 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. Some agencies provide technical assistance to borrowers and final beneficiaries in designing, contracting and supervising the construction of their own housing. Public agency loans can be used for projects such as core houses (e.g., minimal dwellings with one room, a kitchen area and a bathroom), urbanized lots, public service installations, home improvements and self-help construction.

Home Funding

According to Conavi, 1,762,408 mortgage loans were granted in 2010.

Number of Mortgages for the Year Ended December 31, 2010

Financing Source	**Mortgage Loans for Home Acquisition**	**Mortgage Loans for Home Improvement and Other Loans**	**Total Loans**
Infonavit	468,025	7,066	475,091
SHF	5,617	34,561	40,178
Conavi	119,723	90,981	210,704
Fovissste	91,050	---	91,050
Fonhapo	21,531	124,876	146,407
Banks, Sofoles and Sofomes	119,785	8,728	128,513
Orevis[1]	10,493	25,791	36,284
Banco Nacional del Ejército Fuerza Aérea y Armada, S.N.C.	3,543	---	3,543
Others[2]	5,462	625,176	630,638
Total	**845,229**	**917,179**	**1,762,408**

(1) *Organismos estatales de vivienda*, or state housing organizations.
(2) Includes Instituto de Seguridad Social para las Fuerzas Armadas Mexicanas (2,576 mortgages); Petróleos Mexicanos (1,457 mortgages); Comisión Federal de Electricidad (2,237 mortgages); Unidad de Microrregiones de SEDESOL (620,373 mortgages); and Programa Habitat, A.C. (3,995 mortgages).

In 2010, Conavi distributed approximately Ps.5,795 million in subsidies for the acquisition or improvement of approximately 210,700 housing units. For 2011, the Mexican Congress approved Ps.5,313 million in subsidies which will be distributed by Conavi to cover the acquisition or improvement of approximately 170,000 housing units.

OUR BUSINESS

Overview

We are a vertically integrated and diversified Mexican housing development company. Based on publicly available information, including data published by housing development companies listed on the BMV, we believe that, at September 30, 2011, we were among the three largest developers of housing in Mexico in terms of revenues. At September 30, 2011, we had operations in 39 cities, covering the major metropolitan centers and the most dynamic medium-sized cities in Mexico.

Our revenues increased from Ps.6,883.4 million in the year ended December 31, 2008 to Ps.14,976.8 million in the year ended December 31, 2010. During the same period, our annual number of homes sold increased from 28,740 to 33,567, EBITDA increased from Ps.1,601.0 million to Ps.4,066.6 million, and net income grew from Ps.372.6 million to Ps.1,670.3 million. For the nine-month period ended September 30, 2011, our revenues were Ps.11,235.8 million (US$837.1 million). During the same period, the number of homes sold was approximately 25,934, EBITDA was Ps.2,971.6 million (US$221.4 million) and net income was Ps.1,763.1 million (US$131.4 million). Throughout these periods we have strengthened our margins while enhancing the quality and differentiation of our products.

We mainly target affordable entry-level and low middle-income home buyers, although we also develop a small percentage of homes for high middle-income and upper-income home buyers. As most home mortgage financing institutions categorize their financing programs by income level, we describe the homes we develop for affordable entry-level, low middle-income and high middle-income and upper-income home buyers as "affordable entry-level," "low middle-income," and "high middle-income and upper-income" housing, respectively. In 2010 and during the nine-month period ended September 30, 2011, our affordable entry-level and low middle-income housing accounted for approximately 96.1% and 96.9%, respectively, of the total number of homes we sold, and 88.0% and 88.7% of our housing development revenues, respectively, with high middle-income and upper-income housing accounting for the balance. The average sales price of our homes in 2010 and during the nine-month period ended September 30, 2011 was Ps.386,392 (US$32,637) and Ps.363,797 (US$27,105), respectively.

Since our incorporation in 1981, we have developed, built and sold more than 400,000 homes, enjoying a 30-year history of profitable operations. Despite adverse economic conditions in Mexico at times during this period, our growth in the housing business has benefited from our disciplined approach to matching mortgage availability with market demand and our design and selection of housing products to meet customer requirements in a variety of income strata. In addition, as a result of the geographic expansion strategy we have pursued in recent years, our business has benefited from recent economic and demographic growth experienced in many regions of Mexico.

As of September 30, 2011, we had 79 housing developments in progress. Consistent with our land reserve policy, as of September 30, 2011, we had land reserves of 5,331 hectares which we estimate are sufficient for constructing approximately 287,540 affordable entry-level and low middle-income homes, in addition to 420 hectares which we estimate are sufficient for constructing 18,562 high middle-income and upper-income homes. We believe that this combined land will be sufficient for approximately six years of operations. Our land reserves as of September 30, 2011 include land reserves from our Landowner Partner program. See "—Housing Development—Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress."

As of September 30, 2011, we had additional land reserves of approximately 1,027 hectares, strategically located in large scale master-planned communities (macroprojects). As of September 30, 2011, we also had land reserves of more than 397 hectares (enough to accommodate approximately 28,400 homes) from housing projects in progress that we acquired from other housing developers, consistent with the strategy described below. See "—Housing Development—Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress."

Starting in 2009, we adjusted our growth rate to prioritize balance sheet strength and the generation of free cash flow, as well as to increase our cash position. We believe this strategy will allow us to solidify our financial structure and achieve our goal of having one of the strongest free cash flow positions among housing development companies in Mexico.

Since 2010, we have utilized our increased liquidity and cash flows to acquire housing projects in progress initiated by small and medium-sized housing developers. We believe such acquisitions represent a business opportunity, which has already resulted in the addition of eleven new SBUs.

Our Strengths and Strategy

Our goal is to become the leading provider of housing and services for the development of master-planned family housing communities in Mexico, with an emphasis on maximizing customer satisfaction while consistently creating value for our shareholders and employees. To achieve this goal, our primary long-term strategic objectives are to further strengthen our position as one of the leading Mexican homebuilders in terms of revenues, profitability, customer and employee satisfaction and the development of socially, environmentally and economically sustainable communities. To this end, we focus on the following competitive strengths and strategic imperatives:

Profitable Growth

In recent years our growth strategy has focused on generating liquidity and achieving the best margins in the industry. We have successfully accomplished these by taking advantage of our efficient business model, state-of-the-art IT platform, leading-edge construction technology, economies of scale and continued strengthening of our market position. As described below, we monitor our growth strategy from time to time to pursue a relatively conservative working capital and stable cash flow policies. We believe that our diverse range of housing products, our ability to design innovative methods of customer financing in conjunction with financial institutions and our continued geographic expansion are important factors in our sustained growth.

- *Leading Position in Key Markets*. We plan to continue to increase our leadership position in the affordable entry-level and low middle-income housing segments, which currently experience stronger demand levels than other market segments due to the continued availability of mortgages from government-sponsored housing agencies as well as an acute housing deficit. To this end, we intend to capitalize on business opportunities arising from policies implemented by the Mexican federal government that are designed to expand the supply of affordable housing. We also intend to continue to participate selectively in the high middle-income and upper-income housing markets.

- *Continuing Geographic Expansion*. We expect to continue to expand our operations in several states throughout Mexico and to maintain our leadership position in the major cities of the Northern States of Mexico.

- *Macroprojects & DUIS Certification*. We intend to expand our housing supply to the low-income segment of the population, through the development of large scale master-planned communities (macroprojects) that we believe will attract government subsidies and public investment and will allow us to generate profitable housing targeted to this segment of the population, while also promoting social, economic and environmentally sustainable development. Urbi's Valle San Pedro macroproject in Valle Las Palmas, Tijuana was the first housing development to receive the Mexican federal government's DUIS certification for self sustainable integral urban developments. This certification could allow us to benefit from the government's basket of investments and incentives for these types of projects. See "The Mexican Housing Industry."

- *Expanding into Selected Markets*. We plan to take advantage of business opportunities in market segments that we believe will experience significant growth, such as the low-rise residential housing segment.

- *Growing our Partnerships*. In several small-sized and medium-sized cities, we have continued to enter into mutually beneficial and profitable partnerships with local landowners and developers through our Landowner Partner and City Manager Partner programs, pursuant to which we propose to combine the Urbi brand and our financial and logistical resources with the expertise, business relationships, local know-how and, as the case may be, available land provided by these third-party partners. In addition, we have developed a strategy of acquiring housing projects already in progress from small and medium-sized housing developers that we believe represent a business opportunity. See "—Housing Development—Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress" below.

Industry Leading Financial Performance

We believe we are one of the most profitable large-scale home developers in Mexico. In 2010 our EBITDA margin was 27.2%, despite the greater weight of affordable entry-level and low middle-income housing in our product mix in 2010, as a result of our growth strategy described below. We believe we maintain relatively conservative working capital and stable cash flow policies. We also believe we reacted quickly to the global financial crisis by implementing measures aimed

at curtailing capital expenditures, reducing short-term debt and improving our working capital position. We believe our strong financial performance is largely the result of a highly efficient operating business model and a deep knowledge of the attractive geographic markets in which we operate.

Flexible and Efficient Operations

We believe we are one of the most efficient companies operating in the Mexican homebuilding industry. We believe we have accomplished this by aligning our information management processes with our business strategy and our organizational structure. Our overall organizational structure and our flexibility enable us to take advantage of, and react rapidly to, changing market conditions and to maintain profitability upon any operational expansion or contraction.

- *Efficient Business Model*. We continuously enhance our operations as a process manager by operating well-integrated housing production, mortgage processing and marketing lines with effective logistics, through which we are able to integrate our construction projects with sub-contractors that conduct nearly all of our construction process.

- *Operational Excellence*. We divide our operations into SBUs, which serve as localized development and sales centers in each of the cities where we operate. Our SBU structure allows us to operate more efficiently over multiple projects by allowing regional managers greater autonomy to cost-effectively expand into new markets.

- *Strong Relationships with Suppliers*. Strong, long-term relationships with our main suppliers of materials allow us to integrate our processes with theirs and to ensure that supplies of materials are delivered on a timely basis at competitive prices, as well as to share technology and operating know-how with them.

- *Experienced Management Team*. We benefit from a management team with significant experience, as most of our senior managers have between 9 and 30 years of experience in the Mexican housing industry.

- *ISO Recognition*. We were the first Mexican housing developer to receive an ISO 9000 Certification, in recognition of our efficient and technologically advanced organizational processes.

Innovation

We believe we are at the forefront of the modernization of the Mexican homebuilding industry through our ongoing focus on innovation. We have introduced several important innovations to our industry and have recently embarked on the following initiatives:

- *Our Partnerships*. Since 2007, as part of our continuing effort to reduce costs and improve operating efficiencies, we have developed (i) the Landowner Partner program to minimize the up-front cost associated with the acquisition of land and (ii) the City Manager Partner program to reduce the costs associated with the start-up of new SBUs in medium-sized cities and the development of land for future construction in those cities. We believe these programs will allow us to significantly reduce start-up costs and initial working capital investment. In addition, we have developed a strategy of acquiring housing projects in progress initiated by small and medium-sized housing developers as a means of reinforcing our geographic expansion and diversification.

- *New Financing Programs*. We continue to assist commercial banks, Sofoles and Sofomes in developing highly individualized mortgages and financing alternatives that they may potentially provide, which are tailored to conditions for our target clients, facilitating their purchase of our homes and thereby enhancing our growth and differentiating ourselves from our competition. We believe our ability to help introduce innovative financing products will allow us to penetrate new markets, including groups that have traditionally not received mortgages, such as the self-employed. We believe we are the leading company in this segment, having built an eight-year track record through *Alternativa Urbi*. This program, which targets self-employed workers, allows us to take advantage of the mortgage financing provided by SHF to this segment of the population through the *Ahorrashf* and *Renta con Opción a Compra* ("Rent to Own") programs, and recently in collaboration with Infonavit, through the ROC Infonavit program. See "—Marketing and Sales—Customers and Customer Financing" below.

- *Strategy of Growth with Emphasis on Liquidity*. We are focused on maintaining a conservative financial position. We have limited our exposure to mortgages financed through commercial banks, Sofoles or Sofomes, which we believe minimizes our exposure to the higher default rates associated with such mortgages, enabling us to maintain a higher quality profile for our accounts receivable. During the past few years, we have strategically changed our product mix in order to increase the percentage of revenues from homes in the affordable entry-level and low middle-income housing categories, which can be sold through mortgages from Infonavit, Fovissste and SHF. In 2009 and 2010, 88.1% and 88.0%, respectively, of our housing development revenues came from affordable entry-level and low middle-income home sales. We believe our prudent strategy enhances our ability to respond quickly to market opportunities and minimizes any negative effects that might result from a downturn in the economy.

- *Advanced Construction Technology.* In 2008, we designed and developed *UrbiNova*, an advanced mold construction technology that allows us to reduce costs, improve the quality of our work product and maintain the same operating margins, even with respect to low-income housing. *UrbiNova* enables us to use a single mold to create a range of versatile designs for low-rise buildings, from affordable entry-level and low middle-income housing to high middle-income and upper-income housing. We believe this system allows us to efficiently cover the needs of our target market segments in the main medium-sized cities and major metropolitan areas of Mexico. With this new technology, we initiated projects in 2008 and 2009 directed to specific market niches in the metropolitan areas of Mexico City, Tijuana and Cancun. We believe our experience in developing low-rise vertical housing will allow us to take advantage of new programs and initiatives that the government may implement targeting this type of housing.

- *Advanced Information Technology Platform.* We believe that *UrbiNet,* our advanced information technology platform, distinguishes us from our competitors and plays a major role in our ability to maintain high quality standards and support decentralized, large scale and profitable growth. *UrbiNet* provides us with detailed financial and operational data on a real-time basis, improving the efficiency of our operations and allowing us to successfully identify new business expansion opportunities. In addition, our *UrbiNet* portal allows us to manage our business as two independent operating lines: one dedicated to housing construction and a second dedicated to obtaining mortgages for customers.

Streamlined and Targeted Sales and Marketing Processes

Our sales and marketing operations are organized to expedite our sales processes and increase our sales volume.

- *Targeted Demographic Groups*. We focus on targeted demographic groups based in part on income level, age, type of job, family and marital status. Once the target group is established we design our product, source of financing and marketing strategy accordingly.

- *Extensive Training Programs*. We believe our specialized training programs, combined with the tools our *UrbiNet* technology platform provides our sales force, enable us to successfully replicate standardized sales structures when entering new markets.

- *Emphasis on Client Service*. Our SBUs focus exclusively on our clients. Within the SBUs, we have personnel focused on sales, mortgage processing, and customer service, leveraging our ISO 9000-certified processes and information technology platform.

Strong Positioning and Quality Branding

We believe that our customers equate the "Urbi" brand with high quality and a strong commitment to customer service.

- *Effective Branding Strategy*. We have developed a strategy that includes using our proprietary brands under the "Urbi" umbrella brand for our various products for each housing category.

- *Strong Brand Recognition*. We seek to differentiate ourselves from our competitors through *Urbi VidaResidencial*, the brand name we use for our housing developments, which is identified with master-planned

communities that emphasize the quality of life in a village-like setting suitable for families. We believe *Urbi VidaResidencial* is viewed as a symbol of status and prestige within our target market.

Business Structure

Our business structure is divided into six principal areas:

- housing;
- land development;
- construction management;
- oversight and control;
- business inputs; and
- business development.

The management and integration of these six areas of operations are coordinated by our Operational Management Team ("OMT"). The OMT is responsible for achieving the annual business plan, managing construction, marketing and sales.

We divide our operations into SBUs, which serve as localized development and sales centers in each of the cities where we operate. Our SBU structure allows us to operate more efficiently over multiple projects by allowing regional managers and City Manager Partners greater autonomy to cost-effectively expand into new markets. We expect that our City Manager Partner program and our strategy of acquiring housing projects in progress from other housing developers will enable us to expand our SBUs into new geographic areas where we currently do not operate. See "—Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress."

One of the primary functions of the OMT is to support the SBU's execution of the mortgage individualization process, including (i) coordinating with mortgage providers to expedite the granting of mortgages, (ii) coordination of the sales, construction supervision, legal and administrative processes to ensure availability of completed homes as mortgages are approved and contracts signed, (iii) collection of down payments from purchasers, and (iv) advising the financial division of the SBU regarding projected cash flow. See "—Mortgage Loan Individualization."

The operating size of an SBU is determined by the product mix and the number of houses to be serviced by that SBU. The OMT monitors the sales performance and efficiency of each SBU. The OMT also monitors land inventories in accordance with the business plan for each city. Each SBU has an annual sales and production target.

Housing

As of September 30, 2011, we had 67 SBUs classified by location and product related to our housing development business. These SBUs have a highly specialized team in each location focusing on sales, mortgage loan individualization and customer service, with the support of FSUs. Each SBU is comprised of approximately 45 to 50 persons and typically manages the sale of between 600 and 1,200 homes annually.

The management, follow-up, oversight and control of the housing development process is coordinated by two of our directors, one of whom is responsible for housing development related to low middle-income, high middle-income and upper-income housing, and the other of whom is responsible for housing development related to affordable entry-level housing. Each director is assisted by regional directors who coordinate operations in the various locations where we operate.

Land Development

We have operational support teams dedicated to land development. Each operational support team is comprised of approximately 20 persons and has a unit manager and a team of specialized employees. These operational support teams provide the SBUs with access to developed land and sell land developed for housing, commercial buildings or community

facilities. An operational support team's tasks involve (i) finding land resources; (ii) applying for authorizations, permissions and licenses of the federal, state and local governments (all relevant legal and technical requirements must be satisfied prior to construction and preparation of the land for certain basic utilities); and (iii) providing services to customers who want to acquire land for housing, commercial buildings or community facilities. The management, follow-up, oversight and control of the land development process is coordinated by two of our directors, one of whom is responsible for land developed in connection with housing, and the other of whom oversees land developed in connection with commercial buildings and community facilities. Each director is assisted by regional directors who coordinate operations in the various locations where we operate.

Construction Management

Our construction management team is responsible for the supervision and execution of land development and housing construction, including site preparation, infrastructure development and coordination with local service providers. The management, follow-up, oversight and control of the construction management process, including the organization and supervision of subcontractors, is conducted by two of our directors, one of whom is responsible for land development, and the other of whom is responsible for the construction of homes. Each director is assisted by regional directors who coordinate operations in the various locations where we operate.

Oversight and Control

Our oversight and control team is responsible for accounting, taxes and internal controls. Management of the oversight and control process is coordinated by our corporate comptroller and is supported by several regional comptrollers who coordinate operations in the various locations where we operate.

Business Inputs

Our business inputs team is responsible for planning, designing and providing each business operations team with structural support by addressing issues related to mortgage financing sources, working capital, marketing plans, financial promotion, customer service, technical services, architectural model design and master development plans. One of the main functions of the team is to formulate our annual business plans. Our business inputs team includes the Regional Land Development Manager of the local region, the Director of Planning, the Marketing and Communications Director, the Director of Financial Development, the Design Manager, the Urban Planning and Design Manager, the Technical Director and the Customer Services Manager.

Business Development

Business development is coordinated by our strategic management team ("SMT"). The SMT is responsible for long-term planning (five to six years in advance), implementing strategic decisions, development of the Urbi business model, expansion into new geographic markets, designing new products, creating strategic alliances and evaluating our financial model and information technology systems, among other activities. The SMT is made up of the Chief Executive Officer, the Executive Director, the Business Development Director, the Operations Director, the Chief Financial Officer, the Sales and Marketing Director and the Technical Director.

Housing Development

General

We are typically simultaneously engaged in the design, planning, development, construction and sale of numerous housing developments in different market areas. Generally, land for a housing development is acquired with our own capital, borrowed funds, financing made available by the seller of the land or a combination of these sources. See "—Land Reserves" and "—Land Acquisition." In 2007, we launched a new initiative, the Landowner Partner program, to reduce the expense of acquiring land. See "—Land Acquisition."

The design and planning of a housing development begins with a market survey, the main purpose of which is to analyze demand for housing, the target location for the development and design alternatives for the development and the architecture of the homes. See "—Design" and "—Marketing and Sales—Market Surveys." We then obtain the authorizations, approvals, permits and licenses required from federal, state and local governmental authorities and any private

interests (such as easements or rights of way) for the development and construction of the project. See "—Government Regulation." Once such authorizations are received, the project is presented to public or private sector mortgage loan providers to secure commitments for mortgage financing for prospective qualified home-buyers. See "Risk Factors—Risks Related to Our Business—Our ability to generate sufficient revenues to ensure our viability is dependent on public and private sector mortgage financing" and "The Mexican Housing Industry—Sources of Mortgage Financing." In 2007, we launched the City Manager Partner program to reduce the cost of development and enable us to expedite the development and construction process and the opening of new SBUs. See "—Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress." We have continued implementing the City Manager Partner program in select regions and are planning to integrate the program into our future operations in all of the regions in which we plan to operate. In addition, in 2010 we developed a strategy of acquiring housing projects in progress initiated by small and medium-sized housing developers as a means of reinforcing our geographic expansion and diversification. See "—Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress."

Once we obtain commitments from mortgage loan providers, we prepare a work plan and timeline for the installation of infrastructure, connection of utilities and roadways to the urban grid and commencement of housing construction. A typical affordable entry-level home takes approximately two to three months to build, while a typical middle-income or high-income home takes approximately four to five months. See "—Construction" and "—Materials and Suppliers." At or about the time construction begins, we initiate the marketing and sales program. Once a prospective client elects to purchase a home from us, the client must submit a mortgage application to the financing provider, obtain approval and select a home.

Master Development Plans

A master development plan is created for each housing development by considering a variety of factors and assumptions, including permissible housing density pursuant to applicable zoning regulations, required building specifications and other permits, housing design, public areas, public utilities and anticipated demand and mortgage financing availability to determine an estimate of maximum housing units for a housing development. The successful implementation of our master development plans is subject to various contingencies and uncertainties, including the accuracy of the estimates based on the factors and assumptions described above, and may be reviewed or adjusted by us at any time to cater to new or changing market or economic conditions.

The following table sets forth information derived from our master development plan as of September 30, 2011 with respect to all land owned by us, including land held in reserve and upon which there is no development activity:

			Estimated Distribution of Total Estimated Units by Housing Category	
Location	**Number of Developments in Progress[1]**	**Total Estimated Units[2]**	**Affordable Entry-Level and Low Middle-Income**	**High Middle-Income and Upper-Income**
Baja California	23	153,737	146,022	7,715
Sonora	11	22,854	22,220	634
Sinaloa	12	7,892	7,818	74
Chihuahua	9	22,590	20,962	1,628
Aguascalientes	1	2,101	2,101	---
Quintana Roo	1	4,509	4,509	---
San Luis Potosi	1	5,258	5,258	---
Tamaulipas	1	3,507	3,507	---
Guanajuato	2	4,541	4,541	---
Coahuila	1	3,076	3,076	---
Durango	1	1,390	1,390	---
Queretaro	1	8,294	8,294	---
Veracruz	---	1,116	1,116	---
Mexico City's Metropolitan Area	8	2,846	2,693	153
Guadalajara's Metropolitan Area	3	56,536	48,342	8,194
Monterrey's Metropolitan Area	4	5,855	5,691	164
Total	**79**	**306,102**	**287,540**	**18,562**

(1) Includes the number of developments and land reserves for which we have obtained general authorization from the relevant local authorities.
(2) Represents the estimated number of units that could be built on our total land reserve in accordance with approved housing density levels under applicable zoning ordinances and our master development plans (i) in respect of developments currently in process, less units already sold, and (ii) including land held in reserve where no development is currently taking place. Construction in respect of those units does not begin until we receive confirmation of the availability of mortgage financing for qualified home buyers.

Based on our existing master development plans as of September 30, 2011, we estimate that approximately 306,102 homes could be built on our land reserves of which an estimated 287,540 are represented by affordable entry-level and low middle-income homes and 18,562 are represented by high middle-income and upper-income homes.

As September 30, 2011, we had a Mortgage Commitment Backlog for 33,474 homes. Our general policy is to obtain and maintain sufficient mortgage commitments in our Mortgage Commitment Backlog to ensure the continuous sale of homes for approximately 12 to 18 months of future operations. We therefore participate continually in Infonavit and SHF mortgage funding programs. See "The Mexican Housing Industry—Sources of Mortgage Financing."

Interaction of Home Production Line and Mortgage Production Line

Our business operation may be compared to managing two production lines: one production line for construction of housing and another production line for granting mortgage loans to customers. The process of housing production begins with the acquisition of land and ends with the construction of the homes. The process of entering into a mortgage with a client begins with the initial contact with a potential customer and continues until the mortgage loan is approved.

All of the processes included in both production lines are synchronized according to a value chain in such a way that homes are allocated to a qualified buyer prior to completion. This synchronization reduces our working capital needs. To this end, the construction of homes and our marketing and sales activities interact with each other. Our marketing and sales activities include preparing market surveys, pricing and product selection, promotion and publicity, customer financing and mortgage individualization, and post-sale services. The entire process runs through the construction period.

Typically, after we develop a construction plan for a specific housing development, which consists of multiple units, we spend approximately two to three months marketing the units in the case of affordable entry-level housing development or approximately four months marketing the units in the case of middle-income and upper-income housing. During this period, we receive commitments from potential buyers to purchase a unit in the housing development, but we do not allocate the units to specific buyers. Typical construction lasts two to three months for affordable entry-level housing and four to five months for middle-income and upper-income housing. While the houses are being constructed, we allocate specific units to the committed home buyers.

Land Reserves

Maintaining adequate land reserves for future housing development and construction permits the timely utilization of land in response to market demand. Our operating policy and strategy is to maintain land reserves sufficient to cover our development needs for approximately three years in medium-sized cities and up to seven years in metropolitan areas. We believe that this policy assures continued future operations and affords sufficient time to enable us to negotiate land purchases and financing arrangements upon favorable terms, to obtain all necessary permits for development and to complete infrastructure development and integration with municipal utilities on a timely basis.

The following table sets forth our land reserves in hectares by region as of September 30, 2011.

Land reserves as of September 30, 2011 (in hectares[(1)])

Location	Total Hectares by Region	% of Total	Estimated Distribution by Housing Category: Affordable Entry-Level and Low Middle-Income	High Middle-Income and Upper-Income
Baja California	2,622	45.6	146,022	7,715
Sonora	447	7.8	22,220	634
Sinaloa	160	2.8	7,818	74
Chihuahua	440	7.6	20,962	1,628
Aguascalientes	62	1.1	2,101	---
Quintana Roo	75	1.3	4,509	---
San Luis Potosi	107	1.9	5,258	---
Tamaulipas	72	1.2	3,507	---
Guanajuato	92	1.6	4,541	---
Coahuila	62	1.1	3,076	---
Durango	28	0.5	1,390	---
Queretaro	168	2.9	8,294	---
Veracruz	23	0.4	1,116	---
Mexico City's Metropolitan Area	42	0.7	2,693	153
Guadalajara's Metropolitan Area	1,229	21.4	48,342	8,194
Monterrey's Metropolitan Area	122	2.1	5,691	164
Total	**5,751**	**100.0%**	**287,540**	**18,562**

(1) One hectare equals approximately 2.5 acres. See "Presentation of Financial and Certain Other Information."

Our land reserves as of September 30, 2011 include land reserves from our Landowner Partner program. See "—Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress" below.

As of September 30, 2011, we maintained a land inventory of approximately 5,751 hectares (57.5 million square meters or approximately 14,378 acres) for housing development, which we have allocated to our housing categories as follows:

- Affordable entry-level and low middle-income housing: 5,331 hectares for the construction of affordable entry-level and low middle-income housing developments accommodating an estimated 287,540 homes.

- High middle-income and upper-income housing: 420 hectares for the construction of high middle-income and upper-income housing developments accommodating an estimated 18,562 homes.

As of September 30, 2011, we had additional land reserves of 1,027 hectares (approximately 2,568 acres), strategically located in large scale master-planned communities (macroprojects). This land is intended to be developed for housing, commercial and industrial uses. The portion corresponding to housing will be incorporated into our current land reserves for future housing development and construction once the master development plan requirements are satisfied. See "—Land Acquisition" below. As of September 30, 2011, we also had land reserves of more than 397 hectares (enough to accommodate approximately 28,400 homes) from housing projects in progress that we acquired from other housing developers, consistent with the strategy described below. See "—Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress" below.

Our operational support teams manage our land reserves and acquisition activity by monitoring and analyzing current land reserves as they relate to each SBU, the projected number of houses that can be built within the remaining capacity of current and future developments and the sales projections for each relevant SBU. Land purchases are planned with a view to maintaining land reserve levels consistent with our land reserve policy. See "—Land Acquisition" below.

Land Acquisition

We have developed well-defined procedures and policies, implemented by our land acquisition committee. The land acquisition committee prepares our land acquisition strategy based on several factors, the most important of which are our master development plan for all our housing activities and the particular land reserve requirements of each operational support team. Each operational support team's land reserve requirements are based on market and technical research studies designed to determine regional demand for housing developments, evaluate the types and designs of housing developments most suited to general demand and, accordingly, determine the size and location of land to be purchased and the related estimated cost.

Our land acquisition methods include outright purchase, deferred payment land purchase agreements with landowners, trust agreements with state governments or other governmental entities, financed purchase with title retention, land acquired through our Landowner Partner program, land acquired through our joint venture with Prudential Investment Management, Inc. ("Prudential") and the break-up of communal land (ejido). On December 19, 2007, we entered into a partnership agreement with Prudential. In general terms, the purpose of the association is for both companies to jointly invest in real estate development projects, which includes, buying and urbanizing land and building infrastructure and low, medium and high-income homes. Our participation in the association shall be limited to a total investment of USD 1 billion or five years, whichever occurs first. See Note 19(c) to the Audited Financial Statements. Under a deferred payment land purchase agreement we typically pay the landowner a down payment, make another payment when the deed is registered and pay the balance in deferred installments. Depending on the terms of a specific contract, the seller of the land may transfer title to us for specific parcels in proportion to the payments received or may retain title to all land subject to the agreement which is transferred to us when the purchase price is paid in full. Under land development trust agreements, we enter into a land development trust with a state government or other governmental entity to facilitate housing development for residents of the state. Under this method, title to the parcel of land on which the house is situated is transferred by the trust directly to the purchaser upon completion of construction and full payment for the home. Finally, we have acquired land from members of *ejido* communities in connection with the break-up of this form of communal land tenure.

Landowner Partner and City Manager Partner Programs and Acquisition of Housing Projects in Progress

Under our Landowner Partner program, which was implemented in 2007, landowners agree to provide us with land for housing development through a project agreement with us. In certain cases, we agree to pay the landowner partner an advance payment upon the completion of certain conditions, which is discounted against the landowner partner's portion of the proceeds from the sale of homes. In the event the housing development is not completed, the landowner partner is obligated to transfer a portion of the land to us in exchange for such advance payment, with the remainder of the land returning to the landowner partner. In exchange, we agree to share revenue generated from the sale of homes we build on the landowner partners' land. This program allows us to avoid the up-front cost of land acquisition by eliminating finance costs, carrying charges and other expenses related to the future acquisition of land. The Landowner Partner program allows us to reduce our initial working capital investment in projects while leveraging the landowners' existing relationships with local authorities to expedite negotiations to rezone the land for urban development and obtain other necessary permits. Through September 30, 2011, we have signed two definitive agreements under this program.

Under our City Manager Partner program, which was implemented in 2007, we hire local developers or executives in the areas in which we operate or plan to operate to manage our operations in those areas on an exclusive basis, using the SBU model. The City Manager Partner program allows our city manager partners to associate themselves with the Urbi brand and to benefit from our financial resources, logistical support and technology. In return, we receive the exclusive benefit of their local knowledge and business network. By leveraging the local knowledge and expertise of our city manager partners, the City Manager Partner program reduces the transaction costs associated with starting up new operations and opening new SBUs in these areas. Local expertise also allows our city manager partners to source land more quickly and to develop products that meet the specific needs of the individual markets in which we operate. Additionally, our city manager partners take advantage of established relationships they have with local government agencies to expedite the approval process and reduce costly development delays. We choose city manager partners according to very selective criteria and subject them to strict performance metrics once they are hired. City manager partners receive a monthly compensation plus an incentive-based compensation package. We believe our selection process and compensation structure have yielded highly knowledgeable and qualified local managers who are well motivated to help drive our future growth. As of September 30, 2011, we had 13 city manager partners through our City Manager Partner program. See "Risk Factors—Risks Related to Our Business—We continue developing our Landowner Partner and City Manager Partner programs. They do not yet have operating histories and may not be successful in the long term."

In addition, in 2010, as a means of reinforcing our geographic expansion and diversification, we developed a strategy of acquiring housing projects in progress that had been initiated by small and medium-sized housing developers. Several such developers faced difficulties completing their projects, mainly due to the decreased availability of construction financing during the recent economic crisis. As of September 30, 2011, we have integrated 11 housing projects in progress through this initiative.

Urbanization

Our construction process includes urbanization of rural land for use in our developments. Urbanization typically involves the construction of roads, electricity grids and water and sewage pipelines for each development. Our internal teams conduct environmental studies for each project and produce environmental reports that are intended to identify environmental issues and assist in project planning in order to minimize adverse environmental effects, such as limiting the felling of trees during the process of urbanization for use in our developments. Our cost of sales includes the cost of complying with applicable environmental regulations. To date, the cost of complying and monitoring compliance with environmental regulations applicable to us has not been significant.

Large Scale Master-Planned Communities

Consistent with initiatives adopted by the federal government in Mexico, we are also planning future infrastructure investments for the development of large scale master-planned communities in the principal metropolitan zones in which we operate to serve the low-income segment of the housing market, among other market segments, and to promote the development of competitive and sustainable urban communities. To this end, we have designed innovative methods for facilitating public and private investment in infrastructure and have acquired additional land reserves for these purposes. See "—Land Reserves" above.

Design

Our in-house design staff included, as of September 30, 2011, a team of approximately 15 architects and engineers engaged in urban and architectural design and supervision, and 5 civil engineers and specialists in urban planning in charge of the overall layouts and design of the *Urbi VidaResidencial* concept. Our diverse design staff provides us with the flexibility to develop different types of developments, including the homes and public facilities situated therein. In connection with specific projects, designs are targeted for a development in a particular market area, which influences architectural considerations in terms of regional style and materials, and income group, which influences materials and design cost considerations. Once approved, the design becomes part of a preliminary project that allows us to obtain financing and, subsequently, to begin the development.

We design, develop and market our housing developments under our *Urbi VidaResidencial* concept, which refers to a master-planned community in a village-like setting suitable for families. This concept emphasizes (i) the quality of life in an Urbi community, by focusing on the importance of having schools, playgrounds and shopping facilities conveniently located within the development, (ii) a sense of community, by promoting neighborhood associations, (iii) the safety and security attributable to its distinct design and (iv) affordability. The *Urbi VidaResidencial* concept offers a variety of housing styles and the convenience of commercial, recreational and educational facilities situated within the housing development complex. This concept has been evolving since its creation 30 years ago with our first housing development, "Villa Verde Residencial," located in Mexicali, B.C. Our housing developments are characterized by detached, stand-alone homes that can be modified and enlarged according to a family's needs and income. Our 30 years of experience in architectural design and technological refinement of the *Urbi VidaResidencial* concept plays a fundamental role in our marketing strategy and, we believe, provides added value for our clients.

Construction

Our construction methods are based on the mass production of housing units and the use of specialized labor. These methods have allowed us to reduce construction costs by achieving economies of scale and, by shortening the construction time, to lower the associated financial costs. The construction of our affordable entry-level and low middle-income homes is a continuous process, similar to a production line, using mainly mass produced materials that are delivered to the development and assembled on-site. Nearly all of our construction process is subcontracted to third parties. In this respect, we enter into agreements with local subcontractors specializing in different stages of the construction process. The construction area management team is in charge of supervising the construction of housing developments, coordinates the

activities of subcontractors and suppliers and is responsible for assuring compliance with zoning and building regulations. Construction of high middle-income and upper-income homes tends to be somewhat more customized.

We typically plan and build our affordable entry-level developments in stages, divided into batches ranging from 200 to 400 homes. The construction of approximately 2,000 homes is staggered into several batches in order to maintain continued operations. Receipt of proceeds from earlier home sales helps fund the costs of additional construction, thereby reducing working capital needs and financing costs in the latter stages of a project.

We establish quality control systems for each housing development. To this end, we maintain a quality control file for each home and retain external consultants and construction engineering firms to verify that the materials used and final products comply with our quality standards.

Materials and Suppliers

As a developer of many low-income housing developments under construction simultaneously, where a competitive selling price is a crucial factor, controlling costs of materials, suppliers and subcontractors is an important aspect of our business. Our cost control policies focus on volume purchases, vendor selection and negotiations at the corporate level for certain materials. We believe that our knowledge of the industry and the lower per-unit price available in large volume purchases allow us to negotiate favorable prices.

We generally contract with suppliers and subcontractors who specialize in construction materials or services in order to benefit from their cost structure and expertise. Basic materials used in construction, including concrete, steel, bricks, windows, doors, roof tiles and plumbing fixtures, are usually purchased from major suppliers in the spot market. However, where possible, each SBU negotiates supply contracts with suppliers in its geographic market area, thereby securing construction materials from the closest possible sources, minimizing shipping costs and delays. In addition, this policy facilitates the use of building materials whose design and aesthetic characteristics are consistent with local architecture. We have focused our efforts on maintaining strong long-term relationships with our principal suppliers in order to increase productivity through integration of our processes. This integration has helped us ensure the timely supply of materials at competitive prices. A substantial portion of the materials and supplies used in our developments are provided by suppliers with which we maintain long-term relationships.

Our principal suppliers, which supply us through their local distributors, are (among others): Cemex, S.A.B. de C.V.; Ventanas de Aluminio, S.A. de C.V.; Lámina y Placa Comercial, S.A. de C.V.; Durman Esquivel, S.A. de C.V.; General Paint Co. de México, S.A. de C.V.; Grupo Industrial Saltillo, S.A.B. de C.V.; Silletas Espaciadores de México, S.A. de C.V.; Dinámica en Techos, S.A. de C.V.; Comercial de Herrajes y Cerraduras, S.A. de C.V.; Urbanizacion y Riego de Baja California, S.A. de C.V.; Futura Industrial, S.A. de C.V.; and Fanosa, S.A. de C.V.

Labor

We continually research new construction and engineering techniques and processes in order to increase productivity and reduce costs. In addition to our experienced personnel, we utilize the local labor force in each region for managerial and highly skilled positions. In order to control this significant cost, we pay the subcontracted labor for each project based on the number of units completed, rather than by man-hour.

Marketing and Sales

General

Substantially all of our marketing and sales are managed and performed in-house. Marketing and sales include preparing market surveys, pricing and product selection, promotion and publicity, customer financing and individualization and post-sale services. Our Sales and Marketing Corporate Support Area analyzes market demand and the fit of the proposed *Urbi VidaResidencial* concept and home design to be used in a particular development, in each case working closely with the operational support team where the development is to be located. The SBUs' knowledge and close contact with the prospective client base allows us to identify and target our markets and to align the planning, appearance and architectural features of the development with the needs of such client base and our overall marketing strategy. The Sales and Marketing Corporate Support Area allows each of our SBUs to focus on and control the sales process.

Market Surveys

Planning for every housing development begins with a market survey, based on formal market research conducted by the Sales and Marketing Corporate Support Area. The market survey is our key analytical tool to evaluate the feasibility of and probable demand for housing in an operational support team, local market or market area. It analyzes primary demand for housing, demographic characteristics of the general population, the target market in the city where the development is to be located, the availability of financing, urban planning objectives, alternative locations, state and local governmental development plans, the need for schools and playgrounds and design alternatives for the *Urbi VidaResidencial* model.

Analysis and estimates of demand in the case of affordable entry-level and low middle-income housing are prepared annually for each market area and are based in large part on the published financing goals of SHF and Infonavit and demographic data of INEGI, in each case with reference to target cities and income groups therein, as well as on the existing and proposed developments of our competition. To enhance the predictive capability of our sales database, each SBU maintains and continually updates records of prospective home buyers categorized by income levels and other demographic data. The database covers clients who purchase a home, prospects who elect not to purchase and those whose mortgage application is rejected by the financing institution. This market research creates a client profile allowing us to target our marketing efforts in the affordable entry-level and low middle-income housing markets: 22 to 40 years old, with a salary of 1.6 to 11 SMGs (approximately Ps.2,910 (US$217) to Ps.20,009 (US$1,491)), married with one or no dependents, living with parents or other relatives and employed by a corporation. With respect to the high middle-income housing markets, the typical client profile identified by the market research is between 25 and 45 years old, earns from 12 to 30 SMGs (approximately Ps.21,828 (US$1,626) to Ps.54,570 (US$4,066)) is married with or without dependents and is living with parents or other relatives and is an employee or owner of a company.

Pricing and Product Selection

Based on the market survey and indicated income level(s) of the target market(s), the Sales and Marketing Corporate Support Area, the Design Corporate Support Area and the relevant operational support teams analyze different product designs, housing prototypes and characteristics of the *Urbi VidaResidencial* concept, selecting those that match both the client profile(s) developed by the market survey and, accordingly, the housing mix and the projected sale prices to be offered to each target market category for the relevant housing development. The level of projected sale price is, however, ultimately determined by the type and level of mortgage financing to be provided by SHF, Infonavit, or other financial institutions. While none of SHF, Infonavit or other financial institutions directly partake in our product selection, we consider their policy of lending to certain types of clients as a factor in our product selection. Our policy with respect to sale prices is to accept the maximum price that SHF, Infonavit or the financial institution offers for each type of housing. See “The Mexican Housing Industry—Sources of Mortgage Financing.”

Main Housing Products

We have a long track record of offering a full range of housing products from affordable entry-level housing to middle-income and upper-income housing. Historically, we have constructed mainly affordable entry-level housing. However, in recent years, we have expanded our construction of middle-income to upper-income housing. The mix of our offerings ensures our stability in times of economic instability, during which we focus on constructing affordable entry-level housing, which is less susceptible to economic fluctuations. The mix of our housing products also allows us to take advantage of periods of stability and low interest rates, during which we increase the construction of middle-income and upper-income housing, which may be more profitable.

We have four housing brands: *UrbiVilla, UrbiQuinta, UrbiHacienda* and *UrbiClub*. All of these brands are designed and constructed based on the *Urbi VidaResidencial* concept, which emphasizes (i) the quality of life in an Urbi community, by focusing on the importance of having schools, playgrounds, and shopping facilities conveniently located within the development, (ii) a sense of community, by promoting neighborhood associations, (iii) the safety and security attributable to its distinct design and (iv) affordability.

Brand	Housing Category	Housing Price
UrbiVilla	Affordable entry-level	Up to Ps.400,000 (US$29,802)
UrbiQuinta	Low middle-income	From Ps.400,000 (US$29,802) to Ps.720,000 (US$53,644)
UrbiHacienda	High middle-income	From Ps.720,000 (US$53,644) to Ps.1,350,000 (US$100,583)
UrbiClub	Upper-income	More than Ps.1,350,000 (US$100,583)

Our four brands are categorized based on the price range of homes. Price is principally determined by the size of the homes and the location. Although sale prices will generally increase according to size for homes in the same locations, a home in the metropolitan area where there is a great demand for homes may be more expensive than a larger home in less populated regions where there is less demand for homes. Each of our *UrbiVilla, UrbiQuinta* and *UrbiHacienda* products are located in various regions in Mexico. However, we are selective in choosing the location of our *UrbiClub* developments, generally focusing on metropolitan regions, such as Mexico City. The average cost of sales for all of our housing categories is equivalent to approximately 72% of the sales price.

The following table sets forth our sales by housing category for the three-year period ended December 31, 2010 and for the nine-month periods ended September 30, 2010 and 2011:

	Year Ended December 31,				Nine Months Ended September 30,		
Operating Data	**2008**	**2009**	**2010**	**2010**	**2010**	**2011**	**2011**
	(in thousands of Ps.)			(in thousands of US$)	(in thousands of Ps.)		(in thousands of US$)
Total sales	6,883,351	13,700,442	14,976,836	1,115,867	9,967,096	11,235,755	837,133
Total revenue from housing development	6,692,103	13,481,238	12,961,811	965,735	8,550,890	9,434,720	702,945
Affordable entry-level	5,243,616	5,250,574	7,860,051	585,623	5,140,683	6,274,945	467,522
Low middle-income	1,052,339	6,628,158	3,552,706	264,699	2,361,815	2,091,479	155,828
High middle-income and upper-income	396,148	1,602,506	1,549,054	115,414	1,048,392	1,068,296	79,595
Revenues from housing-related activities	191,248	219,204	2,015,025	150,132	1,416,206	1,801,035	134,188
Total revenue from housing development (%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Affordable entry-level	78.4	38.9	60.6	60.6	60.1	66.5	66.5
Low middle-income	15.7	49.2	27.4	27.4	27.6	22.2	22.2
High middle-income and upper-income	5.9	11.9	12.0	12.0	12.3	11.3	11.3
Revenues from housing-related activities[1]	2.8	1.6	13.5	13.5	14.2	16.0	16.0

(1) As a percent of total sales.

Promotion and Publicity

Once a market survey has been completed, our in-house sales promotion and publicity staff tailors a sales campaign for the proposed development and launches it, as appropriate, using local television, radio and print media. In addition to the use of broadcast and print media, we employ a variety of additional techniques to attract prospective clients, including displays of models of homes in shopping centers, public fairs and exhibitions, billboards in commercial districts of the city where the development is located, fliers and information booklets and model homes at the development site. We poll prospective clients as to the means by which they learned of the development in order to reconfigure, if need be, promotion and publicity for the existing development. Promotion and publicity costs typically account for approximately 1.5% of revenues from home sales. Sales campaigns are structured according to whether the housing development is in the start-up phase or is already existing and in which new subdivisions are being added.

In our marketing approach to clients in the affordable entry-level and low middle-income housing markets, we consistently emphasize two themes that we believe are integral to our overall operating and market strategy: (i) the *Urbi VidaResidencial* lifestyle and design concept behind our homes and (ii) the provision of a complete package of customer service which will support the client throughout the home-buying process. See "—Design" for more information on the *Urbi VidaResidencial* lifestyle and design concept.

Sales

We divide our operations into SBUs, which serve as localized development and sales centers in each of the cities where we operate. At each SBU, we maintain a sales office on-site. Each sales office is staffed with personnel who can assist clients at any stage of the sales, financing or closing process. We compensate our sales personnel mainly on the basis of commissions. They are required to have prior sales experience and to undergo training prior to client contact. In addition, our information technology platform provides our sales force with the necessary resources to provide an efficient and expedited service.

To support our on-site sales team, we have administrative support sales offices in each region that take care of the sales support, mortgage origination and collection processes. Our team identifies the best mortgage option based on the profile of each client, processes the mortgage application and provides assistance to the client until the mortgage is approved and the home delivered, expediting and simplifying the home acquisition process.

Another key function of our sales force is the assistance offered to clients after they have decided to purchase a home from us. Assistance is provided in connection with home mortgage applications, contract signing, down payment, conditions precedent to closing and transfer of actual, legal title.

Customers and Customer Financing

The majority of our customers need assistance to obtain mortgage financing through agencies that have traditionally provided mortgages such as Infonavit, Fovissste and SHF, commercial banks and Sofoles and Sofomes. We assist qualified home buyers in obtaining mortgage financing from mortgage providers and, for affordable entry-level housing and low middle-income housing, in completing the documentation required to obtain mortgage loans from SHF (through Sofoles and Sofomes) and Infonavit or, in the case of high middle-income and upper-income housing, from commercial banks, Sofoles and Sofomes. Typically, the potential homebuyer enters into a conditional sales contract with us (subject to mortgage approval), makes the required down payment of 10% to 20% in the case of SHF funding, and furnishes all necessary documentation to the SBU administering the development. The SBU, with the assistance of the FSU, creates a credit file for the homebuyer, reviews the application for completeness and compliance with all eligibility requirements and presents it to the relevant mortgage provider for approval. The sales offices offer clerical assistance, copying facilities and courier service. See "*—The Mexican Housing Industry*" for a discussion of mortgage financing and eligibility requirements. In certain cases, we provide customer financing for sales of developed lots to the high middle-income and upper-income market. As of December 31, 2010, sales backed by such customer financing constituted approximately 1% of our total sales.

During the last five years, we have been in the process of implementing the *Alternativa Urbi* sales program, an innovative home leasing program with a purchase option that we believe is a unique form of financing for a significant market segment that has traditionally lacked the economic resources for a down payment on a house or is unable to provide proof of income. Participating clients are subject to a screening process prior to moving into a new home and are required to make monthly payments for at least six consecutive months in an amount sufficient to cover 10% of the value of the home as down payment, in turn allowing such clients to demonstrate economic capacity and create a credit profile that will qualify them for a mortgage from SHF or another financial institution.

The *Alternativa Urbi* sales program allows us to address a large segment of the working population that is not affiliated with either Infonavit or Fovissste, which accounts for more than 60% of the adult working population in Mexico. This program involves the participation of third parties that provide funding during the period in which the client is making the monthly payments in order to build his or her credit profile and qualify for a mortgage.

The *Alternativa Urbi* sales program qualifies for funding through SHF, including under the *Ahorrashf* and *Renta con Opción a Compra* ("Rent to Own") programs. We believe one of the key advantages of SHF funding is that we are not required to refinance these amounts through our financial factoring with recourse lines of credit during the period in which the client is making monthly payments to cover the down payment, as compared to funding offered by other financial institutions, which typically revolves every three months and is thus subject to refinancing through our financial factoring with recourse lines of credit to the extent the client has not completed payments to cover the down payment. See also "Risk Factors—Risks Related to Our Business—Our *Alternativa Urbi* sales program exposes us to certain risks."

In 2010, in collaboration with Infonavit, we implemented the ROC Infonavit program, which made the *Alternativa Urbi* sales program (with certain adjustments) available to clients affiliated with Infonavit that otherwise would not qualify

for a mortgage, either because they would require a subsidy to afford a home or because they fall short of the 116-point score needed to qualify for an Infonavit mortgage. By paying a predetermined amount in rent for a minimum of six months, such clients can live in the home they choose through a process similar to the *Alternativa Urbi* program. After completing these monthly payments, clients may then apply for a loan to buy the home they have been living in. The maximum value of a home that can be financed in this manner is up to approximately Ps.636,650. In addition, the builder or developer of the house must be a part of the ROC Infonavit program. To qualify for access to Infonavit's program, an individual must: (1) be a beneficiary of Infonavit, with existing employment, (2) not previously have an Infonavit credit, (3) have had continuous employment for six months in the last two years, (4) provide timely rent payments and (5) maintain continual employment during the rental period. Once the rental period has expired and the above requirements are met, the beneficiary may apply for an Infonavit credit and purchase the house.

Infonavit's endorsement of the *Alternativa Urbi* sales program has attracted private investment capital to the housing sector, which has led to an increase in our sales from the purchase by corporate customers of homes in large volumes for subsequent resale. By selling to corporate customers for resale, we are able to increase our sales while transferring any risks associated with the Rent-to-Own program and its beneficiaries to such corporate customers. We provide financing to corporate customers purchasing homes under this mass sale system and in connection with the sale of commercial and macroproject land to developers and private investors, on market terms and subject to a credit review, in payment plans that range from three to nine months. None of the payment plans have a duration of more than one year. For additional information regarding sales to corporate customers, see "Risk Factors—Risks Related to Our Business—Our sales to corporate customers expose us to certain risks" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Practices—Recognition of Revenues and Cost of Sales of Housing Units."

In 2010, we also implemented *Infonavit para Todos* ("Infonavit for Everyone"), a voluntary program aimed at providing domestic workers with access to a mortgage loan.

Mortgage Loan Individualization

Mortgage loan individualization, or individualization, is the process by which a commitment from a mortgage provider materializes into a mortgage loan granted to an individual home purchaser upon actual, legal title transfer and closing. The individualization process is complete when all of the following steps have occurred: (i) the creation of a file with all of the financial information of the potential homebuyer required by the financial institution for the mortgage loan application, (ii) review of the file by us to determine that the homebuyer meets the relevant eligibility requirements and subsequent review and approval by the mortgage provider providing the loan, (iii) execution of the purchase contract, (iv) registration of the deed in the local public registry and collection of the down payment, and (v) the delivery of the house.

The SBU executes the individualization process with the support and supervision of the OMT. OMT's support includes (i) coordination with the mortgage providers to expedite the granting of the mortgages, (ii) coordination of the sales, construction supervision, legal and administrative processes to ensure availability of completed homes as mortgages are approved and contracts signed, (iii) collection of the down payments from purchasers, and (iv) advising the financial division of the SBU regarding projected cash flow.

Mortgage Commitment Backlog

Our Mortgage Commitment Backlog reflects the number of housing units for which we have received confirmation from a mortgage provider that, once we find qualified home buyers, mortgage financing will be made available to such buyers. Such confirmation is evidenced by either a letter of confirmation, in the case of mortgages to be granted by commercial banks, Sofoles and Sofomes, or by the registration of our eligible programs, in the case of mortgages to be granted by Infonavit. A commitment for a mortgage loan remains classified as part of the Mortgage Commitment Backlog during the construction and marketing period and during the prospective homebuyer's mortgage application process and is removed only when revenue in an amount equaling the selling price for a home is recognized by us in accordance with our revenue recognition policy.

Individualized Planning and Customer Service

Our contact with the homebuyer begins with the development planning stage, in which we determine the basic concepts that will constitute the *Urbi VidaResidencial* community plan. In formulating the plan, we consider, among other

things, the relevant home owner association rules designed to foster community development, municipality regulations, method for maintenance payments, among others, and individualize the community plan for the particular homebuyer. The homebuyer becomes involved with the community plan from the outset and continues to play a role in formulating the plan. During this period our primary aim is to acclimatize new or potential home buyers to becoming a part of a community that promotes the active participation of its residents.

During the community integration stage, we focus on the activities that will ensure the integration, organization and development of the community. For this purpose, the customer service team is constantly developing instruments to strengthen the living quality of the community, such as internal community regulations and neighbor committees.

Information Technology Platform

Our information technology platform, *UrbiNet*, includes: (i) a business network connecting all SBUs to a secure high speed intranet through which our corporate services are provided and operations controlled; (ii) a central calculation platform designed with high data capacity, through which runs our information system; this platform is conformed to outsourcing models (administered by Hewlett-Packard) to allow for technological reliability; and (iii) an information system configured with our essential business practices, processes and standards, utilized by both our SBUs and our operational support terms. This system generally permits access to detailed operating and financial information on a real-time basis.

Our information technology platform is designed to enable any SBU to be connected to the technology platform within ten weeks. This reduces the need for individual oversight of business operations, such as administration and sales costs, logistics and inventories, and allows for decentralized expansion of our business operations through SBUs. It also allows our workforce and subcontractors to specialize in specific areas of our operations.

To ensure business continuity, our central platform system is integrated with the infrastructure, data protection and recovery systems by Hewlett-Packard. We perform back-ups of our servers and databases on a daily basis through a storage area network. We also perform and store permanent tape backups for archival purposes on a monthly basis.

ISO Certification

In January 1999, we obtained ISO 9002:1994 certification for our mortgage loan individualization process. In March 2000, this certification was extended to the areas of sales and collections. In October 2002, all the processes integrated in an SBU were certified under the quality model ISO 9001:2000. In February 2006, all the processes of our Mexicali platform obtained ISO 9001:2000 certification; such certification was renewed in February 2009 and expires in February 2012. In February 2009, our Mexicali platform was certified for the first time under the environmental management standard ISO 140001:2004. This certification expires in February 2012. In November 2010, Plaza Mexicali was certified under the revised quality standard ISO 9001:2008. We are periodically audited by the certification company SGS and are additionally required to reconfirm such certifications every three years. All such certifications are currently valid.

Competition

Although the housing industry in Mexico includes ten to fifteen large housing developers, it is otherwise highly fragmented. According to Conavi, as of December 31, 2010 approximately 1,417 companies perform construction and development services. We believe that the majority of these companies engage in small projects of between 100 and 200 homes each and that there were no more than seven developers in Mexico that sold more than 10,000 homes during 2010. We believe that we were among the three largest developers of housing in all of Mexico in terms of revenues, and the largest developer in the Northern States of Mexico in terms of revenues and number of homes built and sold, in 2010.

In the affordable entry-level and low middle-income markets of the housing industry, some of our competitors are large housing developers with a national market presence in Mexico. Some of these competitors may have greater financial, technological and personnel resources than we do and may take advantage of greater economies of scale. Further, some competitors with a significant national presence have been expanding into the Northern States, one of our principal markets.

In the high middle-income and upper-income housing market, we face competition primarily from smaller developers. Smaller competitors may be able to better adapt to specific demand and offer more customized housing.

Additional companies with greater financial resources may begin operations in Mexico in the future. See "Risk Factors—Risks Related to Our Business—Significant competition from other housing development companies may adversely affect our position in the Mexican housing industry."

Compared to our competitors, we believe we are well-positioned to take advantage of the growing demand for affordable entry-level and low middle-income housing in Mexico, particularly in light of our competitive strengths, which include the following, among others: (i) our business model, which we believe is rooted in a deep knowledge of the housing industry and superior business practices; (ii) our technology platform; (iii) our geographic expansion to several medium-sized and small cities through our Landowner Partner and City Manager Partner programs and by acquiring housing projects in progress from other housing developers; (iv) our strong positioning and quality branding; (v) our ability to offer products tailored to the affordable entry-level, low middle-income, high middle-income and upper-income housing markets; (vi) our experienced management team; (vii) our strategic relationships with suppliers of materials; and (viii) our strong financial position.

Warranties

As required by Mexican law, we provide a one-year warranty to our customers, which could be derived either from our operations or from defects in materials supplied by third parties or other circumstances outside our control. We have not historically incurred significant expenses under the statutory warranty, although no assurance can be given that substantial claims might not be made in future periods. We do not currently have any material litigation or claims pending regarding such warranty with respect to home construction. We do not make provisions for the warranty but we obtain a security bond from our contractors to cover the claims from their customers and we withhold a guarantee deposit, which is reimbursed to our contractors once the warranty periods expire. In addition, we also obtain insurance for any defects, hidden or visible, that the construction may have, which also covers the warranty period.

Employees and Labor Relations

As of September 30, 2011, we employed a total of 3,635 individuals, not including approximately 5,570 construction workers employed by subcontractors that regularly perform construction services for our subsidiaries. All of our subsidiaries employ subcontractors. Of our employees, 3,506 are permanent employees and 129 are temporary construction workers who are regularly employed in our housing development and construction.

We consider our relations with our employees to be good. Labor relations with our construction workers, who are members of labor unions, are governed by collective bargaining agreements which 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. Employees assigned to the corporate area and SBUs do not belong to labor unions.

We provide the standard employee benefits required under Mexican law for full-time workers, including social security, employee statutory profit-sharing and paid vacation time.

Universidad Urbi

Training and development of our employees is undertaken through a program called Universidad Urbi. Universidad Urbi's principal functions include training young executives who exhibit high potential for senior management positions and reinforcing our strategic programs. During 2010, 2,750 executives and employees completed their instruction at Universidad Urbi.

Agreements with Universities

We encourage the training and development of our employees through agreements with nationally accredited universities, where they can pursue undergraduate and master's programs at discounted costs. As of January 27, 2012, 30 of our young executives are pursuing master's programs at various such universities.

Subsidiaries

There are no restrictions in the bylaws of our subsidiaries on the payment of dividends or other distributions to us. Our subsidiaries did not pay any dividends to us in 2010 or during the nine-month period ended September 30, 2011. The following are our direct wholly owned subsidiaries:

Name of Company	Year of Incorporation (all in Mexico)	Percentage Owned	Products/Services
Ingeniería y Obras, S.A. de C.V.	1981	99.9	Housing development and construction
Obras y Desarrollos Urbi, S.A. de C.V.	2002	99.9	Housing development and construction
Cyd Desarrollos Urbanos, S.A. de C.V.	1992	99.9	Housing development and construction
Tec Diseño e Ingeniería S.A. de C.V.	1998	99.9	Leasing of design, architectural, engineering, cost control and construction services to us and our subsidiaries
Promoción y Desarrollos Urbi, S.A. de C.V.	2002	99.9	Housing development and construction
Propulsora Mexicana de Parques Industriales, S.A. de C.V.	1987	99.9	Housing development and construction
Urbi Construcciones del Pacífico, S.A. de C.V.	2003	99.9	Housing development and construction
Constructora Metropolitana Urbi, S.A. de C.V.	2003	99.9	Housing development and construction
Financiera Urbi, S.A. de C.V., Sofom E.N.R.	2006	99.9	Management and administration of the customer financing process
Desarrolladora Armmed Norte, S.A. de C.V.	2011	99.9	Housing development and construction
Constructora y Desarrolladora del Occidente, S.A. de C.V.	2011	99.9	Housing development and construction
Desarrolladora Mex-Centro, S.A. de C.V.	2011	99.9	Housing development and construction
Inmobiliaria y Constructora Pac-Mex, S.A. de C.V.	2011	99.9	Housing development and construction
Lufro Desarrolladora del Bajío, S.A. de C.V.	2011	99.9	Housing development and construction
Herof Desarrolladora del Sur, S.A. de C.V. (1)	2011	99.9	Housing development and construction

(1) We also have certain trusts created in the course of our operations that are considered subsidiaries for accounting purposes. See Note 2(a) to our Audited Financial Statements.

Our subsidiaries can each be contacted at Río Danubio #109, Colonia Cuauhtémoc, México, D.F. 06500.

Government Regulation

General

Our projects are subject to extensive governmental regulation and approvals. Generally, our activities are subject to (i) the *Ley General de Asentamientos Humanos* (the General Community Law), a public policy and social welfare law that regulates urban development, planning and zoning and delegates to state and the Mexico City Federal District governments the responsibility for the enactment of urban development laws and regulations within their jurisdictions, including the *Ley de Desarrollo Urbano* (Urban Development Law) of each state where we operate, (ii) the *Ley Federal de Vivienda* (the Federal Housing Law), that regulates the coordination between states and municipalities, on the one hand, and the private sector, on the other, in order to operate the Mexican national housing system with the objective of establishing and regulating affordable entry-level housing, (iii) the *Reglamentos de Construcción* (the Local Building Regulations) of the various states and the Mexico City Federal District, that regulate building construction, including the permits and licenses required therefor, (iv) the Infonavit Law that requires that Infonavit construction financing be given only to developers registered with Infonavit that participate in a public bidding process, (v) the *Ley Orgánica de Sociedad Hipotecaria Federal* (SHF Organizational Law), which encourages the development of the primary and secondary home mortgage markets by authorizing SHF to grant home mortgages loans pursuant to the *Condiciones Generales de Financiamiento de Sociedad Hipotecaria Federal* (SHF General Financing Conditions), and (vi) the *Ley Federal de Protección al Consumidor* (Federal Consumer Protection Law), which promotes and protects consumer rights and seeks to establish equality and legal certainty in relationships between consumer and commercial suppliers.

We are also subject to *Planes de Desarrollo Urbano* (state or municipal urban development plans) that determine local zoning and land-use requirements.

State and municipal government approvals are required in almost every step of our projects. In general, a project requires (i) approval of the preliminary project, which includes authorization of the project's layout, use of land and a preliminary commitment by the *Comisión Federal de Electricidad* (the Mexican federal government owned energy company), the *Comisión Nacional del Agua* (the National Water Commission) and the municipal water and disposal agencies

to provide the project with energy, water and drainage, respectively; (ii) approval of other infrastructure requirements; (iii) approval of the land subdivision; and (iv) a construction license. Additional approvals or licenses may be required in certain states or municipalities. It takes approximately two years to obtain all required licenses. We obtain all necessary approvals prior to beginning the construction.

Environmental Regulation

Our operations are subject to the *Ley General del Equilibrio Ecológico y la Protección al Ambiente* (General Environmental Protection Law), the *Ley de Aguas Nacionales* (National Waters Law), the *Ley General para la Prevención y Gestión Integral de los Residuos* (General Waste Prevention and Management Law) and other related regulations (the "Environmental Laws") pursuant to which the Mexican government has enacted a considerable number of *Normas Oficiales Mexicanas* (Official Mexican Standards). Our operations are also subject to numerous state and municipal environmental laws and regulations.

SEMARNAT is also authorized to issue regulations and provide guidelines and procedures regarding the generation, handling, disposal and treatment of hazardous and non-hazardous waste. Particularly relevant to the real estate sector and housing industry are hazardous waste laws and regulations providing that owners and/or possessors of real property affected with soil contamination, are jointly and severally liable for the remediation of such sites, irrespective of any recourse or other actions such owners and/or possessors may have against the contaminating party, aside of any liability such contaminating party may be subject to. Further, the direct transfer of such contaminated sites is subject to the approval of SEMARNAT.

PROFEPA is SEMARNAT's enforcement agency, and is authorized to conduct investigations and audits to oversee compliance with the Environmental Laws, including compliance with change of forestry land use legislation, which has been recently enhanced. In addition, certain state and municipal authorities (as well as other federal agencies) also have enforcement authority in respect of the Environmental Laws. Non-compliance with applicable environmental laws and regulations may entail a series of sanctions ranging, depending on the severity of the violation, from monetary fines; revocation of authorizations, concessions, licenses, permits or registries; administrative arrests; seizure of contaminating equipment; in certain cases, temporary or permanent closure of facilities; and even incarceration, when environmental violations are classified as criminal offenses.

Mexico is a party to many international conventions and agreements on environmental protection. These international conventions, upon ratification by the senate, become a part of Mexican law. Under NAAEC, a side agreement to NAFTA, each NAFTA country, including Mexico, must ensure that its environmental laws and regulations are duly enforced. While NAAEC does not empower any of the environmental agencies of the three NAFTA partners to enforce the environmental laws of another party, if a NAFTA partner fails to enforce its domestic environmental laws, it may be subject to the dispute mechanism created within the NAAEC, which may lead to monetary penalty, and in some cases, to the suspension of NAFTA benefits. Mexican environmental regulations have become increasingly stringent over the last decade. This trend is likely to continue and may be influenced by NAAEC.

There are currently no material legal or administrative proceedings pending against us with respect to any environmental matter. We believe that our operations comply in all material respects with all applicable environmental laws and regulations. For each of our housing developments, we prepare a report on the local environment, the environmental regulation of the area, the effect the development may have on the environment and the procedures to prevent damage to the environment. If a project is less than 10 hectares, such report is prepared by in-house staff, and if it is above 10 hectares the report is prepared by specialized firms.

Insurance

We maintain all usual and customary insurance policies for companies engaged in similar types of operations, including insurance for construction delay, natural disasters, third party injury and warranty claims. We believe our insurance policies are adequate to meet our needs.

Assets

Our principal corporate offices are located in a building owned by us in Mexicali, Baja California. In addition, we own machinery and equipment that we use in our operations, excluding those owned by our subcontractors. As of September

30, 2011, the net book value of all land, buildings, machinery and equipment owned by us (exclusive of inventories) was approximately Ps.553.3 million (US$41.2 million).

Land used for construction, land in process of development except for committed units, houses for sale, construction materials and buildings in process constitute our inventories and are not considered fixed assets. As of September 30, 2011, the net book value of all our inventories (including long-term inventories consisting of land held for construction) was approximately Ps.23,958.1 million (US$1,785.0 million). See Note 5 to the Audited Financial Statements and Note 4 to the Unaudited Financial Statements for further information regarding how we classify our inventories.

Litigation

We are from time to time involved in certain legal proceedings not described herein that are incidental to the normal conduct of our business. We do not believe that the outcome of any such proceedings if decided adversely to our interests will have a material effect on our financial condition, cash flows or results of operation.

MANAGEMENT

Directors

The management of our business is vested in the board of directors, which currently consists of 13 directors (six of which are independent) and five alternate directors. The board of directors is elected or ratified annually at the annual ordinary shareholders' meeting. Election of the current board of directors was made at the shareholders' meeting held on April 29, 2011. Pursuant to Mexican law, members of the board of directors continue as members despite the expiration of their term until new members have been appointed and assumed office or 30 days after the expiration of their term or their resignation. Our bylaws allow for an alternate director to serve in place of an elected director if such director is unable to attend a meeting of the board of directors. At each shareholders' meeting for the election of directors, each holder of at least 10% of our outstanding share capital is entitled to appoint one member and one alternate member to the board of directors. Under the Mexican Securities Market Law, at least 25% of the members of the board of directors must be independent. The directors can be contacted at Río Danubio #109, Colonia Cuauhtémoc, México, D.F. 06500.

The following table sets forth information regarding our current directors:

Directors	Age	Alternate Directors	Age
Cuauhtémoc Pérez Román (President)	60	Juan Manuel Carrillo González	63
Netzahualcóyotl Rafael Pérez Román	58		
Domingo Javier Moreno Gámez	55	Julio Amado Hurtado Pérez	56
Francisco Javier Cázares González	60	Marco Antonio Moreno Mexia	50
Rogelio Carrillo González	72	Mario Danilo Elizondo Lomeli	50
Francisca Selene Avalos Ríos	42		
Jesús Rodolfo Luján Fernández	63	Jesús Alberto Ponce de León Torres	59
Gastón Luken Aguilar*	77		
Pedro Antonio Suárez Fernández*	55		
Alberto Felipe Mulás Alonso*	50		
Cesar Augusto Córdova Leyva*	72		
Ignacio Riesgo Méndez*	72		
Roberto Pérez Hernández*	63		

* Independent Directors

Biographical Information

Cuauhtémoc Pérez Román. President of the board of directors, Chief Executive Officer and one of our founders. Mr. Pérez Román acted as President of Canadevi from 1983 to 1985, President of the *Cámara Nacional de la Industria de la Construcción de Baja California* (the National Chamber of the Construction Industry of Baja California) from 1990 to 1992, President of the *Consejo Coordinador Empresarial de Mexicali* (the Entrepreneurs Coordinating Counsel of Mexicali) from 1992 to 1994, and as President of *Patronato Centenario de Mexicali, A.C.* from 2002 to 2003. Currently he is a member of the Consulting Board of Canadevi, Teléfonos de México, S.A.B. de C.V. and *Nacional Financiera*, *S.N.C.*, a member of the regional advisory of directors of *Banco de México* in Baja California, a member of the regional advisory board of *Grupo Financiero BBVA Bancomer, S.A. de C.V.,* member of the board of directors of *Pronatura Noroeste Mar de Cortés, A.C.* and the *Instituto Educativo del Noroeste, A.C.* (IENAC), sponsor of the *Centro de Enseñanza Técnica y Superior* ("Cetys Universidad"). Mr. Pérez Román holds a degree with honors in Architecture from the *Instituto Tecnológico y de Estudios Superiores de Monterrey.*

Netzahualcóyotl Rafael Pérez Román. Executive Director, member of the board of directors and one of our founders. Mr. Pérez Román has acted as President of the *Comisión de Vivienda* (Housing Committee) of the *Asociación Mexicana de Parques Industriales Privados A.C.* (the Mexican Association of Private Industrial Parks). Currently he is a member of the board of directors of the *Instituto Educativo del Noroeste, A.C. (*IENAC), sponsor of the *Centro de Enseñanza Técnica y Superior* (Cetys Universidad) and Coordinator of the *Comisión de Vivienda del Consejo de Desarrollo Económico de Mexicali* (Housing Commission of the Development Counsel of Mexicali). Mr. Pérez Román is also a member of the regional board of directors of *Grupo Financiero Banamex*. Mr. Pérez Román holds a degree in Management and a degree with honors in Accounting from Cetys Universidad and a Masters in Business Administration from the *Instituto Tecnológico y de Estudios Superiores de Monterrey*.

Domingo Javier Moreno Gámez. Technical Director and one of our founders. Mr. Moreno Gámez acted as on-site coordinator in *Estructuras y Cimentaciones S.A.*, a subsidiary of *Grupo ICA S.A.B. de C.V.*, from 1975 to 1980, Construction Manager of *Grupo Edel S.A. de C.V.* in Hermosillo, Sonora, from 1980 to 1981 and Vice-president of Specific Programs of *Cámara Nacional de Industria de la Construcción* (the National Chamber of the Construction Industry) from 1993 to 1994. Mr. Moreno Gámez was a member of Coparmex's Consulting Board in Tijuana and President of Coparmex's *Comisión de Vivienda* in Tijuana, B.C. Currently he is a member of Tijuana's Board of Economic Development or *Consejo de Desarrollo Económico de Tijuana* (CDT), of the *Patronato del DIF Municipal* in Tijuana and of Infonavit's Consulting Board in Tijuana. Mr. Moreno Gámez acted as president of Canadevi Baja California A.C. and is currently president of *Canadevi Tijuana A.C.* Mr. Moreno Gámez holds a degree in Civil Engineering from the *Universidad Nacional Autónoma de México*.

Francisco Javier Cázares González. Director of Property Development and one of our founders. Mr. Cázares González acted as Systems Engineer in *Mezoro S.A. de C.V.,* in Hermosillo, Sonora, from 1976 to 1977 and Manager of Real Estate Development of *Grupo Edel S.A. de C.V.,* in Hermosillo, Sonora, from 1979 to 1981. Mr. Cázares González holds a degree in Industrial and Managing Engineering from the *Universidad de Sonora*.

Rogelio Carrillo González. Mr. Carrillo González was awarded the environmental *Medalla al Mérito Cívico* (Civil Merit Medal) by the state of Nuevo León in 1997. He is President of the *Comisión Estatal de Ecología del Estado de Nuevo León* (the State Environmental Commission of the state of Nuevo León) and has acted as member of the board of directors of the *Instituto de Protección Ambiental de Nuevo León*, Director of the *Cámara Nacional de la Industria del Cemento* (the National Chamber of the Cement Industry), and member of the Chemistry Doctorate Commission of the *Universidad de Nuevo León*. He obtained the Ollin Tonatiuh award in 1993 and 1995. In 1967, he joined *Cementos Mexicanos, S.A. de C.V.* where he acted as General Superintendent of the Torreón Plant, Manager of the Monterrey Plant, Operations Director for the Northern Region and Technical Director. Mr. Carrillo González obtained a degree in Mechanical Engineering with honors from the *Instituto Tecnológico y de Estudios Superiores de Monterrey*.

Francisca Selene Avalos Ríos. Mrs. Avalos Ríos is a member of the board of directors and currently serves as Urbi's Chief Financial Officer. She is a former partner of *Ventura Desarrollo Corporativo, S.A. de C.V.*, a Mexican regional strategic business consulting company, where she was the head of financial strategy and planning, and has taught advanced topics in Industrial Engineering at the *Universidad de Sonora*. Mrs. Avalos Ríos has a degree in industrial engineering from the *Universidad de Sonora*, a Masters in Corporate Finance from Cetys Universidad and an MBA from *Instituto Panamericano de Alta Dirección de Empresas (IPADE)*; additionally, she has completed postgraduate studies in quality management and operations research with a specialization in enterprise valuation.

Jesús Rodolfo Luján Fernández. Director of Organizational Development and partner since 1997. Mr. Luján Fernández was head of the Chemical Engineering Department of *Universidad de Sonora* from 1971 to 1973. He served as Production Manager of *Química Orgánica de México, S.A. de C.V.* from 1973 to 1976, Chief Financial Officer of *Grupo EDEL, S.A. de C.V.* from 1976 to 1983 in Hermosillo, Sonora and he worked as an Industrial Consultant from 1983 to 1987 in Hermosillo, Sonora. From 1987 to 1993 he was Chief Executive Officer of Exportación Industrial del *Pacífico, S.A. de C.V.* in Mexicali, Baja California. Mr. Luján Fernandez was a Project Manager of our company from 1993 to 1997 in Mexicali, Baja California.

Gastón Luken Aguilar. Mr. Luken Aguilar is currently the President of the Board of the Americas Institute of the University of California in San Diego, President of *Pronatura Noroeste Mar de Cortés*, *A.C.*, and Vice President of *Pronatura Nacional, A.C.* Mr. Luken Aguilar acted as President of the board of directors of *GE Capital México S.A.*, a subsidiary of GE Capital Corporation, President of the board of directors of *Próxima Gas*, *S.A.*, and Director of various companies and organizations in Mexico and the United States. Mr. Luken Aguilar acted as General Director of *Centra S.A. de C.V.*, the holding company of *Grupo Hernández de Mexicali* in 1962, General Director of *Financiera de Fomento Industrial S.A. de C.V.* in 1972, which was transformed into *Unibanco* in 1977. Mr. Luken Aguilar also acted as President of the board of directors of *Operadora de Bolsa*, *S.A. de C.V.* in 1990, of which he was a founder, and as President of the board of directors of *Grupo Financiero OBSA*. Mr. Luken Aguilar holds a degree in Accounting from the *Instituto Tecnológico y de Estudios Superiores de Monterrey*.

Pedro Antonio Suárez Fernández. Director of Special Programs of the *Instituto Panamericano de Alta Dirección de Empresas* (IPADE). Mr. Suárez Fernández is a full time professor and is in charge of Control and Directive Information Area of IPADE, Director of the International Management Program and Consultant of Business Management in cost control and information systems. Mr. Suarez Fernández was an advisor to the *Secretaría de la Función Pública*. He has also acted as Organization Director of *Delegaciones Salva S.A. de C.V.*, Corporate Director of *Dime A.C.* and Corporate Director of *Avigrupo S.A. de C.V.* He has been a professor at the *Universidad Panamericana*, IAE Argentina, IDE Ecuador, INALDE

Colombia, and INCAE Costa Rica and *Instituto Internacional San Telmo Español*. Mr. Suárez Fernández holds a degree in Industrial Engineering from the *Universidad Iberoamericana* and a Masters in Business Administration from IPADE.

Alberto Felipe Mulás Alonso. Mr. Mulás Alonso is a founding member of CRESCE Consultores, S.C., a financial advisory boutique in Mexico City. His professional experience relates to investment banking, where he has executed transactions in equity and debt financing, as well as advised on mergers, acquisitions, and financial restructuring of companies, working with leading financial institutions such as: Bankers Trust, JP Morgan, Lehman Brothers and Donaldson Lufkin & Jenrette. Mr. Mulás has also advised multilateral entities such as the Interamerican Development Bank, the World Bank and the International Monetary Fund on issues such as corporate debt restructuring and housing policy. He is currently an independent member of the board of directors of companies such as: Empresas ICA, Banco Nacional de Comercio Exterior, Cinépolis, Grupo Comex, Grupo Estafeta and Grupo Financiero Santander. In 2001 and 2002 he participated in the Federal Government, under President Vicente Fox, as Undersecretary of Urban Development and Housing, where he was named responsible for the design and instrumentation of Mexico's housing sector strategy, including the creation of the National Commission for Housing Development, where he subsequently served as its first National Commissioner, and SHF. Mr. Mulás Alonso received a degree in Chemical Engineering from the Universidad Iberoamericana, graduating with Honors, and holds a Master in Business Administration from the Wharton School, of the University of Pennsylvania.

Cesar Augusto Córdova Leyva. Mr. Córdova Leyva is a retired partner of the accounting firm *Galaz, Ruíz Urquiza, Deloitte* and currently the president of the Committee in Support of the Business Sector of the *Colegio de Contadores Públicos de México*, *A.C.* (Board of the College of Public Accountants of México). He served as the Acting Vice President of the *Colegio de Contadores Públicos de Baja California*, *A.C.* (College of Public Accountants of Baja California), and partner of the *Instituto Mexicano de Contadores Públicos* (Mexican Institute of Public Accountants). He is currently the president of the *Consejo Municipal de Transporte de Mexicali* (Mexicali Municipal Transportation Board). He was also a professor at the *Universidad Autónoma de Baja California*, Cetys Universidad and the *Instituto de Ciencias y Artes del Estado de Baja California*. Mr. Córdova Leyva has a degree in public accounting from the University of Sonora.

Ignacio Riesgo Méndez. Mr. Riesgo Méndez retired from our Corporate Accounting Department, where he worked from July, 1996 to July, 2004. He also worked for *Agrícola del Pacifico*, *S.A. de C.V.*, *Rufo Ibarra y Asociados, Contadores Públicos, S.C.*, *Gamesa, S.A. de C.V.*, *Touche, Ross, Komatzu*, and *Almarraz Villegas y Cía, S.C.* Additionally, Mr. Riesgo Méndez served as the Income Sub-Secretary of the Government of Sonora. Mr. Riesgo Méndez was a professor at the *Universidad Abierta y a Distancia*, *Universidad Autonoma de Baja California* and *Centro de Enseñanza Técnica y Superior de Mexicali*. Mr. Riesgo Méndez has a degree in Public Accounting and a Masters in Business and Finance from Cetys Universidad.

Roberto Pérez Hernández. Mr. Pérez Hernández is the founder and a director of the accounting firm *Peréz Hernández y Cía*, *S.C.*, as well as a founder and director of the *Centro de Investigación y Estudios Fiscales*, *A.C.* He has been a professor of the *Universidad Autónoma de Baja California* and Cetys Universidad. Mr. Pérez Hernández was formerly an assessor for Urbi in fiscal, accounting and financial matters.

Cuauhtémoc Pérez Román and Netzahualcóyotl Rafael Pérez Román are brothers. Rogelio Carrillo González and Juan Manuel Carrillo González are also brothers.

Gastón Luken Aguilar, Alberto Felipe Mulás Alonso, Pedro Antonio Suárez Fernández, Cesar A. Córdova Leyva, Ignacio Riesgo Méndez, Roberto Pérez Hernández and Jesús Alberto Ponce de León Torres are independent directors and are not shareholders of Urbi, employed by Urbi or affiliated or associated with any of our executive officers.

Currently, the secretary of the board of directors is Jaime Cortés Alvarez. He is not a member of the board of directors.

Authority of the Board of Directors

The board of directors is our legal representative and is authorized to take any action in connection with our operations not expressly reserved to our shareholders. Pursuant to the Mexican Securities Market Law, the board of directors will have to approve, among other matters: our general strategy; (with the opinion of the audit committee) (i) guidelines for the use of corporate assets by related parties and (ii) on an individual basis, any transactions with related parties, subject to certain limited exceptions, and unusual or non-recurrent transactions and any transactions or series of related transactions that imply the acquisition or sale of assets with a value equal to or exceeding 5% of our consolidated assets or the giving of

collateral or guarantees or the assumption of liabilities, equal to or exceeding 5% of our consolidated assets; the appointment or removal of the general director and establish guidelines for the appointment of executive officers; the financial statements and the accounting and internal control policies; the appointment of the external auditors; and policies for disclosure of information.

Duty of Care and Duty of Loyalty of Directors

The Mexican Securities Market Law imposes a duty of care and a duty of loyalty on directors.

The duty of care consists of our directors acting in good faith and in our best interests. For such purpose our directors are required to obtain the necessary information from the general director, the executive officers, the external auditors or any other person in order to be prepared to act in our best interests. The duty of care is discharged, principally, by attending our board or committee meetings and disclosing material information obtained by the relevant director at such meetings. Failure to act with care by our directors makes them jointly liable for damages and losses caused to us and our subsidiaries.

The duty of loyalty consists primarily of our directors maintaining the confidentiality of information received in connection with the performance of a director's duties and abstaining from discussing or voting on matters where a director has a conflict of interest. In addition, the duty of loyalty is violated if a shareholder or group of shareholders is knowingly favored or if, without the express approval of the board of directors, a director takes advantage of a corporate opportunity. The duty of loyalty is also violated by (i) failing to disclose to the audit committee and the external auditors any irregularities that the director may encounter in the performance of his or her duties and (ii) disclosing information that is false or misleading or omitting to register any transaction in our records that could affect our financial statements. The violation of the duty of loyalty makes the relevant directors jointly liable for damages and losses caused to us and our subsidiaries; this liability also arises if damages and losses are caused as a result of benefits obtained by the director or directors or third parties, as a result of actions of such directors.

Our directors may be subject to criminal penalties of up to 12 years' imprisonment for certain illegal acts involving willful misconduct that result in losses to us. Such acts include the alteration of financial statements and records.

Liability actions for damages and losses resulting from the violation of the duty of care or the duty of loyalty may be exercised solely for our benefit and may be brought by us or by shareholders representing 5% or more of our capital stock and criminal actions may only be brought by the Mexican Ministry of Finance, after consulting with the CNBV.

As a safe harbor for directors, the liabilities specified above (including criminal liability) will not be applicable if the director acting in good faith (i) complied with applicable law, (ii) made the decision based upon information provided by our executive officers or third-party experts, the capacity and credibility of which could not be subject to reasonable doubt and (iii) selected the most adequate alternative in good faith or if the negative effects of such decision could not have been foreseeable.

Audit Committee

We ratified our Audit Committee at our board meeting held on April 28, 2011. The members of the committee are: César Augusto Córdova Leyva, Roberto Pérez Hernández and Ignacio Riesgo Méndez. The chairman of the committee, whose appointment was ratified at our ordinary shareholders' meeting held on April 29, 2011, is César Augusto Córdova Leyva. As required by our bylaws and the Mexican Securities Market Law, each member of the Audit Committee is an independent director. In addition, we have determined that each member of the Audit Committee is a financial expert as defined under the Mexican Securities Market Law.

The Audit Committee is responsible, among other things, for (i) providing opinions to our board of directors with regard to internal control guidelines, accounting policies, financial statements and the engagement of financial auditors, (ii) evaluating our external auditors and analyzing their reports, (iii) analyzing and supervising the preparation of our financial statements, (iv) preparing a report regarding the adequacy and consistency of the accounting policies and practices used in the preparation of our financial information, (v) assisting the board in the preparation of annual reports and other reporting requirements, (vi) requesting and obtaining independent expert opinions, (vii) investigating non-compliance with operating and accounting guidelines and policies or with the internal control system, (viii) informing the board of directors of any irregularities it may encounter and proposing remedial measures, (ix) calling shareholders' meetings, (x) supervising

compliance by our chief executive officer with shareholders' and board of directors' resolutions and (xi) verifying the implementation of internal control mechanisms.

The chairman of the Audit Committee prepares an annual report to our board of directors with respect to its activities and findings. The Audit Committee is located at Río Danubio #109, Colonia Cuauhtémoc, México, D.F. 06500.

Corporate Practices Committee

We ratified our Corporate Practices Committee at our board meeting held on April 28, 2011. The members of the committee are: Gastón Luken Aguilar, Pedro Antonio Suárez Fernández, Alberto Felipe Mulás Alonso, Rogelio Carrillo González and Jesús Rodolfo Luján Fernández. The chairman of the committee, whose appointment was ratified at our ordinary shareholders' meeting held on April 29, 2011, is Gastón Luken Aguilar. As required by our bylaws and the Mexican Securities Market Law, the majority of members on the Corporate Practices Committee, including the chairman, are independent directors. In addition, we have determined that each of Gastón Luken Aguilar, Pedro Antonio Suárez Fernández and Alberto Felipe Mulás Alonso is a financial expert as defined under the Mexican Securities Market Law.

The Corporate Practices Committee is responsible, among other things, for (i) providing opinions to our board of directors with regard to related party transactions and other relevant transactions and designation and compensation of our chief executive officer and other senior executives, (ii) evaluating the performance of our senior executives, (iii) assisting the board of directors in the preparation of annual reports and other reporting requirements, (iv) requesting and obtaining independent expert opinions and (v) calling shareholders' meetings.

The chairman of the Corporate Practices Committee prepares an annual report to our board of directors with respect to its activities and findings. The Corporate Practices Committee is located at Río Danubio #109, Colonia Cuauhtémoc, México, D.F. 06500

Planning and Finance Committee

We ratified our Planning and Finance Committee at our board meeting held on April 28, 2011. The Planning and Finance Committee is a board committee that is responsible for, among other things, the oversight of our financing and investment policies and practices, strategic planning and corporate budget. The members of the committee are as follows: Pedro Antonio Suárez Fernández, Gastón Luken Aguilar, Alberto Felipe Mulás Alonso, Jesús Alberto Ponce de León Torres and Francisca Selene Avalos Ríos. The chairman of the Planning and Finance Committee is Pedro Antonio Suárez Fernández. We have determined that each member of the Planning and Finance Committee is a financial expert as defined under the Mexican Securities Market Law. The Planning and Finance Committee is located at Río Danubio #109, Colonia Cuauhtémoc, México, D.F. 06500

Executive Officers

The following table sets forth information regarding our current executive officers. The executive officers can be contacted at Río Danubio #109, Colonia Cuauhtémoc, México, D.F. 06500.

Name	Position	Age	Years with Urbi
Arq. Cuauhtémoc Pérez Román	Chief Executive Officer	60	30
Lic. Netzahualcóyotl Pérez Román	Executive Director	59	30
Ing. Francisca Selene Avalos Ríos	Chief Financial Officer	42	14
Lic. Agustín Ernesto Garay Cuarenta	General Counsel	53	28
Ing. Jesús Rodolfo Luján Fernández	Organizational Development Director	64	24
Ing. Domingo Javier Moreno Gámez	Technical Director	56	29

Other Senior Management

The following table sets forth information regarding our additional senior managers. The senior managers can be contacted at Río Danubio #109, Colonia Cuauhtémoc, México, D.F. 06500.

Name	Position	Age	Years with Urbi
C.P. Julio Amado Hurtado Pérez	Corporate Treasurer	57	30
C.P. Juan Carlos Cortez Perez	Director of Administration	40	18
Ing. José Isaías Galeana Sánchez	Director of Financial Development	60	23
Ing. Mariano Robles Linares Amador	Director of Operations	33	6
Arq. Salvador González Bravo	Director of Business Development	42	7
Arq. José Uballe Rubalcava	Design Manager	44	17
Arq. Patricia Bastidas Loo	Customer Services Manager	51	27
Ing. Carlos Osuna Sánchez	Commercial Director	42	4
Arq. Luis Manuel Elizondo Lomelí	Director of New Commercial Business	44	18
Ing. Carlos Sandoval Pérez	Director of Affordable Entry-Level Housing	51	23
Lic. Raul Grajeda Cerón	Director of Infonavit	40	3
Ing. Rafael Elorduy Hernández	Director of Mortgage Promotion	41	4
C.P. Javier Ibarra Pérez	Director of Product Development	56	21
Arq. Guillermo Núñez Ceballos	Urban Planning and Design Manager	41	17
Ing. Moisés Armando Bayliss Vega	Regional Director—Tijuana	42	15
C.P. Jesús Medina Fuerte	City Director—Monterrey	47	24
Ing. Fernando Torres Ortiz	Regional Director - Chihuahua	40	6
Ing. Francisco Navarro Zaragoza	Regional Director—Sonora and Sinaloa	60	18
C.P. Sergio Armando Guevara Márquez	Regional Director—Metropolitan Area Mexico City	48	24
Ing. Guillermo Celis López	Regional Director—Bajío	52	4
Ing. Mario Danilo Elizondo Lomeli	Regional Director—Metropolitan Area Guadalajara	50	24
Ing. Ignacio Corona Hernández	Construction Management Manager	57	21
Ing. Luis Rotter Aubanel	Construction Director	54	5
Dra. Irma Sparrow Morales	Human Resources Director	55	5
Lic. Antonio Luis Jorge González	Investor Relations Officer	40	6

Executive Compensation and Bonuses

The aggregate amount of compensation paid by us to our executive officers and directors (not including our senior managers listed above) as a group for the year ended December 31, 2010 was Ps.17.3 million (US$1.5 million). We continuously review our salary, bonus and other compensation plans to offer competitive compensation arrangements for our management.

At our ordinary shareholders' meeting held on April 29, 2011, we ratified our board of director's compensation policy. The directors receive three *Centenarios*, which are 37.5-gram gold coins, or its equivalent monetary value, per each meeting of our board of directors they attend. Likewise, the members of the board that form part of any committee of the board receive an amount up to Ps.30,000 for each meeting that they attend and the board of directors has the authority to determine the definitive amount.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information concerning ownership of our share capital as of April 29, 2011, the date of our most recent shareholders' meeting.

Name of Shareholder	Number of Shares	Percentage Share Ownership
Cuauhtémoc Pérez Román	243,064,339	24.89%
Netzahualcoyótl Pérez Román	181,436,713	18.58
Domingo Javier Moreno Gámez	22,322,468	2.29
Francisco Javier Cazares González	16,383,505	1.68
Others	1,110,861	0.11
Public	512,127,400	52.45
Total	976,445,286	100.00%

Share Repurchase Program

At our ordinary shareholders' meeting held on April 29,2011, our shareholders authorized a share repurchase program for the purchase of our common shares in an aggregate amount of up to Ps.3,000 million. As of January 27, 2012, we have not purchased any shares under either program.

Share Pledge

We have been informed that each of Cuauhtémoc Pérez Román and Netzahualcoyótl Pérez Román have each pledged 48,334,042 of their shares in us as collateral for pre-paid forward transactions entered into with Morgan Stanley & Co. International PLC. In the event of an event of default or termination event pursuant to the pledge agreement, or upon the failure of the relevant pledgor to make certain transfers of collateral or other payments, Morgan Stanley & Co. International PLC may enforce its rights with respect to these shares and the interest of either Cuauhtémoc Pérez Román and Netzahualcoyótl Pérez Román, as applicable, in us may be decreased.

RELATED PARTY TRANSACTIONS

From time to time we engage in a number of transactions with our shareholders and with companies that are owned or controlled, directly or indirectly, by our shareholders, subject to compliance with the covenants and restrictions contained in the Indenture and the indentures governing the Senior Guaranteed Notes, the covenants and restrictions imposed by our indebtedness and other applicable legal requirements. 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.

We have occasionally extended loans to our related parties, which we believe were offered on terms and conditions no less favorable to us than would be obtained in an arm's length transaction with a non-related party. During the years ended December 31, 2008, 2009 and 2010 and the nine-month period ended September 30, 2011, we did not extend any such loans to related parties; however, during the year ended December 31, 2008, we received payments in an aggregate amount of Ps.7.5 million under loans granted to related parties prior to such periods.

DESCRIPTION OF NOTES

We have issued the notes under an Indenture, dated the Issue Date, between us, the Subsidiary Guarantors and The Bank of New York Mellon, as Trustee (the "Trustee"). The terms of the notes include those stated in the Indenture and those made a part of the Indenture by reference to the Trust Indenture Act of 1939 (the "TIA"). The Indenture is not, however, required to be nor will it be qualified under the TIA and will not incorporate by reference all provisions of the TIA. You can obtain a copy of the Indenture in the manner described under "Available Information," and, for so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market, at the office of the paying agent in Luxembourg.

You can find the definition of certain of the capitalized terms used in this section under "—Certain Definitions." When we refer to:

- the Company in this section, we mean Urbi Desarrollos Urbanos, S.A.B. de C.V., and not any of its subsidiaries; and
- notes in this section, we mean the notes originally issued on the Issue Date and Additional Notes.

General

The notes will:

- be general unsecured obligations of the Company;
- rank equal in right of payment with all other existing and future Senior Indebtedness of the Company (except for certain obligations, such as tax and labor claims, that are given preference under applicable law);
- rank senior in right of payment to all existing and future Subordinated Indebtedness of the Company, if any;
- be effectively subordinated to all existing and future secured Indebtedness of the Company;
- be unconditionally guaranteed on a general unsecured senior basis by all of the Company's existing and future Wholly-Owned Restricted Subsidiaries that are or become Significant Subsidiaries;
- be effectively subordinated to all existing and future secured Indebtedness of the Subsidiary Guarantors; and
- be structurally subordinate to all existing and future Indebtedness and trade payables of the Company's subsidiaries that do not guarantee the notes.

As of September 30, 2011 on an as adjusted basis after giving effect to this offering and the related transactions as described under "Use of Proceeds":

- the Company and its Subsidiaries would have had consolidated total indebtedness of US$1,023.9 million,
- the Company and the Subsidiary Guarantors would have had consolidated total indebtedness of US$1,023.9 million, of which US$16.8 million would have been secured, and
- the Company's Subsidiaries that are not Subsidiary Guarantors would have had consolidated total indebtedness of US$0 million.

Additional Notes

Subject to the limitations set forth under "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness," the Company and its Subsidiaries may incur additional Indebtedness. At the Company's option, this additional Indebtedness may consist of additional notes ("Additional Notes") issued by the Company in one or more transactions, which have identical terms (other than issue date and issue price) as notes issued on the Issue Date. Holders of Additional Notes would have the right to vote together with holders of notes issued on the Issue Date as one class.

Principal, Maturity and Interest

The Company will issue notes initially in an aggregate principal amount of US$500,000,000. The notes will be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The notes will mature on February 3, 2022 at their par value. The notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the notes will accrue at the rate of 9.750% per annum and will be payable semi-annually in arrears on each February 3 and August 3, commencing on August 3, 2012. Payments will be made to the persons who are registered holders at the close of business on January 19 and July 19, respectively, immediately preceding the applicable interest payment date until a date of maturity or earlier redemption.

Interest on the notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The redemption of notes with unpaid and accrued interest to the date of redemption will not affect the right of holders of record on a record date to receive interest due on an interest payment date.

Initially, the Trustee will act as Paying Agent and Registrar for the notes. The Company may change the Paying Agent and Registrar without notice to holders. If a Holder of US$10.0 million or more in aggregate principal amount of notes has given wire transfer instructions to the Company at least 10 business days prior to the applicable payment date, the Company will make all principal, premium and interest payments on those notes in accordance with those instructions. All other payments on the notes will be made at the office or agency of the Paying Agent and Registrar in New York City unless the Company elects to make interest payments by check mailed to the registered holders at their registered addresses. Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. As long as the notes are listed on this market, the Company will also maintain a Paying Agent and a transfer agent in Luxembourg.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal of or interest on the notes that remains unclaimed for two years, and, thereafter, holders entitled to the money must look to the Company for payment as general creditors.

Additional Amounts

We are required by Mexican law to deduct Mexican withholding taxes, and pay such taxes to the Mexican tax authorities, from payments of interest on the notes made to investors who are not residents of Mexico for tax purposes, and will pay additional amounts on those payments to the extent described in this subsection.

The Company and the Subsidiary Guarantors will pay to holders of the notes all additional amounts ("Additional Amounts") that may be necessary so that every net payment of interest (including any premium paid upon redemption of the notes) or principal to the holder will not be less than the amount provided for in the notes. By net payment, we mean the amount we or our paying agent pay the holder after we deduct or withhold an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed with respect to that payment by a Mexican taxing authority.

Our obligation to pay Additional Amounts is subject to several important exceptions, however. The Company and the Subsidiary Guarantors will not pay Additional Amounts to any holder for or solely on account of any of the following:

- any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the holder or beneficial holder of the note and Mexico (or any political subdivision or territory or possession thereof), including such holder or beneficial owner (i) being or having been a citizen or resident thereof for tax purposes, (ii) maintaining or having maintained an office,

permanent establishment, or branch subject to taxation therein, or (iii) being or having been present or engaged in a trade or business therein (other than solely by reason of the receipt of a payment or the ownership or holding of a note),

- any estate, inheritance, gift, transfer or similar tax, assessment or other governmental charge imposed with respect to the notes,
- any taxes, duties, assessments or other governmental charges imposed solely because the holder or any other person having an interest in the notes fails to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Mexico (or any political subdivision or territory or possession thereof) of the holder or any beneficial owner of the note, if compliance is required by statute, regulation, officially published administrative practice of the taxing jurisdiction or by an applicable income tax treaty, which is in effect to which Mexico is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and we have given the holders and beneficial owners at least 30 days' notice that they will be required to provide such certification, identification, information, documentation or other reporting requirement,
- any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on the notes,
- any taxes, duties, assessments or other governmental charges with respect to such note presented for payment more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders, whichever occurs later, except to the extent that the holders of such note would have been entitled to such Additional Amounts on presenting such note for payment on any date during such 30 day period, and
- any payment on the note to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note.

The limitations on our obligations to pay Additional Amounts stated in the third bullet point above will not apply if the provision of information, documentation or other evidence described in the applicable bullet point would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a note, taking into account any relevant differences between U.S. and Mexican law, regulation or administrative practice, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States-Mexico income tax treaty), regulation (including proposed regulations) and administrative practice.

Applicable Mexican regulations currently allow us to withhold at a reduced rate, *provided* we comply with certain information reporting requirements. Accordingly, the limitations on our obligations to pay Additional Amounts stated in the third bullet point above also will not apply and will not entitle us to require the information therein specified unless (a) the provision of the information, documentation or other evidence described in the applicable bullet point becomes expressly required by the applicable Mexican statutes, regulations and administrative practices, and (b) we otherwise would not meet the requirements for application of the reduced Mexican tax rate.

In addition, such third bullet point does not require, and should not be construed as requiring, that any person, including any non-Mexican pension fund, retirement fund or financial institution, register with the Ministry of Finance and Public Credit to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

Upon request, the Company and the Subsidiary Guarantors will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Mexican taxes in respect of which we have paid any Additional Amount. We will make copies of such documentation available to the holders of the notes or the relevant paying agent upon request.

Any reference in this offering circular, the Indenture or the notes to principal, premium, interest or any other amount payable in respect of the notes by us will be deemed also to refer to any Additional Amount that may be payable with respect to that amount under the obligations referred to in this "Additional Amounts" subsection.

In the event that Additional Amounts actually paid with respect to the notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

In the event of any merger or other transaction described and permitted under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets," then all references to Mexico, Mexican law or regulations, and Mexican taxing authorities under this "Additional Amounts" subsection (other than the fourth and fifth paragraphs above) and under "—Optional Redemption—Optional Redemption for Changes in Withholding Taxes" shall be deemed to also include the United States and any political subdivision therein or thereof, United States law or regulations, and any taxing authority of the United States or any political subdivision therein or thereof, respectively.

Note Guarantees

On the Issue Date, Ingeniería y Obras, S.A. de C.V., Obras y Desarrollos Urbi, S.A. de C.V., Cyd Desarrollos Urbanos, S.A. de C.V., Tec Diseño e Ingeniería S.A. de C.V., Promoción y Desarrollos Urbi, S.A. de C.V., Propulsora Mexicana de Parques Industriales, S.A. de C.V., Urbi Construcciones del Pacífico, S.A. de C.V., Constructora Metropolitana Urbi, S.A. de C.V. and Financiera Urbi, S.A. de C.V., Sofom E.N.R., which collectively held 99.8% of the Company's total assets and accounted for 100% of the Company's EBITDA as of September 30, 2011, will be Subsidiary Guarantors. Each Subsidiary Guarantor will unconditionally guarantee the performance of all obligations of the Company under the Indenture and the notes. The Obligations of each Subsidiary Guarantor in respect of its Note Guarantee will be limited to the maximum amount as will result in the Obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law. See "Risk Factors—Risk Factors Related to the Notes—The guarantees may not be enforceable."

Each Subsidiary Guarantor will be released and relieved of its obligations under its Note Guarantee in the event:

(1) there is a Legal Defeasance or a Covenant Defeasance of the notes as discussed under "—Legal Defeasance and Covenant Defeasance";

(2) there is a sale or other disposition of Capital Stock of such Subsidiary Guarantor following which such Subsidiary Guarantor is no longer a direct or indirect Subsidiary of the Company;

(3) there is a sale of all or substantially all of the assets of such Subsidiary Guarantor (including by way of merger, stock purchase, asset sale or otherwise) to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary; or

(4) such Subsidiary Guarantor is designated as an Unrestricted Subsidiary;

provided, that, in each case, such transactions are carried out pursuant to and in accordance with all applicable covenants and provisions of the Indenture.

If any Person that is a Wholly-Owned Restricted Subsidiary becomes a Significant Subsidiary (including upon a Revocation of the Designation of a Subsidiary as an Unrestricted Subsidiary), the Company will cause that Wholly-Owned Restricted Subsidiary (promptly following the determination in accordance with the terms of the Indenture that such Restricted Subsidiary is Wholly-Owned and a Significant Subsidiary) concurrently to become a Subsidiary Guarantor on a senior basis by executing a supplemental indenture and providing the Trustee with an Officers' Certificate and Opinion of Counsel. In accordance with the terms of the Indenture, after the supplemental indenture becomes effective the Company will mail to holders a notice of such event. The Company will also make any other notification required by the Luxembourg Stock Exchange.

To the extent that, pursuant to and in accordance with the Indenture, any future Subsidiary is designated as an Unrestricted Subsidiary or any Subsidiary Guarantor is released and relieved of its obligations under its Note Guarantee, these non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to us in the event of a bankruptcy, *concurso mercantil*, *quiebra*, liquidation or reorganization of these non-guarantor Subsidiaries. In addition, holders of minority interests in these Subsidiaries may receive distributions

prior to or *pro rata* with the Company depending on the terms of the equity interests. See "Risk Factors—Risk Factors Related to the Notes—To the extent that certain of our subsidiaries are not guarantors, our obligations with respect to the notes will be effectively subordinated to all liabilities of these non-guarantor subsidiaries."

Optional Redemption

Optional Redemption. Except as stated below, the Company may not redeem the notes prior to February 3, 2017. The Company may redeem the notes, at its option, in whole at any time or in part from time to time, on and after February 3, 2017, at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on of any year set forth below:

Year	Percentage
2017	104.875%
2018	103.250%
2019	101.625%
2020 and thereafter	100%

Prior to February 3, 2017 the Company will have the right, at its option, to redeem any of the notes, in whole or in part, at any time or from time to time prior to their maturity, on at least 30 days' but not more than 60 days' notice, at a redemption price equal to 100% of the principal amount of such notes, plus the Make-Whole Amount and accrued and unpaid interest to the date of redemption.

"Make-Whole Amount" means, with respect to any note on any redemption date, the excess of:

(a) the present value at such redemption date of (x) the redemption price of such note at February 3, 2017, (such redemption price being set forth in the table appearing above plus (y) all required interest payments that would otherwise be due to be paid on such note during the period between the redemption date and February 3, 2017 (excluding accrued but unpaid interest), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points; over

(b) the outstanding principal amount of the note.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Company.

"Comparable Treasury Price" means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer" means each of Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC or their respective affiliates which are primary United States government securities dealers; *provided*, *however*, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked price for the Comparable Treasury Issue (expressed in

each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

Optional Redemption upon Equity Offerings. At any time, or from time to time, on or prior to February 3, 2015 the Company may, at its option, use the net cash proceeds of one or more Equity Offerings to redeem in the aggregate up to 35% of the aggregate principal amount of the notes (including any Additional Notes) issued under the Indenture at a redemption price equal to 109.75% of the principal amount thereof; *provided*, that:

(1) after giving effect to any such redemption at least 65% of the aggregate principal amount of the notes (including any Additional Notes) issued under the Indenture remains outstanding; and

(2) the Company shall make such redemption not more than 90 days after the consummation of such Equity Offering.

"Equity Offering" means (i) a rights offering of Qualified Capital Stock of the Company made generally to the holders of such Qualified Capital Stock, (ii) any primary public or private offering of Qualified Capital Stock of the Company other than a registration on Form F-4 or (iii) any capital contribution received by the Company from any holder of Capital Stock that is accounted for as Qualified Capital Stock, in each case other than issuances upon exercise of options by employees of the Company or any of its Subsidiaries.

Optional Redemption for Changes in Withholding Taxes. If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of Mexico or any political subdivision or taxing authority or other instrumentality thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective on or after the date on which the notes we are offering are issued (which, in the case of a merger, consolidation or other transaction permitted and described under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets," shall be treated for this purpose as the date of such transaction), we have become obligated, or will become obligated, in each case after taking all commercially reasonable measures to avoid this requirement, to pay Additional Amounts in excess of those attributable to a Mexican withholding tax rate of 10% with respect to the notes (see "—Additional Amounts" and "Taxation—Mexican Taxation"), then, at our option, all, but not less than all, of the notes may be redeemed at any time on giving not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any additional amounts due thereon up to but not including the date of redemption; *provided*, *however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay these Additional Amounts if a payment on the notes were then due and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

Prior to the publication or delivery to holders of any notice of redemption pursuant to this provision, we will deliver to the Trustee:

- a certificate signed by one of our duly authorized representatives stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem have occurred, and

- an opinion of Mexican legal counsel (which may be our counsel) of recognized standing to the effect that we have or will become obligated to pay such Additional Amounts as a result of such change or amendment.

This notice, once delivered by us to the Trustee, will be irrevocable.

We will give notice to DTC pursuant to the provisions described under "—Certain Covenants—Notices" of any redemption we propose to make at least 30 days (but not more than 60 days) before the redemption date.

Optional Redemption Procedures. In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the Trustee in compliance with the requirements of the principal securities exchange or market, if any, on which notes are listed or, if the notes are not then listed on a securities exchange or market, on a pro rata basis, by lot or by any other method as the Trustee shall deem fair and appropriate (subject to the procedures of the depositary for the notes). If a partial redemption is made with the proceeds of an Equity Offering, selection of the notes or portions thereof for redemption will, subject to the preceding sentence, be made by the Trustee only on a pro rata basis or on

as nearly a pro rata basis as is practicable (subject to the procedures of the depositary for the notes), unless the method is otherwise prohibited. No notes of a principal amount of US$200,000 or less may be redeemed in part and notes of a principal amount in excess of US$200,000 may be redeemed in multiples of US$1,000 only.

Notice of any redemption will be mailed by first-class mail, postage prepaid, at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address. If notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. For so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market, the Company will cause notices of redemption also to be published as provided under "—Certain Covenants—Notices." A new note in a principal amount equal to the unredeemed portion thereof (if any) will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate).

The Company will pay the redemption price for any note together with accrued and unpaid interest thereon through the date of redemption. On and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of any notes by the Company, such redeemed notes will be cancelled.

Any redemption and notice thereof pursuant to the Indenture may, in the Company's discretion, be subject to the satisfaction of one or more conditions precedent, including, but not limited to, a financing or change of control condition. Notwithstanding the foregoing provisions of this "Optional Redemption" subsection, the Company and its Subsidiaries are not prohibited from acquiring the notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise.

Change of Control

Upon the occurrence of a Change of Control, each holder will have the right to require that the Company purchase all or a portion (in minimum principal amounts of US$200,000 and integral multiples of US$1,000 in excess thereof) of the holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon through the date of purchase (the "Change of Control Payment").

Within 30 days following the date upon which the Change of Control occurred, the Company must send, by first-class mail, a notice to each holder, with a copy to the Trustee, offering to purchase the notes as described above (a "Change of Control Offer") and publish the Change of Control Offer in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). The Change of Control Offer may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Change of Control Offer shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the "Change of Control Payment Date").

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent funds in an amount equal to the Change of Control Payment in respect of all notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

If only a portion of a note is purchased pursuant to a Change of Control Offer, a new note in a principal amount equal to the portion thereof not purchased will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate).

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all notes properly tendered and

not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon the occurrence of such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer. Notes repurchased by the Company pursuant to a Change of Control Offer will have the status of notes issued but not outstanding or will be retired and canceled, at the option of the Company. Notes purchased by a third party pursuant to the preceding paragraph will have the status of notes issued and outstanding.

In the event that holders of not less than 95% of the aggregate principal amount of the outstanding notes accept a Change of Control Offer and the Company or a third party purchases all of the notes held by such holders, the Company will have the right, on not less than 30 nor more than 60 days' prior notice, given not more than 30 days following the purchase pursuant to the Change of Control Offer described above, to redeem all of the notes that remain outstanding following such purchase at a purchase price equal to the Change of Control Payment plus, to the extent not included in the Change of Control Payment, accrued and unpaid interest, if any, on the notes that remain outstanding, to the date of redemption (subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date).

Other existing and future Indebtedness of the Company may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of their right to require the Company to repurchase the notes upon a Change of Control could cause a default under such Indebtedness even if the Change of Control itself does not.

If a Change of Control Offer occurs, there can be no assurance that the Company will have available funds sufficient to make the Change of Control Payment for all the notes that might be delivered by holders seeking to accept the Change of Control Offer. In the event the Company is required to purchase outstanding notes pursuant to a Change of Control Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations and any other obligations in respect of Senior Indebtedness. However, there can be no assurance that the Company would be able to obtain necessary financing.

Holders will not be entitled to require the Company to purchase their notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction which does not result in a Change of Control.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations in connection with the purchase of notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Change of Control" provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder to require the Company to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

Certain Covenants

Suspension of Covenants

During any period of time that (i) the notes have Investment Grade Ratings from both of the Rating Agencies and (ii) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "Covenant Suspension Event"), the Company and its Restricted Subsidiaries will not be subject to the provisions of the Indenture described under:

- "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness";
- "—Certain Covenants—Limitation on Guarantees";

- "—Certain Covenants—Limitation on Restricted Payments";
- "—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock";
- "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries";
- "—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";
- "—Certain Covenants—Limitation on Layered Indebtedness";
- clause (b) of "—Certain Covenants—Limitation on Merger, Consolidation or Sale of Assets";
- "—Certain Covenants—Limitation on Transactions with Affiliates"; and
- "—Certain Covenants—Conduct of Business"

(collectively, the "Suspended Covenants").

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") one of the Rating Agencies withdraws its Investment Grade Rating or downgrades its rating assigned to the notes below an Investment Grade Rating, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the Suspension Date and the Reversion Date is referred to as the "Suspension Period." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified as having been incurred pursuant to the first paragraph of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" below or one of the clauses set forth in the second paragraph of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" below (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to the first or second paragraph of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (d) of the second paragraph of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness." Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under "—Certain Covenants—Limitation on Restricted Payments" will be made as though the covenant described under "—Certain Covenants—Limitation on Restricted Payments" had been in effect since the Issue Date and throughout the Suspension Period.

The Issuer shall give the Trustee written notice of any Covenant Suspension Event. In the absence of such notice, the Trustee shall assume the Suspended Covenants apply and are in full force and effect. The Issuer shall give the Trustee written notice of any occurrence of a Reversion Date and in any event, not later than 15 days after such Reversion Date. Upon receipt of such notice, the Trustee shall assume the Suspended Covenants apply and are in full force and effect. In the absence of such notice, the Trustee shall assume the Suspended Covenants continue to be suspended.

Limitation on Incurrence of Additional Indebtedness

(1) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness, including Acquired Indebtedness, except that the Company and any Subsidiary Guarantor may Incur Indebtedness, including Acquired Indebtedness, if, at the time of and immediately after giving pro forma effect to the Incurrence thereof and the application of the proceeds therefrom, the Consolidated Fixed Charge Coverage Ratio of the Company is greater than 2.0 to 1.0.

(2) Notwithstanding clause (1) above, the Company and its Restricted Subsidiaries, as applicable, may Incur the following Indebtedness ("Permitted Indebtedness"):

(a) Indebtedness in respect of the notes, excluding Additional Notes, and Note Guarantees, excluding any guarantees of Additional Notes;

(b) Guarantees by any Subsidiary Guarantor of Indebtedness of the Company or any other Subsidiary Guarantor permitted under the Indenture; *provided*, that if any such Guarantee is of Subordinated Indebtedness, then the Note Guarantee of such Subsidiary Guarantor shall be senior to such Subsidiary Guarantor's Guarantee of such Subordinated Indebtedness;

(c) Indebtedness under Credit Facilities Incurred by the Company or any Subsidiary Guarantor in an aggregate principal amount at any time outstanding not to exceed the greater of (x) US$100.0 million or (y) 10% of Consolidated Tangible Assets;

(d) other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date, other than Indebtedness otherwise specified under any of the other clauses of this definition of Permitted Indebtedness;

(e) Hedging Obligations entered into by the Company and its Restricted Subsidiaries in the ordinary course of business and not for speculative purposes, including, without limitation, hedging obligations in respect of the notes;

(f) intercompany Indebtedness between the Company and any Restricted Subsidiary or between any Restricted Subsidiaries; *provided* that:

 (1) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness and the payee is not the Company or any Subsidiary Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full of all obligations under the notes and the Indenture, in the case of the Company, or such Subsidiary Guarantor's Note Guarantee, in the case of any such Subsidiary Guarantor, and

 (2) in the event that at any time any such Indebtedness ceases to be held by the Company or a Restricted Subsidiary, such Indebtedness shall be deemed to be Incurred and not permitted by this clause (f) at the time such event occurs;

(g) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; *provided*, that such Indebtedness is extinguished within five business days of Incurrence;

(h) Indebtedness of the Company or any of its Restricted Subsidiaries represented by letters of credit for the account of the Company or any Restricted Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;

(i) Indebtedness of the Company or any Restricted Subsidiary represented by Capitalized Lease Obligations or Purchase Money Indebtedness, in each case Incurred for the purpose of acquiring or financing all or any part of the purchase price or cost of construction or improvement of property or equipment used in the business of the Company or such Restricted Subsidiary in an aggregate amount at any time not to exceed the greater of (x) US$30.0 million or (y) 3% of Consolidated Tangible Assets;

(j) Indebtedness in respect of bid, performance or surety bonds in the ordinary course of business for the account of the Company or any of its Restricted Subsidiaries, including Guarantees or obligations of the Company or any Restricted Subsidiary with respect to letters of credit supporting such bid, performance or surety obligations (in each case other than for the payment of borrowed money);

(k) Refinancing Indebtedness in respect of:

(1) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary of the Company) Incurred pursuant to clause (1) above (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such clause (1) above), or

(2) Indebtedness Incurred pursuant to clause (a), (d) or (l) of this covenant:

(l) Permitted Acquisition Indebtedness; and

(m) Additional Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed US$15.0 million at any one time outstanding (which amount may, but need not, be Incurred, in whole or in part, under Credit Facilities).

(3) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this covenant, the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with MFRS. Accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided* that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of clause (2) of this covenant will be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision. For purposes of determining compliance with this "Limitation on Incurrence of Additional Indebtedness" covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (a) through (m) above, or is entitled to be incurred pursuant to paragraph (1) of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses, although the Company may divide and classify an item of Indebtedness in one or more of the types of Indebtedness and may later re-divide or reclassify all or a portion of such item of Indebtedness in any manner that complies with this covenant. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded as a result solely of fluctuations in exchange rates or currency values.

Limitation on Guarantees

The Company will not permit any Restricted Subsidiary of the Company that is not a Subsidiary Guarantor to Guarantee any Indebtedness of the Company or a Subsidiary Guarantor or to secure any Indebtedness of the Company or a Subsidiary Guarantor with a Lien (other than Permitted Liens) on the assets of such Restricted Subsidiary, unless contemporaneously therewith (or prior thereto) effective provision is made to Guarantee or secure the notes on an equal and ratable basis with such Guarantee or Lien for so long as such Guarantee or Lien remains effective, and in an amount equal to the amount of Indebtedness so Guaranteed or secured. Any Guarantee by any such Restricted Subsidiary of Subordinated Indebtedness of the Company or a Subsidiary Guarantor will be subordinated and junior in right of payment to the contemporaneous Guarantee of the notes by such Restricted Subsidiary.

Limitation on Restricted Payments

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a "Restricted Payment"):

(a) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:

- dividends or distributions payable in Qualified Capital Stock of the Company,
- dividends or distributions payable to the Company and/or a Restricted Subsidiary, or
- dividends, distributions or returns of capital made on a pro rata basis to the Company and its Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand (or on a less than pro rata basis to any minority holder);

(b) purchase, redeem or otherwise acquire or retire for value:

- any Capital Stock of the Company, or
- any Capital Stock of any Restricted Subsidiary held by an Affiliate of the Company (other than a Restricted Subsidiary) or any Preferred Stock of a Restricted Subsidiary, except for Capital Stock held by the Company or a Restricted Subsidiary or purchases, redemptions, acquisitions or retirements for value of Capital Stock on a pro rata basis from the Company and/or any Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand, according to their respective percentage ownership of the Capital Stock of such Restricted Subsidiary;

(c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness (excluding (x) any intercompany Indebtedness between or among the Company and/or any Restricted Subsidiaries or (y) the purchase, repurchase or other acquisition of Indebtedness that is contractually subordinate or otherwise junior in right of payment to the notes or any Note Guarantee, as the case may be, purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case within one year of such date of purchase, repurchase or acquisition); or

(d) make any Investment (other than Permitted Investments);

if at the time of the Restricted Payment and immediately after giving effect thereto:

(1) a Default or an Event of Default shall have occurred and be continuing;

(2) the Company is not able to Incur at least US$1.00 of additional Indebtedness pursuant to clause (1) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness"; or

(3) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof, shall exceed the sum of:

(A) 50% of cumulative Consolidated Net Income of the Company or, if such cumulative Consolidated Net Income of the Company is a loss, minus 100% of the loss, accrued during the period, treated as one accounting period, beginning on the fiscal quarter immediately preceding the fiscal quarter during which the Issue Date occurs to the end of the most recent fiscal quarter for which consolidated financial information of the Company is available; *plus*

(B) 100% of the aggregate net proceeds, including cash and the Fair Market Value of property used in a Permitted Business, received by the Company from any Person from any:

- contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock or issuance and sale of Qualified Capital Stock of the Company, in each case, subsequent to the Issue Date, or

- issuance and sale subsequent to the Issue Date (and, in the case of Indebtedness of a Restricted Subsidiary, at such time as it was a Restricted Subsidiary) of any Indebtedness of the Company or any Restricted Subsidiary that has been converted into or exchanged for Qualified Capital Stock of the Company,

excluding, in each case, any net proceeds:

(x) received from a Restricted Subsidiary of the Company; or
(y) applied in accordance with clause (2) or (3) of the second paragraph of this covenant below; *plus*

(C) any Investment Return; *plus*

(D) 100% of any dividends or distributions received by the Company or any Restricted Subsidiary from an Unrestricted Subsidiary, to the extent such amounts were not otherwise included in Consolidated Net Income.

Notwithstanding the preceding paragraph, this covenant does not prohibit:

(1) the payment of any dividend or distribution or the consummation of any irrevocable redemption of Subordinated Indebtedness within 60 days after the date of declaration of such dividend or distribution or giving of the redemption notice, as the case may be, if the dividend, distribution or redemption would have been permitted on the date of declaration or notice pursuant to the preceding paragraph; *provided* that such redemption shall be included (without duplication for the declaration) in the calculation of the amount of Restricted Payments;

(2) the making of any Restricted Payment,

(x) in exchange for Qualified Capital Stock of the Company, or

(y) through the application of the net proceeds received by the Company from a substantially concurrent sale of Qualified Capital Stock of the Company or a contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Company;

provided, that the value of any such Qualified Capital Stock used or the net proceeds of which are used to make a Restricted Payment pursuant to this clause (2) shall be excluded from clause (3)(B) of the first paragraph of this covenant;

(3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of Qualified Capital Stock or Refinancing Indebtedness for such Subordinated Indebtedness;

(4) repurchases by the Company of Common Stock of the Company or options, warrants or other securities exercisable or convertible into Common Stock of the Company from any current or former employees, officers, directors or consultants of the Company or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of such employees, officers or directors, or the termination of retention of any such consultants, in an amount not to exceed US$10.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years up to a maximum of US$10.0 million) plus the cash proceeds of key man life insurance policies received by the Company and its Restricted Subsidiaries;

(5) the repurchase of Capital Stock deemed to occur upon the exercise of stock options or warrants to the extent such Capital Stock represents a portion of the exercise price of those stock options or warrants;

(6) if no Default or Event of Default shall have occurred and be continuing, the declaration and payment of regularly scheduled or accrued dividends or distributions to holders of any class or series of Disqualified Capital Stock of the Company or any Restricted Subsidiary issued on or after the Issue Date in accordance with the "Limitation on Incurrence of Additional Indebtedness" covenant;

(7) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness of the Company or any Subsidiary Guarantor pursuant to and in accordance with the terms of a "change of control" covenant set forth in the indenture or other agreement pursuant to which such Subordinated Indebtedness is issued and such "change of control" covenant is substantially similar to the Change of Control provision included in the Indenture; *provided* that the Company (or another Person) has repurchased all notes required to be repurchased by the Company under the caption "—Change of Control" prior to the purchase, redemption or other acquisition or retirement for value of such Subordinated Indebtedness pursuant to the applicable "change of control" covenant;

(8) if no Default or Event of Default shall have occurred and be continuing, the purchase by the Company of fractional shares arising out of stock dividends, splits or combinations or business combinations; *provided*, that such purchases are not made for the purposes of circumventing the provisions of this covenant; and

(9) if no Default or Event of Default shall have occurred and be continuing, other Restricted Payments in an aggregate amount not to exceed US$30.0 million since the Issue Date.

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend), (4), (8) and (9) above shall be included in such calculation and amounts expended pursuant to clauses (2), (3), (5), (6) and (7) above shall not be included in such calculation.

Limitation on Asset Sales and Sales of Subsidiary Stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(a) the Company or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets or Capital Stock sold or otherwise disposed of, and

(b) at least 75% of the consideration received for the assets or Capital Stock sold by the Company or the Restricted Subsidiary, as the case may be, in such Asset Sale shall be in the form of cash or Cash Equivalents received at the time of such Asset Sale.

For purposes of the immediately preceding clause (b), each of the following will be deemed to be cash:

(1) any liabilities that are included on the balance sheet of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the notes or any Note Guarantee) that are assumed by the transferee of any such assets and as a result of which the Company or such Restricted Subsidiary, as the case may be, are fully and unconditionally released from any further liability in connection therewith;

(2) any securities, notes or other obligations or assets received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days of the receipt thereof (subject to ordinary settlement periods), to the extent of the cash or Cash Equivalents received in that conversion;

(3) the Fair Market Value of any Capital Stock of a Person engaged in a Permitted Business that will become, upon purchase, a Restricted Subsidiary or assets (other than current assets as determined in accordance with MFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; and

(4) any Designated Non-cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale; *provided*, that the aggregate Fair Market Value of such Designated Non-cash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Non-cash Consideration received pursuant to this clause (4) less the amount of Net Proceeds previously realized in cash or Cash Equivalents from the sale of prior Designated Non-cash Consideration is less than the greater of (x) 10% of Consolidated Tangible Assets at the time of the receipt of such Designated Non-cash Consideration and (y) US$100.0 million, in each case with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value;

provided, that amounts received pursuant to clauses (1), (3) and (4) shall not be deemed to constitute Net Cash Proceeds for purposes of making an Asset Sale Offer.

The Company or such Restricted Subsidiary, as the case may be, may apply the Net Cash Proceeds of any such Asset Sale within 365 days thereof to:

(a) repay any Indebtedness under a Credit Facility, any Senior Indebtedness of the Company or a Subsidiary Guarantor, any Indebtedness secured by the assets subject to such Asset Sale or Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor (including, in each case without limitation, Capital Lease Obligations), or

(b) make capital expenditures in a Permitted Business, or

(c) purchase

(1) assets (other than current assets as determined in accordance with MFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business, or

(2) all or substantially all of the assets of, or any Capital Stock of, a Person engaged in a Permitted Business if, after giving effect to any such acquisition, such Person is or becomes or such assets are contributed to a Restricted Subsidiary, or

(d) enter into a binding commitment with a Person, other than the Company and its Restricted Subsidiaries, to apply such Net Cash Proceeds pursuant to clause (b) or (c) above, *provided* that such binding commitment shall be subject only to customary conditions and the applicable purchase shall be consummated within 180 days following the expiration of the aforementioned 365-day period.

To the extent all or a portion of the Net Cash Proceeds of any Asset Sale are not applied within the 365 days (or such later date as provided for in clause (d) of the immediately preceding paragraph) of the Asset Sale as described in clause (a), (b), (c) or (d) of the immediately preceding paragraph, the Company will make an offer to purchase notes (the "Asset Sale Offer"), at a purchase price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest thereon, to the date of purchase (the "Asset Sale Offer Amount"). The Company will purchase pursuant to an Asset Sale Offer from all tendering holders on a pro rata basis, and, at the Company's option, on a pro rata basis with the holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of notes and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Company may satisfy its obligations under this covenant with respect to the Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

The purchase of notes pursuant to an Asset Sale Offer will occur not less than 20 business days following the date thereof, or any longer period as may be required by law, nor more than 45 days following the 365th day following the Asset Sale (except in the case of clause (d) in which case such period shall be extended for 180 days). The Company may, however, defer an Asset Sale Offer until there is an aggregate amount of unapplied Net Cash Proceeds from one or more Asset Sales equal to or in excess of US$20.0 million. At that time, the entire amount of unapplied Net Cash Proceeds, and not just the amount in excess of US$20.0 million, will be applied as required pursuant to this covenant. Pending application in accordance with this covenant, Net Cash Proceeds may be applied to temporarily reduce revolving credit borrowings or Invested in Cash Equivalents.

Each notice of an Asset Sale Offer will be mailed first class, postage prepaid, to the record holders as shown on the register of holders within 20 days following such 365th day (except in the case of clause (d) in which case such period shall be extended for 180 days), with a copy to the Trustee offering to purchase the notes as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the "Asset Sale Offer Payment Date"). Upon receiving notice of an Asset Sale Offer, holders may elect to tender their notes in whole or in part in amounts of $200,000 or in integral multiples of US$1,000 in excess thereof in exchange for cash.

On the Asset Sale Offer Payment Date, the Company will, to the extent lawful:

(1) accept for payment all notes or portions thereof properly tendered pursuant to the Asset Sale Offer;

(2) deposit with the Paying Agent funds in an amount equal to the Asset Sale Offer Amount in respect of all notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

To the extent holders of notes and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of unapplied Net Cash Proceeds, the Company will purchase the notes and the other Senior Indebtedness on a pro rata basis (based on amounts tendered). If only a portion of a note is purchased pursuant to an Asset Sale Offer, a new note in a principal amount equal to the portion thereof not purchased will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to an Asset Sale Offer will be cancelled and cannot be reissued.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with the purchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the "Asset Sale" provisions of the Indenture, the Company will comply with these laws and regulations and will not be deemed to have breached its obligations under the "Asset Sale" provisions of the Indenture by doing so.

Upon completion of an Asset Sale Offer, the amount of Net Cash Proceeds will be reset at zero. Accordingly, to the extent that the aggregate amount of notes and other Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of unapplied Net Cash Proceeds, the Company and its Restricted Subsidiaries may use any remaining Net Cash Proceeds for any purpose not otherwise prohibited by the Indenture.

Limitation on Designation of Unrestricted Subsidiaries

The Company may designate after the Issue Date any Subsidiary of the Company as an "Unrestricted Subsidiary" under the Indenture (a "Designation") only if:

(1) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Designation and any transactions between the Company or any of its Restricted Subsidiaries and such Unrestricted Subsidiary are in compliance with "—Certain Covenants—Limitation on Transactions with Affiliates";

(2) at the time of and after giving effect to such Designation, the Company could Incur US$1.00 of additional Indebtedness pursuant to clause (1) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness";

(3) the Company would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment at the time of Designation) as a Restricted Payment pursuant to the first paragraph of "—Certain Covenants—Limitation on Restricted Payments" or as a Permitted Investment in an amount (the "Designation Amount") equal to the amount of the Company's Investment in such Subsidiary on such date; and

(4) at the time of such Designation, neither the Company nor any Restricted Subsidiary will:

(a) provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of such Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness);

(b) be directly or indirectly liable for any Indebtedness of such Subsidiary; or

(c) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of such Subsidiary, except for any non-recourse Guarantee given solely to support the pledge by the Company or any Restricted Subsidiary of the Capital Stock of such Subsidiary.

The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a "Revocation") only if:

(1) no Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Revocation, and

(2) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the Indenture.

The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary shall be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by resolutions of the Board of Directors of the Company, delivered to the Trustee certifying compliance with the preceding provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided in paragraph (b) below, the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any other Restricted Subsidiary or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;

(2) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, the Company or any other Restricted Subsidiary; or

(3) transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(b) Paragraph (a) above will not apply to encumbrances or restrictions existing under or by reason of:

(1) applicable law rule, regulation or order;

(2) the Indenture, the notes and the Note Guarantees;

(3) the terms of any Indebtedness outstanding on the Issue Date, and any amendment, modification, restatement, renewal, restructuring, replacement or refinancing thereof; *provided*, that any amendment, modification, restatement, renewal, restructuring, replacement or refinancing is not materially more restrictive, taken as a whole, with respect to such encumbrances or restrictions than those in existence on the Issue Date;

(4) customary non-assignment provisions of any contract and customary provisions restricting assignment or subletting in any lease governing a leasehold interest of any Restricted Subsidiary, or any customary restriction on the ability of a Restricted Subsidiary to dividend, distribute or otherwise transfer any asset which secures Indebtedness secured by a Lien, in each case permitted to be Incurred under the Indenture;

(5) any instrument governing Acquired Indebtedness not Incurred in connection with, or in anticipation or

contemplation of, the relevant acquisition, merger or consolidation, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;

(6) customary restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of Capital Stock or assets of such Restricted Subsidiary; *provided*, that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;

(7) customary restrictions imposed on the transfer of copyrighted or patented materials;

(8) an agreement governing Indebtedness of the Company or any Restricted Subsidiaries permitted to be Incurred subsequent to the date of the Indenture in accordance with the covenant described above under the caption "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness"; *provided* that the provisions relating to such encumbrance or restriction contained in such agreement are no more restrictive, taken as a whole, than those contained in the agreement referred to in clause (3) of this paragraph;

(9) purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in paragraph (a)(3) of this covenant;

(10) Liens permitted to be incurred under the provisions of the covenant described below under the caption "—Certain Covenants—Limitation on Liens" that limits the right of the debtor to dispose of the assets securing such Indebtedness;

(11) provisions limiting the payment of dividends or the disposition or distribution of assets or property or transfer of Capital Stock in joint venture agreements, sale-leaseback agreements, agreements entered into for the sale or disposition of assets, property or Capital Stock pending the closing of such sale or disposition, limited liability company organizational documents and other similar agreements entered into in accordance with the terms of the Indenture and (a) in the ordinary course of business consistent with past practice or (b) with the approval of the Company's Board of Directors, which limitation is applicable only to the assets, property or Capital Stock that are the subject of such agreements;

(12) restrictions on cash, Cash Equivalents, Marketable Securities or other deposits or net worth imposed by customers or lessors under contracts or leases entered into in the ordinary course of business consistent with past practice to secure trade payable obligations; and

(13) restrictions customarily granted in connection with securitization, factoring or discounting involving receivables that are imposed in connection with a Receivables Transaction.

Limitation on Layered Indebtedness

The Company will not, and will not permit any Subsidiary Guarantor to, directly or indirectly, Incur any Indebtedness that is subordinate in right of payment to any other Senior Indebtedness, unless such Indebtedness is expressly subordinate in right of payment to, in the case of the Company, the notes or, in the case of a Subsidiary Guarantor, its Note Guarantee to the same extent and on the same terms as such Indebtedness is subordinate to such other Senior Indebtedness; *provided* that the foregoing limitation shall not apply to distinctions between categories of Senior Indebtedness that exist by reason of any Liens arising or created in respect of some but not all such Senior Indebtedness.

Limitation on Liens

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness or trade payables unless contemporaneously therewith effective provision is made:

(1) in the case of the Company or any Restricted Subsidiary other than a Subsidiary Guarantor, to secure the notes and all other amounts due under the Indenture; and

(2) in the case of a Subsidiary Guarantor, to secure such Subsidiary Guarantor's Note Guarantee and all other amounts due under the Indenture;

in each case, equally and ratably with such Indebtedness or other obligation (or, in the event that such Indebtedness is subordinated in right of payment to the notes or such Note Guarantee, as the case may be, prior to such Indebtedness or other obligation) with a Lien on the same properties and assets securing such Indebtedness or other obligation for so long as such Indebtedness or other obligation is secured by such Lien.

Limitation on Merger, Consolidation and Sale of Assets

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person unless:

(a) either:

(1) the Company shall be the surviving or continuing Person, or

(2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "Surviving Entity"):

(A) shall be a Person organized or formed and validly existing under the laws of Mexico or the United States of America, any State thereof or the District of Columbia, and

(B) shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the notes and the performance and observance of every covenant of the notes and the Indenture on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be:

(1) will be able to Incur at least US$1.00 of additional Indebtedness pursuant to clause (1) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness," or

(2) will have a Consolidated Fixed Charge Coverage Ratio of not less than the Consolidated Fixed Charge Coverage Ratio of the Company and its Restricted Subsidiaries immediately prior to such transaction;

(c) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing;

(d) each Subsidiary Guarantor (including Persons that become Subsidiary Guarantors as a result of the transaction) has confirmed by supplemental indenture that its Note Guarantee will apply for the Obligations of the Surviving Entity in respect of the Indenture and the notes;

(e) if the Company is organized under Mexican law and merges with a corporation, or the Surviving Entity is, organized under the laws of the United States, any State thereof or the District of Columbia or the Company is organized under the laws of the United States, any State thereof or the District of Columbia and merges with a Person, or the Surviving Entity is, organized under the laws of Mexico, the Company or

the Surviving Entity will have delivered to the Trustee an Opinion of Counsel from each of Mexico and the United States to the effect that, as applicable:

(i) the holders of the notes will not recognize income, gain or loss for U.S. or Mexican income tax purposes as a result of the transaction and will be taxed in the holder's home jurisdiction in the same manner and on the same amounts (assuming solely for this purpose that no Additional Amounts are regarded to be paid on the notes) and at the same times as would have been the case if the transaction had not occurred,

(ii) any payment of interest or principal under or relating to the notes or any Note Guarantees will be paid in compliance with any requirements under the subsection "—Additional Amounts," and

(iii) no other taxes on income, including capital gains, will be payable by holders of the notes under the laws of Mexico or the United States relating to the acquisition, ownership or disposition of the notes, including the receipt of interest or principal thereon; *provided* that the holder does not use or hold, and is not deemed to use or hold the notes in carrying on a business in Mexico or the United States, and

(f) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

For purposes of this covenant, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company (determined on a consolidated basis for the Company and its Restricted Subsidiaries), will be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The provisions of clause (b) above will not apply to:

(1) any transfer of the properties or assets of a Restricted Subsidiary to the Company or to a Subsidiary Guarantor;

(2) any merger of a Restricted Subsidiary into the Company or a Subsidiary Guarantor; or

(3) any merger of the Company into a Wholly-Owned Subsidiary of the Company created for the purpose of holding the Capital Stock of the Company,

so long as, in each case the Indebtedness of the Company and its Restricted Subsidiaries taken as a whole is not increased thereby.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with this covenant, in which the Company is not the continuing corporation, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the notes with the same effect as if such Surviving Entity had been named as such. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Company (including a Surviving Entity, if applicable) under "—Change of Control," if applicable.

Each Subsidiary Guarantor will not, and the Company will not cause or permit any Subsidiary Guarantor to, consolidate with or merge into, or sell or dispose of all or substantially all of its assets to, any Person (other than the Company) that is not a Subsidiary Guarantor unless:

(1) such Person (if such Person is the surviving entity) assumes all of the obligations of such Subsidiary Guarantor in respect of its Note Guarantee by executing a supplemental indenture and providing the Trustee with an Officers' Certificate and Opinion of Counsel, and such transaction is otherwise in compliance with the Indenture;

(2) such Note Guarantee is to be released as provided under "—Note Guarantees"; or

(3) such sale or other disposition of substantially all of such Subsidiary Guarantor's assets is made in accordance with "—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock."

Limitation on Transactions with Affiliates

(1) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each an "Affiliate Transaction"), unless:

(a) the terms of such Affiliate Transaction are not materially less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company;

(b) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US$5.0 million, the terms of such Affiliate Transaction will be approved by a majority of the disinterested members of the Board of Directors of the Company, the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with the preceding provisions; and

(c) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US$35.0 million, the Company will, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to the Company and the relevant Restricted Subsidiary (if any) from a financial point of view from an Independent Financial Advisor and file the same with the Trustee.

(2) Paragraph (1) above will not apply to:

(a) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries;

(b) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors, employees, consultants or agents of the Company or any Restricted Subsidiary as determined in good faith by the Company's Board of Directors;

(c) Affiliate Transactions undertaken pursuant to any contractual obligations or rights in existence on the Issue Date and any amendment, modification or replacement of such agreement (so long as such amendment, modification or replacement is not materially more disadvantageous to the Company and its Restricted Subsidiaries or the holders of the notes, taken as a whole, than the original agreement as in effect on the Issue Date);

(d) any Restricted Payments made in compliance with "—Certain Covenants—Limitation on Restricted Payments" or any Permitted Investments;

(e) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary for travel, entertainment, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding US$5.0 million outstanding at any one time;

(f) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business or consistent with past practice and payments pursuant thereto; and

(g) any issuance of Capital Stock (other than Disqualified Stock) of the Company to Affiliates of the Company or to any director, officer, employee or consultant of the Company, and the granting and performance of registration rights.

Conduct of Business

The Company and its Restricted Subsidiaries will not engage in any business other than a Permitted Business.

Reports to Holders

So long as any notes are outstanding, the Company will furnish to the Trustee:

(a) Within 120 days following the end of each of the Company's fiscal years, information (presented in the English language) including "Consolidated Financial Information and Other Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Our Business" sections with scope and content substantially similar to the corresponding sections of this offering circular (after taking into consideration any changes to the business and operations of the Company after the Issue Date), consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Company for the two most recent fiscal years in accordance with generally accepted accounting principles in effect in Mexico as of and for the period covered by such information, as filed with the CNBV, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with an audit report thereon by the Company's independent auditors; and

(b) Within 60 days following the end of the fiscal quarter ended March 31, 2012 and of the first three fiscal quarters in each of the Company's fiscal years thereafter, quarterly reports containing unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto for the Company and the Restricted Subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with generally accepted accounting principles in effect in Mexico as of and for the period covered by such report, as filed with the CNBV, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for such quarterly period and condensed footnote disclosure (in each case, presented in the English language).

None of the information provided pursuant to the preceding paragraph shall be required to comply with Regulation S-K as promulgated by the U.S. Securities and Exchange Commission. In addition, the Company shall furnish to the holders of the notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely transferable under the Exchange Act by Persons who are not "affiliates" under the Securities Act.

The Company will also make available copies of all reports furnished to the Trustee (a) on the Company's website and (b) to the newswire service of Bloomberg L.P., or if Bloomberg L.P. does not then operate, any similar agency. In addition, if and so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the paying agent in Luxembourg.

Listing

In the event that the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market, the Company will use its reasonable best efforts to maintain such admission to listing and trading; *provided* that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive the Company could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company would otherwise use to prepare its published financial information, the Company may delist the notes in accordance with the rules of the Luxembourg Stock Exchange and seek an alternative admission to listing, trading and/or quotation for the note on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union and recognized by the U.S. Securities and Exchange Commission as the Company may decide.

Notices

From and after the date the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market and so long as it is required by the rules of such exchange, all notices to holders of notes will be published in English:

(1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*);

(2) if such Luxembourg publication in not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions; or

(3) on the website of the Luxembourg Stock Exchange, www.bourse.lu.

Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices will be mailed to holders of notes at their registered addresses.

Events of Default

The following are "Events of Default":

(1) default in the payment when due of the principal of or premium, if any, on any notes, including the failure to make a required payment to redeem or purchase notes surrendered or tendered pursuant to an optional redemption, Change of Control Offer or an Asset Sale Offer;

(2) default for 30 days or more in the payment when due of interest, Additional Amounts or liquidated damages, if any, on any notes;

(3) the failure to perform or comply with any of the provisions described under "—Change of Control", "—Certain Covenants—Merger, Consolidation and Sale of Assets", and "—Certain Covenants—Limitation Asset Sales and Sales of Subsidiary Stock";

(4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or in the notes for 60 days or more after written notice to the Company from the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes;

(5) default by the Company or any Restricted Subsidiary that is a Significant Subsidiary under any Indebtedness which:

(a) is caused by a failure to pay principal or premium, if any, or interest on such Indebtedness prior to the expiration of any applicable grace period provided in the instrument governing such Indebtedness on the date of such default; or

(b) results in the acceleration of such Indebtedness prior to its stated maturity;

and, in each case, the principal or accreted amount of Indebtedness at the relevant time, aggregates US$25.0 million or more;

(6) failure by the Company or any Restricted Subsidiary that is a Significant Subsidiary to pay one or more final judgments against any of them, aggregating US$25.0 million or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more;

(7) certain events of bankruptcy affecting the Company or any of its Restricted Subsidiaries that are Significant Subsidiaries; or

(8) except as permitted by the Indenture, and subject to a cure period of 30 days, (a) any Note Guarantee is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect or (b) any Subsidiary Guarantor, or any Person acting on behalf of any Subsidiary Guarantor, denies or disaffirms such Subsidiary Guarantor's obligations under its Note Guarantee.

If an Event of Default (other than an Event of Default specified in clause (7) above with respect to the Company) shall occur and be continuing, the Trustee or the holders of at least 25% in principal amount of outstanding notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in clause (7) above occurs with respect to the Company, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

At any time after a declaration of acceleration with respect to the notes as described in the preceding paragraph, the holders of a majority in principal amount of the notes may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(4) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses (including the fees and expenses of its counsel), disbursements and advances.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The holders of a majority in principal amount of the notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any notes.

In the event of any Event of Default specified in clause (5) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders, if within 30 days after such Event of Default arose the Company delivers an Officers' Certificate to the Trustee stating that (x) the Indebtedness or Guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the notes as described above be annulled, waived or rescinded upon the happening of any such events.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders, unless such holders have offered to the Trustee satisfactory indemnity. Subject to all provisions of the Indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No holder of any notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

(1) such holder gives to the Trustee written notice of a continuing Event of Default;

(2) holders of at least 25% in principal amount of the then outstanding notes make a written request to pursue the remedy;

(3) such holders of the notes provide to the Trustee satisfactory indemnity;

(4) the Trustee does not comply within 60 days; and

(5) during such 60 day period the holders of a majority in principal amount of the outstanding notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

provided, that a holder of a Note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such note on or after the respective due dates expressed in such note.

Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee written notice of events which would constitute such Defaults or Events of Default, their status and what action the Company is taking or proposes to take in respect thereof. In addition, the Company is required to deliver to the Trustee, within 105 days after the end of each fiscal year, an Officers' Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year. The Indenture provides that if a Default or Event of Default occurs, is continuing and is actually known to the Trustee, the Trustee must mail to each holder notice of the Default or Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any note, the Trustee may withhold notice if and so long as a committee of its trust officers in good faith determines that withholding notice is in the interests of the holders.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations with respect to outstanding notes and all obligations of the Subsidiary Guarantors under the Note Guarantees discharged ("Legal Defeasance"). Such Legal Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding notes and Note Guarantees after the deposit specified in clause (1) of the second following paragraph, except for:

(1) the rights of holders to receive payments in respect of the principal of, premium, if any, and interest on the notes when such payments are due;

(2) the Company's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;

(3) the rights, powers, trust, duties and immunities of the Trustee and the Company's and the Subsidiary Guarantor's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations and the obligations of the Subsidiary Guarantors released with respect to certain covenants (including, without limitation, obligations to make Change of Control Offers, Asset Sale Offers, the obligations described under "—Certain Covenants" and the cross-acceleration provisions and judgment default provisions described under "—Events of Default") that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the notes or the Note Guarantees. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, reorganization and insolvency events) described under "—Events of Default" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders cash in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that:

(a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) to the effect that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) in the case of Legal Defeasance or Covenant Defeasance, the Company has delivered to the Trustee:

(a) an Opinion of Counsel from counsel in Mexico reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that, based upon Mexican law then in effect, holders will not recognize income, gain or loss for Mexican tax purposes, including withholding tax except for withholding tax then payable on interest payments due, as a result of Legal Defeasance or Covenant Defeasance, as the case may be, and will be subject to Mexican taxes on the same amounts and in the same manner and at the same time as would have been the case if such Legal Defeasance or Covenant Defeasance, as the case may be, had not occurred, or

(b) a ruling directed to the Trustee received from the tax authorities of Mexico to the same effect as the Opinion of Counsel described in clause (a) above;

(5) no Default or Event of Default shall have occurred and be continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from the failure to comply with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" as a result of the borrowing of the funds required to effect such deposit);

(6) the Trustee has received an Officers' Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(7) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(8) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(9) the Company has delivered to the Trustee an Opinion of Counsel from counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the notes, as expressly provided for in the Indenture) as to all outstanding notes when:

(1) either:

(a) all the notes theretofor authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofor been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) all notes not theretofor delivered to the Trustee for cancellation have become due and payable, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire Indebtedness on the notes not theretofor delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;

(2) the Company has paid all other sums payable under the Indenture and the notes by it; and

(3) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Modification of the Indenture

From time to time, the Company, the Subsidiary Guarantors and the Trustee, without the consent of the holders, may amend the Indenture, the notes or the Note Guarantees for certain specified purposes, including curing ambiguities, defects or inconsistencies, to provide for uncertificated notes in addition to or in place of certificated notes; to provide for the assumption of the Company's or a Subsidiary Guarantor's obligations to holders of notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Subsidiary Guarantor's assets, as applicable; to make any change that would provide any additional rights or benefits to the holders or that does not adversely affect the legal rights under the Indenture of any such holder; to comply with requirements of the U.S. Securities and Exchange Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act; to conform the text of the Indenture, the Note Guarantees or the notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees or the notes; to allow any Subsidiary Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the notes and to release Subsidiary Guarantors from the Note Guarantee in accordance with the terms of the Indenture; to comply with the requirements of any applicable securities depositary; to provide for a successor Trustee in accordance with the terms of the Indenture; to otherwise comply with any requirement of the Indenture; to issue Additional Notes; and make any other changes which do not adversely affect the rights of any of the holders in any material respect. In formulating its opinion on such matters, the Trustee will be entitled to rely on such evidence as it deems appropriate, including solely on an Opinion of Counsel and Officers' Certificate, and shall have no liability whatsoever in reliance upon the foregoing.

Other modifications and amendments of the Indenture or the notes may be made with the consent of the holders of a majority in principal amount of the then outstanding notes issued under the Indenture, except that, without the consent of each holder affected thereby, no amendment may (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any notes, or change the date on which any notes may be subject to redemption, or reduce the redemption price therefor;

(4) make any notes payable in money other than that stated in the notes;

(5) make any change in provisions of the Indenture entitling each holder to receive payment of principal of, premium, if any, and interest on such note on or after the due date thereof or to bring suit to enforce such payment, or permitting holders of a majority in principal amount of notes to waive Defaults or Events of Default;

(6) amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control that has occurred or make and consummate an Asset Sale Offer with respect to any Asset Sale that has been consummated;

(7) eliminate or modify in any manner a Subsidiary Guarantor's obligations with respect to its Note Guarantee which adversely affects holders in any material respect, except as contemplated in the Indenture;

(8) make any change in the provisions of the Indenture described under "—Additional Amounts" that adversely affects the rights of any holder or amend the terms of the notes in a way that would result in a loss of exemption from Taxes; and

(9) make any change to the provisions of the Indenture or the notes that adversely affect the ranking of the notes.

Governing Law; Jurisdiction

The Indenture and the notes will be governed by, and construed in accordance with, the law of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. The Company and the Subsidiary Guarantors consent to the jurisdiction of the Federal and State courts located in the City of New York, Borough of Manhattan, have appointed an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture or the notes and have granted a power of attorney for lawsuits and collections (*pleitos y cobranzas*) to such agent for service of process in the presence of a Mexican notary public..

The Trustee

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Indenture and the provisions of the TIA contain certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. Subject to the TIA, the Trustee will be permitted to engage in other transactions; *provided*, that if the Trustee acquires any conflicting interest as described in the TIA, it must eliminate such conflict or resign.

No Personal Liability

An incorporator, director, officer, employee, stockholder or controlling person, as such, of the Company or of any Subsidiary Guarantor shall not have any liability for any obligations of the Company or such Subsidiary Guarantor under the notes (including the Note Guarantees) or the Indenture or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a note, each holder waives and releases all such liability.

Currency Indemnity

The Company and each Subsidiary Guarantor will pay all sums payable under the Indenture or the notes solely in U.S. Dollars. Any amount that you receive or recover in a currency other than U.S. Dollars in respect of any sum expressed

to be due to you from the Company or any Subsidiary Guarantor will only constitute a discharge to us to the extent of the U.S. Dollar amount which you are able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which you are able to do so. If the U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to you under any note, the Company and the Subsidiary Guarantors will jointly and severally indemnify you against any loss you sustain as a result. In any event, the Company and the Subsidiary Guarantors will jointly and severally indemnify you against the cost of making any purchase of U.S. Dollars. For the purposes of this paragraph, it will be sufficient for you to certify in a satisfactory manner that you would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which you were able to do so. In addition, you will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company and the Subsidiary Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for a full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges, consolidates or amalgamates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person; *provided* that such Indebtedness is not incurred in connection with, or in anticipation of contemplation of such merger, consolidation, amalgamation or acquisition. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges, consolidates or amalgamates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

"Additional Amounts" has the meaning set forth under "—Additional Amounts" above.

"Additional Notes" has the meaning set forth under "—Additional Notes" above.

"Affiliate" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Asset Acquisition" means:

(1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary;

(2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(3) any Revocation with respect to an Unrestricted Subsidiary.

"Asset Sale" means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including a Sale and Leaseback Transaction (each, a "disposition") by the Company or any Restricted Subsidiary of:

(a) any Capital Stock of any Restricted Subsidiary (but not Capital Stock of the Company); or

(b) any property or assets (other than cash or Cash Equivalents or Capital Stock of the Company) of the Company or any Restricted Subsidiary;

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under "—Certain Covenants—Merger, Consolidation and Sale of Assets;"

(2) sales of individual homes and land in the ordinary course of business;

(3) land, infrastructure and other properties donated to communities in connection with construction and development of housing complexes by the Company or its Restricted Subsidiaries in the ordinary course of business consistent with past practice;

(4) sales, leases, conveyances or other dispositions, including, without limitation, exchanges or swaps of real estate, for the development of the Company's or any of its Restricted Subsidiaries' projects in the ordinary course of business;

(5) sales, leases, conveyances or other dispositions of amenities, model homes and other improvements at the Company's or its Restricted Subsidiaries' projects in the ordinary course of business;

(6) for purposes of "—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock" only, the making of a Restricted Payment permitted under "—Certain Covenants—Limitation on Restricted Payments" or any Permitted Investment;

(7) a disposition to the Company or a Restricted Subsidiary, including a Person that is or will become a Restricted Subsidiary immediately after the disposition;

(8) any single transaction or series of related transactions that involves assets or Capital Stock of a Restricted Subsidiary having a Fair Market Value of less than US$5.0 million;

(9) a transfer of assets between or among the Company and any of its Restricted Subsidiaries;

(10) an issuance or sale of Capital Stock by a Restricted Subsidiary of the Company to the Company or any of its Restricted Subsidiaries;

(11) a disposition of accounts receivable in connection with a Receivables Transaction;

(12) any sale or other disposition of damaged, worn-out, obsolete or no longer useful assets or properties in the ordinary course of business;

(13) any sale of assets received by the Company or any of its Restricted Subsidiaries upon the foreclosure on a Lien;

(14) the granting of Liens permitted under "—Certain Covenants—Limitations or Liens"; and

(15) the good faith surrender or waiver of contract rights or settlement, release or surrender of contract, tort or other claims or statutory rights in connection with a settlement in the ordinary course of business consistent with past practice.

"Asset Sale Offer" has the meaning set forth under "—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock."

"Asset Sale Transaction" means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (2) of that definition.

"Board of Directors" means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Capitalized Lease Obligations" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under MFRS. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with MFRS.

"Capital Stock" means:

(1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;

(2) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and

(3) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (1) or (2) above.

"Cash Equivalents" means:

(1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;

(2) *Certificados de la Tesoreria de la Federación* (Cetes) or *Bonos de Desarrollo del Gobierno Federal* (Bondes), in each case, issued by the government of Mexico and maturing not later than one year after the acquisition thereof;

(3) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Fitch or Moody's or any successor thereto;

(4) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least F1 from Fitch or at least P-2 from Moody's;

(5) demand deposits, certificates of deposit, time deposits or bankers' acceptances maturing within one year from the date of acquisition thereof issued by (a) any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, (b) any U.S. branch of a non-U.S. bank having at the date of acquisition thereof combined capital and surplus of not less than US$500 million, or (c) in the case of Mexican peso deposits, any of the five top-rated banks (as evaluated by an internationally recognized rating agency) organized under the laws of Mexico;

(6) repurchase obligations with a term of not more than 180 days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (5) above; and

(7) investments in money market funds, which invest substantially all of their assets in securities of the types described in clauses (1) through (6) above.

"Change of Control" means the occurrence of one or more of the following events:

(1) any Person or Group other than the Permitted Holders is or becomes the beneficial owner (as defined below), directly or indirectly, in the aggregate of more than 50% of the total voting power of the Voting Stock of the Company (including a Surviving Entity, if applicable);

(2) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company, together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board of Directors of the Company then in office;

(3) the Company consolidates with, or merges with or into, another Person, or the Company sells, conveys, assigns, transfers, leases or otherwise disposes of all or substantially all of the assets of the Company, determined on a consolidated basis, to any Person, other than a transaction where the Person or Persons that, immediately prior to such transaction "beneficially owned" the outstanding Voting Stock of the Company are, by virtue of such prior ownership, or Permitted Holders are, the "beneficial owners" in the aggregate of a majority of the total voting power of the then outstanding Voting Stock of the surviving or transferee person (or if such surviving or transferee Person is a direct or indirect wholly-owned subsidiary of another Person, such Person who is the ultimate parent entity), in each case whether or not such transaction is otherwise in compliance with the Indenture; or

(4) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company, whether or not otherwise in compliance with the provisions of the Indenture.

For purposes of this definition:

(a) "beneficial owner" will have the meaning specified in Rules 13d-3 and 13d-5 under the Exchange Act, except that any Person or Group will be deemed to have "beneficial ownership" of all securities that such Person or Group has the right to acquire, whether such right is exercisable immediately, only after the passage of time or, except in the case of the Permitted Holders, upon the occurrence of a subsequent condition.

(b) "Person" and "Group" will have the meanings for "person" and "group" as used in Sections 13(d) and 14(d) of the Exchange Act; and

(c) the Permitted Holders or any other Person or Group will be deemed to beneficially own any Voting Stock of a corporation held by any other corporation (the "parent corporation") so long as the Permitted Holders or such other Person or Group, as the case may be, beneficially own, directly or indirectly, in the aggregate at least 50% of the voting power of the Voting Stock of the parent corporation and no other Person or Group beneficially owns an equal or greater amount of the Voting Stock of the parent corporation.

"Change of Control Payment" has the meaning set forth under "—Change of Control."

"Change of Control Payment Date" has the meaning set forth under "—Change of Control."

"Commodity Agreement" means any commodity or raw material futures contract, commodity or raw materials option, or any other agreement designed to protect against or manage exposure to fluctuations in commodity or raw materials prices.

"Common Stock" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

"Consolidated EBITDA" means, for any Person for any period, Consolidated Net Income for such Person for such period, plus the following, without duplication, to the extent deducted or added in calculating such Consolidated Net Income:

(1) Consolidated Income Tax Expense for such Person for such period;

(2) Consolidated Interest Expense for such Person for such period;

(3) Consolidated Non-cash Charges for such Person for such period;

(4) net after-tax losses from non-ordinary course Asset Sale Transactions or abandonments or reserves relating thereto for such period;

(5) any income or loss from extraordinary transactions;

(6) any unrealized non cash gains or losses or charges resulting from the application of Statement of Financial Accounting Standards No. 133; and

(7) any income or loss from discontinued operations, less (x) all other non-cash credits and gains, if any, increasing Consolidated Net Income for such Person for such period, other than any items which represent the reversal in such period of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required under MFRS and (y) all cash payments made by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period relating to non-cash charges that were added back in determining Consolidated EBITDA in any prior period.

"Consolidated Fixed Charge Coverage Ratio" means, for any Person as of any date of determination, the ratio of the aggregate amount of Consolidated EBITDA of such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination (the "Four Quarter Period") to Consolidated Fixed Charges for such Person for such Four Quarter Period. For purposes of this definition, "Consolidated EBITDA" and "Consolidated Fixed Charges" will be calculated after giving effect on a pro forma basis as determined in the good faith judgment of the Company's Chief Financial Officer for the period of such calculation to:

(1) the Incurrence or repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four Quarter Period or at any time subsequent to the last day of such Four Quarter Period and on or prior to such date of determination, to the extent, in the case of an Incurrence, such Indebtedness is outstanding on the date of determination, as if such Incurrence and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four Quarter Period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries, in the case of the Company), including any Asset Sale Transaction or Asset Acquisition giving rise to the need to make such determination occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of the Four Quarter Period, including any pro forma expense and cost reductions, synergies and other operating improvements that have occurred or are reasonably expected to occur and are reasonably the basis of pro forma adjustment, in the good faith judgment of the Chief Financial Officer of the Company (regardless of whether such cost savings, synergies or operating improvements could then be reflected in pro forma financial statements in accordance with Regulation S-X under the Securities Act).

For purposes of this definition, whenever pro forma effect is to be given to any transaction, the pro forma calculations shall

be made in good faith by the Chief Financial Officer or another responsible financial or accounting officer of the Company.

Furthermore, in calculating "Consolidated Fixed Charges" for purposes of determining the denominator (but not the numerator) of this "Consolidated Fixed Charge Coverage Ratio,"

(a) interest on outstanding Indebtedness determined on a fluctuating basis as of the date of determination and which will continue to be so determined thereafter will be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on such date of determination, *provided* that any interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by Hedging Obligations, will be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements;

(b) if interest on any Indebtedness actually Incurred on such date of determination may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on such date of determination will be deemed to have been in effect during the Four Quarter Period;

(c) interest on a Capital Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capital Lease Obligation in accordance with MFRS; and

(d) for purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

"Consolidated Fixed Charges" means, for any Person for any period, the sum, without duplication, of:

(1) Consolidated Interest Expense for such Person for such period, *plus*

(2) the amount of all cash and non-cash dividend payments on any series of Preferred Stock or Disqualified Capital Stock of such Person (other than dividends paid in Qualified Capital Stock) or any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) paid, accrued or scheduled to be paid or accrued during such period, excluding dividend payments on Preferred Stock or Disqualified Capital Stock paid, accrued or scheduled to be paid to such Person or another Subsidiary (Restricted Subsidiary in the case of the Company).

"Consolidated Income Tax Expense" means, with respect to any Person for any period, the provision for all applicable federal, state and local income taxes payable by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period as determined on a consolidated basis in accordance with MFRS.

"Consolidated Interest Expense" means, for any Person for any period, the sum of, without duplication determined on a consolidated basis in accordance with MFRS:

(1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period determined on a consolidated basis in accordance with MFRS, including, without limitation (whether or not interest expense in accordance with MFRS):

   (a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) in the form of additional Indebtedness, (but excluding any amortization of deferred financing and debt issuance costs),

   (b) the net costs under Hedging Obligations (but excluding amortization of fees),

   (c) all capitalized comprehensive result of financing,

   (d) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances, and

(e) any interest expense paid in respect of Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company) or secured by a Lien on the assets of such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company); and

(2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with MFRS; *provided*, that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) net after-tax gains or losses from non-ordinary course Asset Sale Transactions or abandonments or reserves relating thereto;

(2) net after-tax items classified as extraordinary gains or losses;

(3) the net income (but not loss) of any Person acquired in a "pooling of interests" transaction accrued prior to the date it becomes a Restricted Subsidiary or is merged or consolidated with the Company or any Restricted Subsidiary;

(4) the net income (but not loss) of any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) to the extent that (and only so long as) a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary (Restricted Subsidiary in the case of the Company) or any law, regulation, agreement or judgment applicable to any such distribution;

(5) any increase (but not decrease) in net income attributable to minority interests in any Subsidiary (Restricted Subsidiary in the case of the Company);

(6) any gain (or loss) from foreign exchange translation or change in net monetary position;

(7) any gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of Indebtedness and Hedging Obligations;

(8) the amortization of debt issuance expenses relating to this offering of the notes; and

(9) the cumulative effect of changes in accounting principles.

"Consolidated Non-cash Charges" means, for any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period, determined on a consolidated basis in accordance with MFRS (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense paid in a prior period).

"Consolidated Tangible Assets" means, for any Person at any time, the total consolidated assets of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) as set forth on the balance sheet as of the most recent fiscal quarter of such Person, prepared in accordance with MFRS, less (i) Intangible Assets and (ii) any assets securing Non-Recourse Indebtedness.

"Covenant Defeasance" has the meaning set forth under "—Legal Defeasance and Covenant Defeasance."

"Credit Facilities" means one or more debt facilities, commercial paper facilities or Debt Issuances, in each case with banks, investment banks, insurance companies, mutual funds and/or other institutional lenders or institutional investors providing for revolving credit loans, term loans, receivables or inventory financing (including through the sale of receivables

to such lenders or to special purpose entities formed to borrow from (or sell receivables to) such lenders against such receivables), letters of credit or Debt Issuances, in each case, as amended, extended, modified, renewed, restated, Refinanced (including, Refinancing with Debt Issuances), supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time.

"Currency Agreement" means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

"Debt Issuances" means, with respect to the Company or any Restricted Subsidiary, one or more issuances after the Issue Date of Indebtedness evidenced by notes, debentures, bonds or other similar securities or instruments.

"Default" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"Designated Non-cash Consideration" means the Fair Market Value of non-cash consideration used in a Permitted Business (other than securities) received by the Company or any of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officers' Certificate, setting forth the basis of such valuation, executed by the Chief Executive Officer and the Chief Financial Officer of the Company, less the amount of cash or Cash Equivalents received in connection with a sale of such Designated Non-cash Consideration.

"Designation" and "Designation Amount" have the meanings set forth under "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries" above.

"Disqualified Capital Stock" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the final maturity date of the notes; *provided*, *however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the final maturity of the notes shall not constitute Disqualified Stock if:

(1) the "asset sale" or "change of control" provisions applicable to such Capital Stock are not materially more favorable to the holders of such Capital Stock than the terms applicable to the notes and described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" and "—Change of Control"; and

(2) any such requirement only becomes operative after compliance with such terms applicable to the notes, including the purchase of any notes tendered pursuant thereto.

The amount of any Disqualified Capital Stock shall be equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any. The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; *provided*, *however*, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

"Equity Offering" has the meaning set forth under "—Optional Redemption."

"Event of Default" has the meaning set forth under "—Events of Default."

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"Fair Market Value" means, with respect to any asset, the price (after deducting any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided*, that the Fair Market Value of

any such asset or assets will be determined conclusively by the Board of Directors of the Company acting in good faith, and will be evidenced by a Board Resolution.

"Fitch" means Fitch Ratings Ltd. and its successors and assigns.

"Four Quarter Period" has the meaning set forth in the definition of Consolidated Fixed Charge Coverage Ratio above.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise, or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part,

provided, that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"Incur" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and "Incurrence," "Incurred" and "Incurring" will have meanings correlative to the preceding).

"Indebtedness" means with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 180 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);

(5) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;

(6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (10) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;

(8) all obligations under Hedging Obligations of such Person;

(9) to the extent not otherwise included in this definition, the Receivables Transaction Amount outstanding relating to any Receivables Transaction; and

(10) all Disqualified Capital Stock issued by such Person.

For the avoidance of doubt, the recognition and acknowledgement by the Company or any Restricted Subsidiary of its obligation to make payment of a trade payable arising in the ordinary course of business to a bank following the sale and assignment thereof pursuant to the terms of Supplier Factoring Facilities shall not be Indebtedness.

"Independent Financial Advisor" means an accounting firm, appraisal firm, investment banking firm or consultant of internationally recognized standing that is, in the judgment of the Company's Board of Directors, qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

"Intangible Assets" means with respect to any Person all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights and all other items which would be treated as intangibles on the consolidated balance sheet of such Person prepared in accordance with MFRS.

"Interest Rate Agreement" of any Person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such Person.

"Investment" means, with respect to any Person, any:

(1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person,

(2) capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) any other Person, or

(3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

"Investment" will exclude accounts receivable or deposits arising in the ordinary course of business. "Invest," "Investing" and "Invested" will have corresponding meanings.

For purposes of the "Limitation on Restricted Payments" covenant, the Company will be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

"Investment Grade Rating" means a rating equal to or higher than (i) BBB- (or the equivalent) by Fitch or (ii) Baa3 (or the equivalent) by Moody's, or, if either such entity ceases to rate the notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other Rating Agency.

"Investment Return" means, in respect of any Investment (other than a Permitted Investment) made after the Issue Date by the Company or any Restricted Subsidiary:

(1) the proceeds in cash and the Fair Market Value of property other than cash received by the Company or any Restricted Subsidiary upon the sale, liquidation or repayment of such Investment or, in the case of a Guarantee, the amount of the Guarantee upon the unconditional release of the Company and its Restricted Subsidiaries in full, less any payments previously made by the Company or any Restricted Subsidiary in respect of such Guarantee;

(2) in the case of the Revocation of the Designation of an Unrestricted Subsidiary, an amount equal to the lesser of:

(a) the Company's Investment in such Unrestricted Subsidiary at the time of such Revocation;

(b) that portion of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time of Revocation that is proportionate to the Company's equity interest in such Unrestricted Subsidiary at the time of Revocation; and

(c) the Designation Amount with respect to such Unrestricted Subsidiary upon its Designation which was treated as a Restricted Payment; and

(3) in the event the Company or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, the Fair Market Value of the Investment of the Company and its Restricted Subsidiaries in such Person, in the case of each of (1), (2) and (3), up to the amount of such Investment that was treated as a Restricted Payment under "—Certain Covenants—Limitation on Restricted Payments" less the amount of any previous Investment Return in respect of such Investment.

"Issue Date" means February 3, 2012.

"Legal Defeasance" has the meaning set forth under "—Legal Defeasance and Covenant Defeasance."

"Lien" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder.

"MFRS" means generally accepted accounting principles in effect in Mexico from time to time.

"Moody's" means Moody's Investors Service, Inc. and its successors and assigns.

"Net Cash Proceeds" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

(1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);

(2) taxes paid or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;

(3) repayment of Indebtedness secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale; and

(4) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with MFRS, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

"Non-Recourse Indebtedness" with respect to any Person means Indebtedness of such Person for which (1) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property identified in the instruments evidencing or securing such Indebtedness and such property was acquired with the proceeds of such Indebtedness or such Indebtedness was incurred within 365 days after the acquisition or construction of such property and (2) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness.

"Note Guarantee" means any guarantee of the Company's Obligations under the notes and the Indenture provided by a Restricted Subsidiary pursuant to the Indenture.

"Obligations" means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the notes and the Note Guarantees, the Indenture.

"Officer" means, when used in connection with any action to be taken by the Company, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, the Controller or the Secretary of the Company.

"Officers' Certificate" means, when used in connection with any action to be taken by the Company, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in the Indenture) and which opinion shall be reasonably acceptable to the Trustee.

"Permitted Acquisition Indebtedness" means Indebtedness of the Company or any of its Restricted Subsidiaries to the extent such Indebtedness was (i) Indebtedness of a Subsidiary prior to the date on which such Subsidiary became a Restricted Subsidiary, (ii) Indebtedness of a Person that was merged, consolidated or amalgamated into the Company or a Restricted Subsidiary or (iii) assumed in connection with the acquisition of assets from a Person; *provided* that on the date such Subsidiary became a Restricted Subsidiary or the date such Person was merged, consolidated or amalgamated into the Company or a Restricted Subsidiary or assumed in connection with an asset acquisition, as applicable, after giving pro forma effect thereto, (a) the Company, would be permitted to incur at least US$1.00 of additional Indebtedness pursuant to paragraph (1) under "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness," or (b) the Consolidated Fixed Charge Coverage Ratio of the Company and the Restricted Subsidiaries would be greater than the Consolidated Fixed Charge Coverage Ratio immediately prior to such transaction.

"Permitted Business" means the business or businesses conducted by the Company and its Restricted Subsidiaries as of the Issue Date and any business ancillary or complementary thereto.

"Permitted Holders" means (i) any member of the Board of Directors of the Company on the Issue Date, (ii) a parent, brother or sister of any of the individuals named in clause (i), (iii) the spouse or a former spouse of any individual named in clause (i) or (ii), (iv) the lineal descendants of any person named in clauses (i) through (iii) and the spouse or a former spouse of any such lineal descendant, (v) the estate or any guardian, custodian or other legal representative of any individual named in clauses (i) through (iv), (vi) any trust established principally for the benefit of any one or more of the individuals named in clauses (i) through (v), and (vii) any Person in which a majority of the equity interests are owned, directly or indirectly, by any one or more of the Persons named in clauses (i) through (vi).

"Permitted Indebtedness" has the meaning set forth under clause (2) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness."

"Permitted Investments" means:

(1) Investments by the Company or any Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary or constituting a merger or consolidation of such Person into the Company or with or into a Restricted Subsidiary, except for a Guarantee of Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor;

(2) Investments by any Restricted Subsidiary in the Company;

(3) Investments in cash and Cash Equivalents;

(4) any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date), but only to the extent such extension, modification or renewal is on terms no worse than those existing on the Issue Date;

(5) Investments permitted pursuant to clause (2)(b), (c) or (e) of "—Certain Covenants—Limitation on Transactions with Affiliates";

(6) Investments received as a result of the bankruptcy or reorganization of any Person or a foreclosure, or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;

(7) Investments made by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under "—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock";

(8) Investments in the form of Hedging Obligations permitted under clause 2(e) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness";

(9) Investments in a Person engaged in a Permitted Business not to exceed the greater of (x) US$100.0 million and (y) 12.5% of Consolidated Tangible Assets of the Company and its Restricted Subsidiaries at any one time outstanding;

(10) receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(11) payroll, travel, entertainment, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(12) cash deposits with banks made in the ordinary course of business of the Company and its Restricted Subsidiaries, consistent with past practice, to secure payment of trade payables under Supplier Factoring Facilities;

(13) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Company or any Restricted Subsidiary;

(14) Investments in a Receivables Entity in connection with a Receivables Transaction; *provided* that such Investment in any such Person is in the form of any equity interest or interests in receivables and related assets generated by the Company or any Restricted Subsidiary and transferred to such Person in connection with a Receivables Transaction; and

(15) any receivables of or loans or advances given by the Company or its Restricted Subsidiaries in connection with the sale of homes, land, amenities and other improvements in the ordinary course of business consistent with past practice;

provided, *however*, that with respect to any Investment, the Company may, in its sole discretion, allocate all or any portion of any Investment and later re-allocate all or any portion of any Investment to, one or more of the above clauses (1) through (15) so that the entire Investment would be Permitted Investment.

"Permitted Liens" means any of the following:

(1) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith;

(2) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(3) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(4) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(5) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;

(6) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" and that are secured by the same assets as secure such Hedging Obligations;

(7) Liens existing on the Issue Date and Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been secured by a Lien permitted under the covenant described under "—Certain Covenants—Limitation on Liens" not incurred pursuant to clauses (9), (10) or (11) of this definition of "Permitted Liens" and which Indebtedness has been Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness"; *provided*, that such new Liens:

    (a) are no less favorable to the holders of notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced, and

    (b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;

(8) Liens securing Acquired Indebtedness Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided*, that

    (a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary, and

    (b) such Liens do not extend to or cover any property of the Company or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary;

(9) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Company or a Restricted Subsidiary used in a Permitted Business; *provided*, that:

(a) the related Purchase Money Indebtedness does not exceed the cost of such property and shall not be secured by any property of the Company or any Restricted Subsidiary other than the property so acquired, and

(b) the Lien securing such Indebtedness will be created within 365 days of such acquisition;

(10) Liens securing an amount of Indebtedness under Credit Facilities outstanding at any one time not to exceed the greater of (x) US$100.0 million and (y) 10% of the Consolidated Tangible Assets of the Company at such time;

(11) any pledge or deposit of cash or property in conjunction with obtaining surety and performance bonds and letters of credit required to engage in constructing on-site and off-site improvements required by municipalities or other governmental authorities in the ordinary course of business;

(12) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(13) Liens encumbering customary initial deposits and margin deposits, and other Liens that are customary in the industry and incurred in the ordinary course of business securing Indebtedness under Hedging Obligation and forward contracts, options, futures contracts, futures options or similar agreements or arrangement designed to protect the Company and its Restricted Subsidiaries from fluctuations in the price of commodities;

(14) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with MFRS has been made therefor;

(15) licenses of intellectual property in the ordinary course of business;

(16) Liens to secure a defeasance trust to the extent such defeasance is otherwise permitted pursuant to the terms of the Indenture;

(17) easements, rights of way zoning and similar restrictions, reservations, restrictions or encumbrances in respect of real property or title defects that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties (as such properties are used by the Company or its Restricted Subsidiaries) or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(18) Liens arising from precautionary Uniform Commercial Code financing statement filings regarding operating leases entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business;

(19) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings that may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such legal proceedings may be initiated shall not have expired;

(20) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary; or

(21) Liens on accounts receivable or related assets incurred in connection with a Receivables Transaction.

"Person" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Post-Petition Interest" means all interest accrued or accruing after the commencement of any insolvency or liquidation proceeding (and interest that would accrue but for the commencement of any insolvency or liquidation

proceeding) in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing any Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such insolvency or liquidation proceeding.

"Preferred Stock" of any Person means any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"Purchase Money Indebtedness" means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; *provided*, that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such property or such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of Refinancing.

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

"Rating Agencies" means (i) Fitch and (ii) Moody's or (iii) if Fitch or Moody's or both shall not make a rating of the notes publicly available, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Fitch or Moody's or both, as the case may be.

"Receivables Entity" means a Person in which the Company or any Restricted Subsidiary makes an Investment and:

(1) to which the Company or any Restricted Subsidiary transfers receivables and related assets in connection with a Receivables Transaction;

(2) which engages in no activities other than in connection with the Receivables Transaction;

(3) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

   (a) is guaranteed by the Company or any Restricted Subsidiary (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

   (b) is recourse to or obligates the Company or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings; or

   (c) subjects any property or asset of the Company or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(4) with which neither the Company nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Receivables Transaction) other than on terms no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing receivables; and

(5) to which neither the Company nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"Receivables Transaction" means any securitization, factoring, discounting or similar financing transaction or series of transactions that may be entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business pursuant to which the Company or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any Person (including a Receivables Entity), or may grant a security interest in, any receivables (whether now existing or arising in the future) of the Company or any of its Restricted Subsidiaries, and any assets related thereto, including all collateral securing such receivables, all contracts and all guarantees or other obligations in respect of such receivables, the proceeds of

such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with securitization, factoring or discounting involving receivables.

"Receivables Transaction Amount" means the amount of obligations outstanding under the legal documents entered into as part of a Receivables Transaction on any date of determination that would be characterized as principal if such Receivables Transaction were structured as a secured lending transaction rather than a purchase.

"Refinance" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. "Refinanced" and "Refinancing" will have correlative meanings.

"Refinancing Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing);

(2) such new Indebtedness has:

  (a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced, and

  (b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and

(3) if the Indebtedness being Refinanced is:

  (a) Indebtedness of the Company, then such Refinancing Indebtedness will be Indebtedness of the Company and/or a Subsidiary Guarantor,

  (b) Indebtedness of a Subsidiary Guarantor, then such Refinancing Indebtedness will be Indebtedness of the Company and/or such Subsidiary Guarantor, and

  (c) Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to the notes or the relevant Note Guarantee, if applicable, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"Restricted Payment" has the meaning set forth under "—Certain Covenants—Limitation on Restricted Payments."

"Restricted Subsidiary" means any Subsidiary of the Company, which at the time of determination is not an Unrestricted Subsidiary.

"Revocation" has the meaning set forth under "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries."

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Indebtedness" means the notes and the Note Guarantees and any other Indebtedness of the Company or any Subsidiary Guarantor that ranks equal in right of payment with the notes or the relevant Note Guarantee, as the case may be.

"Significant Subsidiary" means a Subsidiary of the Company constituting a "Significant Subsidiary" of the Company in accordance with Rule 1-02(w) of Regulation S-X under the Securities Act in effect on the date hereof.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by the Company or any Restricted Subsidiary which are reasonably customary in securitization of receivables transactions.

"Subordinated Indebtedness" means, with respect to the Company or any Subsidiary Guarantor, any Indebtedness of the Company or such Subsidiary Guarantor, as the case may be which is expressly subordinated in right of payment to any Senior Indebtedness or the relevant Note Guarantee, as the case may be.

"Subsidiary," means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person's outstanding Voting Stock.

"Subsidiary Guarantor" means any Restricted Subsidiary, which provides a Note Guarantee pursuant to the Indenture until such time as its Note Guarantee is released in accordance with the Indenture.

"Supplier Factoring Facilities" means the factoring line of credit agreement, dated December 29, 2005 entered into by the Company and HSBC México, S.A. Institución de Banca Múltiple for up to Ps.700.0 million.

"Surviving Entity" has the meaning set forth under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets."

"Unrestricted Subsidiary" means any Subsidiary of the Company Designated as such pursuant to "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries." Any such Designation may be revoked by a Board Resolution of the Company, subject to the provisions of such covenant.

"Voting Stock" with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

(1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into

(2) the sum of the products obtained by multiplying:

  (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

  (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

"Wholly-Owned Subsidiary" means, for any Person, any Subsidiary (Restricted Subsidiary in the case of the Company) of which all the outstanding Capital Stock (other than, in the case of a Subsidiary not organized in the United States, directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) is owned by such Person or any other Person that satisfies this definition in respect of such Person.

TAXATION

General

The following summary contains a description of the material U.S. and Mexican federal tax consequences of the purchase, ownership and disposition of the notes by certain non-Mexican resident holders.

This summary is based upon federal tax laws of the United States and Mexico as in effect on January 27, 2012, including the provisions of the income tax treaty between the United States and Mexico, which we refer to in this offering memorandum as the Tax Treaty, all of which are subject to change. This summary does not purport to be a comprehensive description of all the U.S. or Mexican federal income 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 or the United States or the laws of any taxing jurisdiction other than the federal laws of Mexico and the United States.

Prospective investors should consult their own tax advisors as to the Mexican and United States tax consequences of the purchase, ownership and disposition of notes, including, in particular, the effect of any foreign (non-Mexican and non-U.S.), state or local tax laws.

Mexico has also entered into or is negotiating several other double taxation treaties with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of notes. Prospective purchasers of notes should consult their own tax advisors as to the tax consequences, if any, of the application of any such treaties.

Mexican Federal Tax Considerations

General

The following is a general summary of the principal Mexican federal income tax consequences of the acquisition, ownership and disposition of the notes by holders that are not residents of Mexico, for Mexican federal tax purposes, and that do not hold such notes through a permanent establishment in Mexico, for tax purposes, to which income under the notes is attributable. For purposes of this summary, each holder described in the preceding sentence is referred to as a foreign holder.

This summary is based on the Mexican Federal Income Tax Law (Ley del Impuesto sobre la Renta) and regulations in effect on January 27, 2012, all of which are subject to change, possibly with retroactive effect, or to new or different interpretations, which could affect the continued validity of this general summary.

This summary does not address all of the Mexican tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, own or dispose of the notes. In particular, this summary does not describe any tax consequences arising under the laws of any state, locality, municipality or taxing jurisdiction other than certain federal laws of Mexico.

Potential investors should consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the notes under the federal laws of Mexico or any other jurisdiction or under any applicable double taxation treaty.

For purposes of Mexican taxation, an individual or corporation that does not satisfy the requirements to be considered a resident of Mexico for tax purposes, as specified below, is deemed a non-resident of Mexico for tax purposes and a foreign holder for purposes of this summary.

An individual is a resident of Mexico for tax purposes, if he/she established his/her home in Mexico. When the individual in question has a home in another country, the individual will be deemed a resident in Mexico if his/her center of vital interests is located in Mexican territory. This will be deemed to occur if (i) more than 50.0% of the aggregate income realized by such individual in the calendar year is from a Mexican source or (ii) the principal center of his/her professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico and where his/her income is subject to a preferred tax regime as defined by Mexican law, will be considered Mexican residents for tax purposes during the year of the filing of notice of such residence change and during the following three years. Unless otherwise proven, a Mexican national is deemed a resident of Mexico for tax purposes.

A legal entity is a resident of Mexico if it maintains the principal administration of its business or the effective location of its management in Mexico. If a legal entity or an individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes, all income attributable to that permanent establishment will be subject to Mexican income taxes, in accordance with applicable tax laws.

The governments of the United States and Mexico entered into an income tax treaty (and a protocol thereto) to avoid double taxation, which came into effect on January 1, 1994 (the "Tax Treaty"). The United States and Mexico have also entered into an agreement that covers the exchange of information with respect to tax matters. Mexico has also entered into and is negotiating tax treaties for the avoidance of double taxation with several other countries.

Payments of Interest

Pursuant to the Mexican Income Tax Law, payments of interest on the notes (including original issue discount, which is deemed to be interest) made by us or by any of the Subsidiary Guarantors to foreign holders will be subject to Mexican withholding tax at a rate of 4.9%, if, as expected, the following requirements are met:

- the CNBV is notified of the issuance of the notes (including the principal characteristics of the notes) pursuant to Article 7 of the Mexican Securities Market Law and the information requirements related to such registration established in the general rules issued by the Tax Administrative Service (Servicio de Administración Tributaria, or "SAT") are duly complied with;

- the notes are placed 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

- we timely file with the SAT, fifteen days after the placement of the notes, information regarding such placement, and on a quarterly basis, information, among other things, setting forth that no party related to us, jointly or individually, directly or indirectly, is the effective beneficiary of more than 5.0% of the aggregate amount of each interest payment, and we maintain records that evidence compliance with this requirement.

If any of the above mentioned requirements is not met, the Mexican withholding tax will be 10.0% or higher.

As of January 27, 2012, the Tax Treaty is not expected to have any effect on the Mexican tax consequences described in this summary, because, as described above, under Mexico's Income Tax Law, we expect 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 us to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax provided that:

- such fund is duly incorporated pursuant to the laws of its country of residence and is the effective beneficiary of the interest payment;

- such income is exempt from taxes in its country of residence; and

- such fund is registered with the SAT in accordance with certain rules issued for these purposes.

Holders or beneficial owners of the notes may be required to provide certain information or documentation necessary to enable us and the Subsidiary Guarantors to apply the appropriate Mexican withholding tax rate on interest payments under the notes made by us or the Subsidiary Guarantors to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner is required and is not timely provided, we or the Subsidiary Guarantors may withhold Mexican tax from interest payments on the notes to that holder or beneficial owner at the maximum applicable rate, but our obligation to pay Additional Amounts relating to those withholding taxes will be limited as described under "Description of Notes—Additional Amounts."

Payments of Principal

Under Mexican Income Tax Law, payments of principal on the notes made by us or by the Subsidiary Guarantors to a foreign holder will not be subject to Mexican withholding tax.

Taxation of Capital Gains

Under the Mexican Income Tax Law and regulations thereunder, capital gains resulting from the sale or other disposition of the notes by a foreign holder to another foreign holder are not taxable in Mexico. Gains resulting from the sale of the notes by a foreign holder to a Mexican resident for tax purposes or to a foreign holder deemed to have a permanent establishment in Mexico for tax purposes will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments.

Taxation of Make-Whole Amount

Under the Mexican Income Tax Law and regulations thereunder, the payment of the Make-Whole Amount as a result of the optional redemption of the notes, as provided in Section "Description of Notes—Optional Redemption," will have the same tax treatment as for interest payments as described in "Payments of Interest" above.

Other Mexican Taxes

Under current Mexican tax laws, generally there are no estate, inheritance, succession or gift taxes applicable to the acquisition, ownership or disposition of the notes by a foreign holder. Gratuitous transfers of the notes in certain circumstances may result in the imposition of a Mexican federal tax upon the recipient. There are no Mexican stamp, issuer registration or similar taxes or duties payable by foreign holders of the notes with respect to the notes.

U.S. Federal Income Tax Considerations

To ensure compliance with Internal Revenue Service ("IRS") Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this offering memorandum or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code as amended (the "Code"); (b) such discussion is written for use in connection with 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 discussion is a summary of certain U.S. federal income tax consequences that may be relevant to a beneficial owner of notes that is an individual citizen or resident of the United States, a domestic corporation or otherwise is subject to U.S. federal income tax on a net income basis with respect to the notes (a "U.S. Holder"). This summary is based upon provisions of the Code and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income taxes or all tax considerations that may be relevant to U.S. Holders in light of their personal circumstances.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that acquires or holds the notes should consult its own tax advisers.

This summary is only applicable to U.S. Holders who purchase the notes at original issuance, at their "issue price" (i.e., the first price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, at which a substantial amount of the notes is sold for money) and who will hold the notes as capital assets.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder or to certain types of holders subject to special treatment, such as persons subject to certain U.S. federal income tax laws regarding expatriates, dealers in securities or foreign currency, financial institutions, insurance companies, tax-exempt organizations, persons subject to the alternative minimum tax, and taxpayers whose functional currency is not the U.S.

Dollar, or who hold the notes as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you regarding ownership of the notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Payments of Interest

It is expected and the remainder of this discussion assumes that the issue price of the notes will be equal to or less than their stated principal amount, and that the notes will be issued with less than a *de minimis* amount of original issue discount ("OID") for U.S. federal income tax purposes, if any. Accordingly, interest on a note (including any Mexican taxes withheld from the interest payments and any additional amounts) will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including Mexican taxes withheld from the interest payments and any additional amounts) on a note generally will be considered foreign source income and generally should constitute "passive category income." You may be denied a foreign tax credit for foreign taxes imposed with respect to the notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credits are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Payments of Principal Prior to Maturity

Upon receiving a payment of principal prior to maturity you will recognize gain equal to the difference, if any, between the amount of the payment and the portion of your tax basis in the note (which, in general, would initially be your cost for the note) that is allocable to that principal amount. Such gain will be capital gain and will generally be treated as United States source gain. Your tax basis in the portion the note not retired by the principal payment will be reduced to reflect the basis allocable to the principal payment. Capital gains of non-corporate holders, including individuals, derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation.

Sale, Exchange and Retirement of Notes

Upon the sale, exchange, retirement or other disposition of a note, you will recognize gain or loss equal to the difference, if any, between the amount you realize upon the sale, exchange, retirement or other disposition (including any Make-Whole Amount, but less an amount equal to any accrued and unpaid interest on the note, which will be taxable as interest income to the extent not previously included in income) and your tax basis of the note (adjusted to account for any principal payments made prior to maturity in the manner described in the preceding paragraph). Such gain or loss will be capital gain or loss and will generally be treated as United States source gain or loss. Consequently, you may not be able to claim a credit for any Mexican tax imposed upon a disposition of a note unless such credit can be applied (subject to applicable limitation) against tax due on other income treated as derived from foreign sources. Capital gains of non-corporate holders, including individuals, derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Information reporting requirements may apply to payments we make to you and the proceeds from a sale or other disposition of a note paid to you, unless you are an exempt recipient such as a corporation. In addition, you are urged to consult your tax advisor regarding any information reporting requirements you may have with respect to the purchase, ownership and disposition of the notes. Additionally, you may be subject to backup withholding if you fail to provide your correct taxpayer identification number or otherwise fail to comply with, or establish an exemption from, the backup withholding rules.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, *provided* the required information is furnished to the Internal Revenue Service.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated January 27, 2012, we have agreed to sell to Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc., Santander Investment Securities Inc., Banco Bilbao Vizcaya Argentaria, S.A. and Barclays Capital Inc., as initial purchasers, and the initial purchasers have agreed to purchase severally and not jointly the following principal amount of notes.

Initial Purchasers	Principal Amount of Notes
Credit Suisse Securities (USA) LLC	US$132,575,758
Citigroup Global Markets Inc.	US$132,575,758
Santander Investment Securities Inc.	US$132,575,758
Banco Bilbao Vizcaya Argentaria, S.A.	US$ 45,454,545
Barclays Capital Inc.	US$ 56,818,182
Total	US$500,000,000

Credit Suisse Securities (USA) LLC may be contacted at: Eleven Madison Avenue, New York, New York 10010. Citigroup Global Markets Inc. may be contacted at: 388 Greenwich Street, New York, New York 10013. Santander Investment Securities Inc. may be contacted at: 45 East 53rd Street, New York, New York 10022. Banco Bilbao Vizcaya Argentaria, S.A. may be contacted at Via de los Poblados s/n, Madrid, 28033 Spain. Barclays Capital Inc. may be contacted at: 745 Seventh Avenue, New York, New York 10019.

The obligations of the initial purchaser to purchase the notes are subject to the approval of legal matters by counsel and to other conditions. The purchase agreement provides that the initial purchasers are obligated to purchase all of the notes if any are purchased. The purchase agreement also provides that if any of the initial purchasers defaults, the purchase commitments of non-defaulting initial purchasers may be increased or the offering may be terminated.

The initial purchasers propose to offer the notes initially at the offering price on the cover page of this offering memorandum and may also offer the notes to selling group members at the offering price less a concession. After the initial offering, the offering price may be changed.

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to persons in offshore transactions in reliance on Regulation S under the Securities Act.

The initial purchasers have agreed that except as permitted by the purchase agreement they will not offer, sell or deliver the notes (1) as part of its distribution at any time, or (2) otherwise until 40 days after the later of the commencement of this offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker/dealer to which it sells the notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of such notes within the United States, or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the notes are restricted as described under “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of the notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Banco Bilbao Vizcaya Argentaria, S.A., one of the intial purchasers, is not a broker-dealer registered with the SEC. Banco Bilbao Vizcaya Argentaria, S.A. will only make sales of notes in the United States, or to nationals or residents of the United States, through one or more registered broker-dealers in compliance with Rule 15a-6 of the Exchange Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each a "Relevant Member State," with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the "Relevant Implementation Date," no offer of notes may be made to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representative or representatives nominated by us for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of notes shall require us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

This offering memorandum has been prepared on the basis that any offer of notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer in that Relevant Member State of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for us or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the initial purchasers have authorized, nor do we or they authorize, the making of any offer of notes in circumstances in which an obligation arises for us or the initial purchasers to publish a prospectus for such offer.

For the purpose of the above provisions, (1) the expression "an offer 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 the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State, (2) the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State, and (3) the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each of the initial purchasers severally represents and agrees that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (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 us; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

General

Each of the initial purchasers has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any notes directly or indirectly, or distribute this offering memorandum or any other offering material relating to the notes in or from any jurisdiction, except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on us except as set forth in the purchase agreement.

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering memorandum.

The initial purchasers or their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including commercial banking, financial advisory and investment banking services, for us and our affiliates in the ordinary course of business for which they have received customary compensation. Affiliates of the initial purchasers are lenders under certain of our and our parent company's term credit facilities and derivatives counterparties in connection therewith. We expect to use a portion of the net proceeds from this offering to repay indebtedness owed to affiliates of the initial purchasers.

We have agreed to indemnify the initial purchasers against liabilities including liability under the Security Act, or to contribute to payments which they may be required to make in that respect.

The notes are a new issue of securities for which there currently is no market. The initial purchasers have advised us that they intend to make a market in the notes as permitted by applicable law. They are not obligated, however, to make a market in the notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market.

Credit Suisse Securities (USA) LLC will act as stabilizing agent. The initial purchasers may 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 the initial purchasers.

- 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 the initial purchasers 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 cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

Other Relationships

The initial purchasers or their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including commercial banking, financial advisory and investment banking services, for us and our affiliates in the ordinary course of business. In addition, affiliates of the initial purchasers are lenders under certain of our debt facilities and affiliates of the initial purchasers have entered into cross-currency swap agreements with us designed to limit our U.S. Dollar exchange rate risk associated with our payment obligations under the Senior Guaranteed Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk Disclosures—Foreign Exchange Risk."

We expect to use the net proceeds of this offering to repay amounts owed by us to affiliates of certain initial purchasers under certain indebtedness and working capital facilities.

TRANSFER RESTRICTIONS

This offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act), or QIBs, in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons ("non-U.S. purchasers," which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 of Regulation S. As used herein, the terms "offshore transactions," "United States" and "U.S. person" have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with Urbi and the initial purchasers as follows:

(1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);

(2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) It shall not resell or otherwise transfer any of such notes prior to (a) the date which is one year (or such other period of time as permitted by Rule 144(d)(1) under the Securities Act or any successor provision thereunder) after the later of the date of original issuance of the notes and (b) such later date, if any, as may be required by applicable laws except:

- to Urbi or any of its subsidiaries;
- pursuant to a registration statement which has been declared effective under the Securities Act;
- within the United States to a QIB in compliance with Rule 144A under the Securities Act;
- outside the United States to non-U.S. purchasers in offshore transactions meeting the requirements of Rule 904 of Regulation S under the Securities Act; or
- pursuant to another available exemption from the registration requirements of the Securities Act;

(4) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;

(5) It understands that the certificates evidencing the notes (other than the Regulation S global notes) will bear a legend substantially to the following effect unless otherwise agreed by Urbi and the trustee:

> THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S, (2) AGREES THAT IT WILL NOT OFFER, SELL OR

OTHERWISE TRANSFER THIS SECURITY, EXCEPT (A) (I) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION COMPLYING WITH RULE 144A, (II) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

(6) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S global note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40-day "distribution compliance period" within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a U.S. global note, and that each Regulation S global note will contain a legend to substantially the following effect:

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A PERSON REASONABLY BELIEVED TO BE A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A ("RULE 144A") UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND THE INDENTURE REFERRED TO HEREIN.

(7) On each day, either (i) as applicable, the purchaser or any person or entity who subsequently holds the notes or any beneficial interest therein (each, a "purchaser") is not an employee benefit plan subject to ERISA or Section 4975 of the Code (a "Plan") or an entity whose underlying assets include "plan assets" (within the meaning of 29 C.F.R. § 2510.3-101) by reason of such Plan's investment in the entity or otherwise, or a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (ii) the acquisition, holding and disposition of a note, as the case may be, will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any similar federal, state, local or non-U.S. law applicable to any governmental, church, non-U.S. or other plan, as applicable, for which no exemption is available;

(8) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;

(9) It acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to Urbi and the trustee that the restrictions set forth herein have been complied with; and

(10) It acknowledges that Urbi, the trustee, the initial purchasers 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 agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify Urbi, the trustee and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

GENERAL INFORMATION

Clearing Systems

The notes have been accepted for clearance through Euroclear and Clearstream. In addition, the notes have been accepted for trading in book-entry form by DTC. For the Rule 144A notes, the ISIN number is US91724RAD61, the CUSIP number is 91724RAD6 and the Common Code number is 074210384. For the Regulation S notes, the ISIN number is USP9592YAL76, the CUSIP number is P9592YAL7 and the Common Code number is 074217745.

Listing

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. Copies of (i) our bylaws, (ii) the bylaws of our subsidiary guarantors, (iii) the Indenture (including the guarantees), as may be amended or supplemented from time to time, (iv) our most recent published annual audited consolidated financial statements and (v) any published quarterly unaudited consolidated financial statements will be available at our principal executive offices, as well as at the offices of the trustee, registrar, paying agent and transfer agent, and at the offices of the Luxembourg listing agent, paying agent and transfer agent, as such addresses are set forth in this offering memorandum. Our subsidiary guarantors do not publish separate non-consolidated financial statements. Their financial statements are consolidated with ours when we publish financial statements We do not publish unconsolidated financial statements. We believe the auditor's reports included herein have been accurately reproduced.

The notes have not been and will not be listed in the BMV or registered with the Mexican National Securities Registry and therefore the notes may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the notes. Our board of directors approved the offering and sale of the notes and the issuance of the guarantees at a board meeting on July 22, 2011.

No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no material adverse change in the financial position or prospects of Urbi and its subsidiaries taken as a whole since December 31, 2010.

Litigation

We are not involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened) relating to claims or amounts which may have or have had, during the 12 months prior to the date of this offering memorandum a material adverse effect on our financial position and our subsidiaries taken as a whole.

LEGAL MATTERS

Certain matters relating to the validity of the notes will be passed upon for us by González Calvillo, S.C., our special Mexican counsel, and for the initial purchasers by Mijares, Angoitia, Cortés y Fuentes, S.C., special Mexican counsel to the initial purchasers. Certain legal matters in connection with this offering are being passed upon for us by Dewey & LeBoeuf LLP, our special U.S. counsel, and for the initial purchasers by Clifford Chance US LLP, special U.S. counsel to the initial purchasers. With respect to certain matters governed by Mexican law, Clifford Chance US LLP may rely on the opinion of Mijares, Angoitia, Cortés y Fuentes, S.C.

INDEPENDENT AUDITORS

The Audited Financial Statements of Urbi, Desarrollos Urbanos, S.A.B. de C.V. as of December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010 included in this offering memorandum, have been audited by Mancera, S.C., a member practice of Ernst & Young Global, independent auditors, as stated in their report appearing herein.

DIFFERENCES BETWEEN MFRS AND U.S. GAAP

Our consolidated financial statements are prepared in accordance with MFRS, which differ in certain respects from U.S. GAAP.

We describe below certain of the principal differences between MFRS and U.S. GAAP, as they relate to us, as of December 31, 2010 that could affect our consolidated balance sheet, operating income, net income, stockholders' equity and cash flow, are described below.

Recognition of Effects of Inflation

Through December 31, 2007, MFRS required that effects of inflation be recognize in financial information and that such financial statements be restated to constant pesos as of the latest balance sheet date presented. Effective January 1, 2008, MFRS B-10 "*Accounting Recognition of the Effects of Inflation on Financial Information*", require companies to determinate whether or not entities must recognize the effects of inflation on financial information. The standard defines two economic environments: a) inflationary, when inflation is equal to or higher than 26%; accumulated in the preceding three fiscal years (an 8% annual average), in which case, the effects of inflation need to be recognized; and b) non–inflationary, when comparative inflation for accumulated in the preceding three fiscal years is less than the aforementioned accumulated 26%, in which case, the effects of inflation are not recognized.

As a result of adopting MFRS B-10; we ceased to recognize the effects of inflation on the 2008 financial information and started to present it in nominal pesos. However, our financial statement amounts that were previously reported remained unchanged, and the inflation adjustments previously recognized have been maintained in their corresponding caption. Furthermore, our restated amount of non-monetary assets as reported at December 31, 2007 becomes the carrying amounts for those assets effective January 1, 2008.

Under U.S. GAAP financial statements are stated at historical cost.

Revenue Recognition

Through December 31, 2009, revenues of housing units were recognized through the percentage of completion method, in conformity with Bulletin D-7, "*Construction Contracts and Capital Goods Manufacturing*".

Effective January 1, 2010, we adopted MFRSI 14, "*Real Estate Construction, Sales and Services Agreements*". In accordance with this interpretation, revenues and cost from home sales are recognized when all of the following conditions are fulfilled:

a) the Company has transferred the control to the homebuyer, in other words, the significant risks and benefits due to the property or the assets ownership,

b) the Company does not retain any continued participation of the actual management of the sold assets, in the usual grade associated with ownership of the property, nor does retain the effective control of the sold assets;

c) the revenues amount can be estimated reliably;

d) it is probable that the Company 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.

The above conditions are typically met upon the completion of construction, and signing by us, the customer and (if applicable) the lender, the legal contracts and deeds of ownership (escritura) over the property. At that time, the customer would have the legal right to take possession of the home.

MFRSI 14 was effective for all entities that enter into construction and related real estate sale agreements beginning January 1, 2010. According with this interpretation the accounting changes arising from the initial application of this MFRS, are required to be recognized retrospectively. Accordingly, we applied retrospectively this interpretation to our financial statements. Note 20 to the audited consolidated financial statements provides a description of the impact of the adoption of the MFRSI 14 in our financial information.

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. These conditions are typically met at the time title passes to the buyer for most of our customers. However, in the case of certain customers (such as corporate customers), a significant down payment is not made. In those situations, initial revenue recognition would be deferred to a later date under U.S. GAAP.

Deferred Taxes and Employee Profit Sharing

Under MFRS, we recognize deferred taxes as required under MFRS D-4, "Taxes on profits". This standard requires that deferred income tax consequences be determined on all differences in balance sheets accounts for financial and tax reporting purposes, using the enacted income tax rate at the balance sheet date, which is basically in conformity with Statement of Accounting Standard Codification Topic 740 "*Income Taxes"*.

However, MFRS D-4 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.

MFRS also requires the calculation of current and deferred statutory employee profit sharing. These amounts are included within other income and expense in result 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, the entity 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 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.

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.

Capitalized Financing Cost

MFRS D-6, "*Capitalization of the Comprehensive Result of Financing*," requires the capitalization of comprehensive result of financing from debt during a construction period. Comprehensive result of financing includes 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 capitalization of 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.

Statement of Cash Flows

Beginning January 1, 2008, MFRS B-2 "*Statement of Cash Flows*" requires 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 MFRS 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 MFRS. 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 MFRS. Additionally, MFRS B-2 also 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.

Consolidation

According to MFRS, 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.

Joint Ventures

In accordance to MFRS, 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.

Preoperating and Development Costs

Through December 31, 2008, MIPA Bulletin C-8 specified the basis of which preoperating and development costs should be recognized as a period expense, unless certain specified criteria are met to consider them as an asset.

As of January 1, 2009 MFRS C-8, "*Intangible Assets*," establishes that any preoperating costs that are still be 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.

Labor Obligations

Liabilities and costs related to pension plans, seniority premiums and severance payments are accounted in a similar manner under both MFRS and U.S. GAAP. The primary difference is that MFRS does not require recognition of the over- or under-funded status of a defined post-retirement plan as is required by U.S. GAAP.

According to 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 MFRS which are included as part of the employee benefit liability under U.S. GAAP.

Impairment and Sales of Long-Lived Assets

MFRS 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).

Recognition and Measurement of Provisions

Under MFRS, provisions are recognized for current obligations that result from a past event, when the result in the use of economic resources is more likely than not 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.

Inventories

Under MFRS, we reclassify inventories to short-term as soon as we start the construction of housing projects.

Under U.S. GAAP, the inventory would be classified as a short-term only to the extent it is expected to be sold or used within one year.

Financial Instruments

Under MFRS, the classification of the financial instruments should be made considering its economic substance, the basic difference between liabilities and equity.

Under U.S. GAAP, specially identifies certain instruments with characteristics of both debt and equity that should be classified as a liability.

MFRS allows entities to establish hedging on risk components (portions) which generates changes in fair value, as long as certain conditions are met.

For U.S. GAAP purposes, the components of risk that may be subject of hedging are clearly defined with no flexibility.

MFRS has different definitions to determinate the fair value of a financial instrument.

U.S. GAAP use a unique model to determinate fair value.

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URBI, DESARROLLOS URBANOS, S.A.B. DE C.V. AND SUBSIDIARIES

Years Ended December 31, 2008, 2009 and 2010

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REPORT OF INDEPENDENT AUDITORS

To the Stockholders of
URBI, Desarrollos Urbanos, S.A.B. de C.V. and subsidiaries

We have audited the accompanying consolidated balance sheets of URBI, Desarrollos Urbanos, S.A.B. de C.V. and subsidiaries as of December 31, 2009 and 2010, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2010. 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 are prepared in conformity 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 accounting principles 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of URBI, Desarrollos Urbanos, S.A.B. de C.V. and subsidiaries at December 31, 2009 and 2010, and the consolidated results of their operations, changes in equity, and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with Mexican Financial Reporting Standards.

As mentioned in Note 2c to the accompanying consolidated financial statements, as of January 1, 2010, the Company adopted the Mexican Financial Reporting Standard Interpretation (Mexican FRSI) 14, *Real Estate Construction, Sales and Service Agreements*. The effects of adopting to Mexican FRSI 14 are disclosed in Note 20. As also mentioned in Note 2v to the accompanying consolidated financial statements, during 2008, 2009 and 2010 the Company adopted the provisions of various other Mexican Financial Reporting Standards with the impact as indicated therein.

Mancera, S.C.
A member practice of
Ernst & Young Global

Jose Fernandez Campos

Mexicali, B.C., Mexico
September 8, 2011

URBI, DESARROLLOS URBANOS, S.A.B. DE C.V. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands of Mexican pesos)

	At December 31,		
	2009 (restated)	**2010**	**Thousands of U.S. Dollars 2010 (Note 2u)**
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	Ps. 4,393,122	**Ps. 6,154,595**	**USD 498,061**
Trade receivable, net (Note 4)	531,219	**5,193,335**	**420,271**
Inventories (Note 5)	20,419,192	**16,180,350**	**1,309,397**
Other accounts receivable (Note 6)	789,991	**1,379,322**	**111,622**
Prepaid expenses (Note 7)	918,674	**1,044,683**	**84,541**
Total current assets	27,052,198	**29,952,285**	**2,423,892**
Non-current assets:			
Long-term trade receivable, net (Note 4)	290,990	**648,021**	**52,441**
Land for construction, long term (Note 5)	3,310,347	**5,752,411**	**465,515**
Property, machinery and equipment, net (Note 8)	519,193	**502,497**	**40,665**
Derivatives (Note 11)	165,576	**-**	**-**
Other assets (Note 9)	75,825	**213,571**	**17,283**
Total non-current assets	4,361,931	**7,116,500**	**575,904**
Total assets	Ps. 31,414,129	**Ps. 37,068,785**	**USD 2,999,796**
Liabilities and equity			
Current liabilities:			
Short-term debt (Note 10)	Ps. 3,855,227	**Ps. 3,248,926**	**USD 262,920**
Trade advances	469,667	**546,356**	**44,214**
Accounts payable (Note 12)	3,923,758	**4,162,297**	**336,834**
Derivatives (Note 11)	-	**21,845**	**1,767**
Taxes and other accounts payable (Note 13)	950,740	**2,549,352**	**206,307**
Total current liabilities	9,199,392	**10,528,776**	**852,042**
Long-term liabilities:			
Long-term debt (Note 10)	4,018,093	**6,986,757**	**565,404**
Accounts payable (Note 12)	763,633	**350,731**	**28,383**
Labor obligations (Note 14)	3,386	**3,530**	**286**
Derivatives (Note 11)	-	**740,412**	**59,918**
Deferred income tax (Note 16)	3,720,515	**2,688,030**	**217,529**
Total long-term liabilities	8,505,627	**10,769,460**	**871,520**
Total liabilities	17,705,019	**21,298,236**	**1,723,562**
Contingencies and commitments (Note 19)			
Equity (Note 15)			
Capital stock	191,193	**191,193**	**15,472**
Additional paid-in capital	5,133,062	**5,133,062**	**415,394**
Retained earnings	8,481,782	**10,141,081**	**820,668**
Accumulated other comprehensive income items	(96,927)	**(411,369)**	**(33,290)**
Controlling interest	13,709,110	**15,053,967**	**1,218,244**
Non-controlling interests	-	**716,582**	**57,990**
Total equity	13,709,110	**15,770,549**	**1,276,234**
Total liabilities and equity	Ps. 31,414,129	**Ps. 37,068,785**	**USD 2,999,796**

The accompanying notes are an integral part of these financial statements.

URBI, DESARROLLOS URBANOS, S.A.B. DE C.V. AND SUBSIDIARIES
Consolidated Statements of Income
(In thousands of Mexican pesos, except earnings per share and weighted average number of outstanding shares)

	Years ended December 31,			
	2008 (restated)	2009 (restated)	**2010**	**Thousands of U.S. Dollars 2010 (Note 2u)**
Net sales (Notes 2c and 18)	Ps.6,883,351	Ps. 13,700,442	**Ps. 14,976,836**	**USD 1,212,002**
Cost of sales (Notes 2c and 18)	4,801,909	9,635,784	**10,723,065**	**867,765**
Gross profit	2,081,442	4,064,658	**4,253,771**	**344,237**
General and administrative expenses	1,553,059	1,159,438	**1,343,140**	**108,694**
Operating income	528,383	2,905,220	**2,910,631**	**235,544**
Other income, net (Note 22)	19,263	685	**63,414**	**5,132**
Comprehensive result of financing:				
Financial expense	(311,248)	(238,039)	**(367,465)**	**(29,737)**
Financial income	237,363	82,393	**221,603**	**17,933**
Exchange gain (loss), net	53,406	3,972	**(3,843)**	**(311)**
Loss on financial instruments (Note 11)	-	-	**(186,238)**	**(15,071)**
	(20,479)	(151,674)	**(335,943)**	**(27,186)**
Income before taxes on profits	527,167	2,754,231	**2,638,102**	**213,490**
Taxes on profits (Note 16)	154,608	1,220,008	**967,779**	**78,318**
Net income	Ps. 372,559	Ps. 1,534,223	**Ps. 1,670,323**	**USD 135,171**
Net income attributable to:				
Controlling interest	Ps. 372,559	Ps. 1,534,223	**Ps. 1,659,299**	**USD 134,279**
Non-controlling interests	-	-	**11,024**	**892**
Net income	Ps. 372,559	Ps. 1,534,223	**Ps. 1,670,323**	**USD 135,171**
Weighted average number of outstanding shares	976,445,286	976,445,286	**976,445,286**	**976,445,286**
Earnings per share of equity holders of the parent	Ps. 0.38	Ps. 1.57	**Ps. 1.70**	**USD 0.14**

The accompanying notes are an integral part of these financial statements.

URBI, DESARROLLOS URBANOS, S.A.B. DE C.V. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2008, 2009 and 2010
(In thousands of Mexican pesos)

	No. of shares	Capital stock	Additional paid in capital
Balance at December 31, 2007	976,445,286	Ps. 191,193	Ps. 5,133,062
Effect on prior years of adopting Interpretation to Mexican FRS 14 (Notes 2v and 20)	-	-	-
Effect of adopting Mexican FRS B-10, net of deferred taxes (Note 2v)	-	-	-
Effect of adopting Mexican FRS D-4 (Note 2v)	-	-	-
Changes in the fair value of derivatives, net of taxes (Note 11)	-	-	-
Net income	-	-	-
Balance at December 31, 2008 (restated)	976,445,286	191,193	5,133,062
Changes in the fair value of derivatives, net of taxes (Note 11)	-	-	-
Net income	-	-	-
Balance at December 31, 2009 (restated)	976,445,286	191,193	5,133,062
Changes in the fair value of derivatives, net of taxes (Note 11)	-	-	-
Additions to non-controlling interests attributable to land-owner programs (Note 5)	-	-	-
Net income	-	-	-
Payment to non-controlling interests (Note 5)	-	-	-
Balance at December 31, 2010	**976,445,286**	**Ps. 191,193**	**Ps. 5,133,062**

The accompanying notes are an integral part of these financial statements.

Retained earnings	Accumulated other comprehensive income items	Deficit from restatement of equity	Cumulative effect of adoption of deferred income tax	Non-controlling interest	Total equity	Comprehensive income
Ps.11,259,031	Ps. (4,899)	Ps (739,199)	Ps (891,570)	Ps. -	Ps. 14,947,618	
(3,165,374)	-	-	112,112	-	(3,053,262)	
(739,199)	-	739,199		-	-	
(779,458)	-		779,458	-	-	
-	93,332			-	93,332	Ps. 93,332
372,559	-			-	372,559	372,559
6,947,559	88,433	-	-	-	12,360,247	Ps. 465,891
-	(185,360)			-	(185,360)	Ps. (185,360)
1,534,223	-			-	1,534,223	1,534,223
8,481,782	(96,927)	-	-	-	13,709,110	Ps. 1,348,863
-	**(314,442)**			**-**	**(314,442)**	**Ps. (314,442)**
-	**-**			**716,582**	**716,582**	
1,659,299	**-**			**11,024**	**1,670,323**	**1,670,323**
-	**-**			**(11,024)**	**(11,024)**	
Ps.10,141,081	**Ps. (411,369)**	**-**	**-**	**Ps. 716,582**	**Ps. 15,770,549**	**Ps. 1,355,881**

URBI, DESARROLLOS URBANOS, S.A.B. DE C.V. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands of Mexican pesos)

	Years ended December 31			
	2008 (restated)	2009 (restated)	**2010**	**Thousands of U.S. Dollars 2010 (Note 2u)**
Operating activities				
Income before taxes on profits	Ps. 527,167	Ps. 2,754,231	**Ps. 2,638,102**	**USD 213,489**
Items not affecting cash flows:				
Operation				
Labor obligations	1,180	938	**1,698**	**137**
From investing activities				
Depreciation	118,520	157,878	**164,446**	**13,308**
Amortization of public debt placement expenses	156,478	218,434	**113,209**	**9,161**
Interest income	(237,363)	(82,393)	**(221,603)**	**(17,933)**
Gain on the sale of property, machinery and equipment	(1,098)	(588)	**(62,048)**	**(5,021)**
From financing activities				
Valuation of derivatives	91,655	282,976	**625,465**	**50,616**
Changes in operating assets and liabilities:				
Accrued interest payable	400,780	330,660	**296,620**	**24,004**
Trade receivables	1,304,468	(458,599)	**(4,999,379)**	**(404,575)**
Other accounts receivable	(318,765)	(230,682)	**(702,537)**	**(56,853)**
Inventories	(4,123,321)	(2,176,573)	**3,466,019**	**280,488**
Prepaid expenses	218,166	65,123	**128,913**	**10,432**
Other assets	(75,026)	(152,972)	**(137,746)**	**(11,147)**
Accounts payable	(138,825)	1,246,840	**(173,183)**	**(14,015)**
Payment of derivative instruments	(134,624)	(133,890)	**(343,833)**	**(27,825)**
Taxes and other accounts payable	656,493	977,489	**(235,987)**	**(19,097)**
Net cash flow from by operating activities	(1,554,115)	2,798,872	**558,156**	**45,169**
Investing activities				
Proceeds from sale of property, machinery and equipment	7,228	3,503	**75,322**	**6,095**
Interest income	237,363	54,725	**137,849**	**11,155**
Purchase of property, machinery and equipment	(113,454)	(76,140)	**(162,204)**	**(13,126)**
Net cash flows investing activities	131,137	(17,912)	**50,967**	**4,124**
Financing activities				
Loans received	21,709,660	17,061,882	**15,834,187**	**1,281,383**
Payments to non-controlling interests	-	-	**(11,024)**	**(892)**
Earned interest	-	27,668	**63,983**	**5,178**
Loans repaid	(20,476,431)	(16,244,507)	**(13,438,855)**	**(1,087,541)**
Interest paid	(1,216,344)	(1,218,379)	**(1,295,941)**	**(104,874)**
Net cash flow from financing activities	16,885	(373,336)	**1,152,350**	**93,254**
Net (decrease) increase in cash and cash equivalents	(1,406,093)	2,407,624	**1,761,473**	**142,547**
Cash and cash equivalents at beginning of year	3,391,591	1,985,498	**4,393,122**	**355,514**
Cash and cash equivalents at end of year	Ps. 1,985,498	Ps. 4,393,122	**Ps. 6,154,595**	**USD 498,061**

The accompanying notes are an integral part of these financial statements.

URBI, DESARROLLOS URBANOS, S.A.B. DE C.V. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2008, 2009 and 2010

(In thousands of Mexican pesos, unless otherwise indicated)

1. Description of the Business

Urbi, Desarrollos Urbanos, S.A.B. de C.V. and subsidiaries (hereinafter Urbi or the Company) was incorporated on November 24, 1981 and is primarily engaged in purchasing land and in designing, building, promoting and selling housing for the low-, middle- and upper-income housing markets. Beginning in 2010, the Company started a program whereby it sells housing units to corporations in addition to individuals. At December 31, 2010, three corporate customers represented 61% of the corporate customers Company's portfolio.

The Company's primary activities for its real estate developments include (i) purchasing the land, (ii) obtaining the required permits and licenses, (iii) installing the required infrastructure (iv) designing, building and promoting the real estate development, and (v) assisting buyers in securing their mortgage loans.

The Company uses subcontractors to build its housing developments through construction contracts. Under these contracts, the subcontractors promise to execute the agreed upon work following the technical specifications ordered by the Company.

2. Basis of Presentation

The accompanying consolidated financial statements were prepared in conformity with Mexican Financial Reporting Standards (Mexican FRS). On September 8, 2011, the accompanying consolidated financial statements and these notes at December 31, 2009 and 2010 were authorized by Company management for their issuance and subsequent approval by the audit committee, Board of Directors, and shareholders at their next meetings.

The significant accounting policies and practices observed by the Company in the preparation of the consolidated financial statements are described below:

a) Consolidation of the financial statements

The consolidated financial statements include the statements of URBI, Desarrollos Urbanos, S.A.B. de C.V. and those of its subsidiaries, as well as of the trusts the Company controls.

The Company's investments in subsidiaries at December 31, 2009 and 2010 are the following:

Subsidiary	% equity interest December 31 2009	**2010**
CYD Desarrollos Urbanos, S.A. de C.V.(1)	99.99%	**99.99%**
Ingenieria y Obras, S.A. de C.V. (1)	99.99%	**99.99%**
Promocion y Desarrollos Urbi, S.A. de C.V. (1)	99.99%	**99.99%**
Obras y Desarrollos Urbi, S.A. de C.V. (1)	99.99%	**99.99%**
Tec Diseño e Ingenieria, S.A. de C.V. (2)	99.99%	**99.99%**
Propulsora Mexicana de Parques Industriales, S.A. de C.V. (1)	99.99%	**99.99%**
Constructora Metropolitana Urbi, S.A. de C.V. (1)	99.99%	**99.99%**
Urbi Construcciones del Pacifico, S.A. de C.V. (1)	99.99%	**99.99%**
Financiera Urbi, S.A. de C.V. SOFOM, E.N.R. (3)	99.99%	**99.99%**

(1) These subsidiaries are engaged primarily in the development, promotion and marketing of housing in the low- and middle- and upper-income markets.
(2) This subsidiary is engaged in the design and control of housing developments and the rendering of administrative services.
(3) This entity is primarily engaged in the granting of loans and other financial services.

Consolidation starts from the moment the Company obtains control over the subsidiary. The financial statements of the subsidiaries have been prepared for the same accounting period and following the same accounting policies as those of the Company.

All intercompany balances, investments and transactions have been eliminated from the consolidated financial statements.

The Company enters into partnerships with land owners and local developers through trusts to build housing developments. These trusts grant both parties a share in the proceeds from the sale of housing developments and land for commercial use. The equity interest of the Company's partners in such proceeds varies between 7% and 10% in the case of land contributed for housing developments and 35% for land for commercial use. Based on the characteristics of the trusts, the Company recognizes the land contributed by the partners as part of its inventory when construction of housing developments begins since the Company is the controlling party in these trusts. The equity investment of minority partners in such agreements represents the land contributions made to the trust, and is presented in the consolidated financial statements as part of the caption non-controlling interest in consolidated trusts.

At December 31, 2009 and 2010, the Company exercises control over the following trusts:

Trust	% equity interest at December 31 2009	**2010**
Fideicomiso AAA Urbi (1)	100.00%	**100.00%**
Fideicomiso Ciudad Satelite (2)	100.00%	**100.00%**
Fideicomiso San Roque (2)	98.13%	**98.13%**
Fideicomiso Nuevo Torreon (2)	93.82%	**93.82%**
Fideicomiso Santa Fe (2)	92.60%	**92.60%**
Fideicomiso Santa Monica (2)	-	**92.32%**
Fideicomiso Potrero Los Negritos (2)	91.00%	**91.00%**
Fideicomiso La Minerva (2)	-	**90.38%**
Fideicomiso Ciudad del Sol (2)	-	**90.36%**
Fideicomiso Santa Rita (2)	85.85%	**85.85%**

(1) Commercial trust set up to provide financing for the Company's suppliers and distributors.
(2) Management trusts set up for the promotion and development of housing units.

The management trusts were formalized in 2009 and started up operations in 2010.

b) Historical cost basis

The accompanying financial statements have been prepared on a historical-cost basis, except for those non-monetary items acquired or recorded in the financial statements before December 31, 2007, as such items reflect the accumulated effects of inflation from their initial recognition date through December 31, 2007.

The annual rate of inflation for 2008, 2009 and 2010, as determined based on the Mexican National Consumer Price Index (NCPI) published by Banco de Mexico, was 6.53%, 3.57% and 4.40%, respectively, while the cumulative inflation rate for the three years prior to 2009 was 14.5%. Under Mexican FRS 2010, this cumulative inflation rate represents the necessary condition for considering Mexico as having a non-inflationary economic environment. Consequently, the financial information for 2009 and 2010 was prepared without recognizing the effects of inflation.

c) Recognition of revenues and cost of sales of housing units

Through December 31, 2009, revenues and costs from sales of housing units were recognized through the percentage of completion method, in conformity with Bulletin D-7, Construction Contracts and Capital Goods Manufacturing.

Effective January 1, 2010, Mexican Financial Reporting Standards Interpretation 14, Real State Construction, Sales and Services Agreements, was adopted. The adoption of this Interpretation affected the manner in which revenues, costs and expenses from the Company's home sales were recognized. In accordance with MFRSI 14, revenues and cost from home sales are now recognized when all of the following conditions are fulfilled:

a) the Company has transferred the control to the homebuyer, in other words, the significant risks and benefits due to the property or the assets ownership,

b) the Company does not retain any continued participation of the actual management of the sold assets, in the usual grade associated with ownership of the property, nor does retain the effective control of the sold assets;

c) the revenues amount can be estimated reliably;

d) it is probable that the Company 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.

The above conditions are typically met upon the completion of construction, and signing by the Company, the customer and (if applicable) the lender, the legal contracts and deeds of ownership (escritura) over the property. At that time, the customer would have the legal right to take possession of the home.

During 2010, the Company initiated a program whereby in addition to selling completed housing units to individuals, it also began selling multiple completed housing units of housing to institutional investors who typically subsequently resell those units to individuals as the individuals become eligible for financing. These corporate customers purchase the units from the Company with no down payment, and typically receive extended credit terms ranging from three to nine months. From the time of initial sale by the Company, the Company is no longer involved in any manner in the construction or management of the unit, or in corporate customers' subsequent resale of the units, or in assisting the customers of the corporate customers obtain financing for such subsequent resale. At the time of the sale to the corporate customers, the Company transfers the legal Mexican title, and all other significant risk and rewards related to the units, to the corporate customers. The Company's promissory note from the corporate customer is typically unsecured in nature. The Company periodically evaluates the creditworthiness of its corporate customers, ensuring that collection of amounts due are probable and are not in any way economically contingent upon the corporate customers resale of the unit. The Company has recorded Ps. 4,433,431 million in corporate customer receivables in its December 31, 2010 consolidated balance sheet which it believes to meet the above requirements.

The cost of sales represents the cost incurred in the development of housing revenues by the Company during the year. These costs include land, direct materials, labor and all the indirect costs related to the development of the project such as indirect labor, equipment, repairs, depreciation and the capitalization of the comprehensive financing costs.

d) Use of estimates

The preparation of financial statements in conformity with Mexican Financial Reporting Standards requires the use of estimates and assumptions in certain areas. Actual results could differ from these estimates.

e) Cash and cash equivalents

Cash and cash equivalents consist primarily of bank deposits and other highly liquid investments. Cash equivalents typically have purchased maturities of less than three months, or may be redeemed upon demand, and are subject to insignificant risk regarding changes of value in time. These investments are stated at cost plus accrued interest, which is similar to their market value (see Note 3).

f) Allowance for doubtful accounts

The Company's policy is to estimate an allowance for doubtful accounts based on balances of uncollected accounts receivable and the results of a study of the collectability of accounts and those balances with specific collection problems.

Corporate customer payments terms vary between three and nine months, which are determined based in a credit analysis. The Company constantly monitors the financial situations of these customers and the age of their balances, while it also regularly updates their credit histories and analyzes their payment behavior.

g) Inventories

Constructions in process, land under development and land inventories for future housing developments are recorded at acquisition cost. Land inventories for future housing developments represent the Company's land reserve available for housing development.

Inventories of construction materials are recognized at acquisition cost, including all expenses incurred, and are valued using the average-cost method.

Capitalized comprehensive financing cost is determined by applying the weighted average capitalization rate of financing to the weighted average amount of investments in constructions in process and land under development. The capitalization of these costs begins at the time land development activities commence and continues over the period the Company works on the project. In the case of foreign currency denominated financing, capitalized comprehensive financing cost includes the related exchange gains or losses (see Note 5).

The Company evaluates whether there are indicators of decline in the value of its inventories due to obsolescence and slow movement. At December 31, 2009 and 2010, there are no indicators of impairment.

Company policy is to locate and acquire on an annual basis land to build new housing developments, and to classify as short-term the land that the Company is currently developing or that it expects to build on in the following year. Land slated for development within a term of more than one year is classified as non-current assets.

h) Property, machinery and equipment

Property, machinery and equipment are recorded at acquisition cost. Depreciation of property, machinery and equipment is computed on the assets' carrying values using the straight-line method, based on the estimated useful lives of the related assets at the following annual depreciation rates:

	Average estimated useful lives	
	2009	**2010**
Buildings	20	**20**
Machinery	4	**4**
Automotive equipment	4	**4**
Office furniture and equipment	10	**10**
Computer equipment	3 to 5	**3 to 5**

i) Operating leases

When the risks and benefits inherent to the ownership of the leased property, molds and equipment remain mostly with the lessor, the agreements are classified as operating leases and accrued rent is charged to results of operations when incurred.

At the date of the audit report on these consolidated financial statements, the Company has no capital leases.

j) Impairment in the value of long-lived assets in use

The Company periodically reviews the carrying values of its long-lived assets whenever a given impairment indicator suggests that the carrying value of an asset exceeds the asset's recovery value, which is defined as the greater of either the present value of future net cash flows or the net selling price. An impairment loss is recognized when the net carrying amount does in fact exceed the recovery value. The impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period, combined with a history of losses or projected losses, depreciation and amortization charged to results of operations that as a percentage of revenues, are substantially higher than that of prior years, general obsolescence, a substantial reduction in the demand for the products manufactured, stronger competition and any other relevant legal and economic factors. At December 31,

2009 and 2010, there were no indicators of impairment in the value of the Company's assets.

k) Other assets

The Company recognizes public debt placement costs as part of other assets. Debt placement expenses consist of costs incurred by the Company to issue and place the bonds and domestic senior notes mentioned in Note 9.

Debt placement expenses are recorded at cost and are amortized using the straight-line method, based on the term of the debt.

l) Employee benefit obligations

The Company recognizes the liability for seniority premiums and termination payments as they accrue under Mexican labor law, based on independent actuarial computations using the projected unit-credit method.

m) Concentration of risks and derivative financial instruments

Risks

The main risks associated with the Company's financial instruments are credit risk, liquidity risk and market risk (exchange rates and interest rates).

Company management establishes polices to identify, analyze and determine appropriate limits and controls for risks. These policies are reviewed periodically and adjusted to reflect changes in the market conditions and the Company's activities.

The audit committee through the internal audit department monitors management's control over compliance with these policies and evaluates the suitability of such policies in view of the risks faced by the Company.

Credit risk represents the potential loss from the failure of the customer or financial instrument counterparty to meet all of its payment obligations. This risk is present primarily in the Company's accounts receivable and derivative financial instruments.

The Company's cash and cash equivalents and financial instruments including derivatives, are maintained in different financial institutions located in different geographical areas. The Company's policies are designed to not limit its exposure to any one financial institution.

The credit risk for accounts receivable is determined based on the specific characteristics of each account. The Company transfers ownership of homes when the customer or financial institution certifies that the corresponding mortgage loan has been approved and the required down-payment has been made. In the case of sales to corporate customers, ownership is transferred after the customer’s credit rating and financial and liquidity capability is assessed and a line a credit is authorized, based on the results of such evaluation. The Company also has an allowance for doubtful accounts that is evaluated and adjusted periodically. At the date of the audit report on these consolidated financial statements, 61% of the overall accounts receivable portfolio is concentrated in three customers as a result of the Company’s introduction of a mass sales program. In 2009, there was no concentration of risk.

With regard to its derivative financial instruments, the Company only contracts these instruments with institutions that have a good credit rating and that have been duly registered with and authorized by a regulating body.

Liquidity risk is the risk that the Company will be unable to cover its financial obligations when they mature. The Company's goal is to ensure, insofar as possible, that it always has sufficient liquidity to settle its financial liabilities when they mature, under both normal and adverse conditions, without incurring unacceptable losses or placing the entity's financial position at risk.

This risk is mitigated through the corporate treasury, which constantly monitors cash flows and sets the dates and flows necessary to cover the Company's obligations, and also monitors the level of revenues obtained through collections and the optimal use of such funds. The goal in this regard is for the Company to comply with all its obligations correctly and promptly, whether financial obligations or obligations of any other kind.

The Company uses various financial projections to manage its operating cash flows in such a way as to ensure that it always has enough cash to cover its operating needs and its financial obligations.

Market risk is the risk of fluctuation in market prices, such as interest rates and exchange rates. The Company's goal is to manage and control its exposure to these risks and keep them within acceptable parameters.

Interest rate risk is the risk of fluctuation in the market value or the future cash flows of a financial instrument as a result of changes in the market interest rates. The Company is exposed to exchange rate risk primarily in its accounts payable to suppliers and its creditors for land, bond and bank loans.

Derivative financial instruments

The Company mitigates certain financial risks, such as interest rate and foreign currency risks (market risk) associated with financing obtained, through a controlled risk management program that includes the use of derivative financial instruments. Derivative instruments are contracted solely with financially-strong institutions. Company’s policy is not to carry out speculative transactions with derivative financial instruments.

All of the Company's derivatives are contracted through the Mexican Derivatives Market. There must be an International Swaps and Derivatives Association (ISDA) Master Agreement for all interest rate hedges.

The Company values and records all derivative financial instruments as fair value assets and liabilities in the balance sheet, irrespective of their holding purpose.

Financial instruments are revalued from the acquisition date and then on a quarterly basis based on the changes in their fair value.

When a derivative financial instrument is acquired for hedging purposes and it complies with all hedging requirements, it is documented as a hedge upon inception. This documentation describes the objective, characteristics and accounting recognition of the hedge, and how the hedge effectiveness will be assessed.

At December 31, 2009 and 2010, the Company’s financial instruments are recorded as cash flow hedges. The effective portion of the cash flow hedge is temporarily recognized as other comprehensive income item and is carried to results of operations when the hedged transaction affects profit or loss, while the ineffective portion is immediately recognized in results of operations.

The Company’s financial instruments are adjusted at fair value from the acquisition date and then on a quarterly basis based on the changes in their fair value.

Changes in the fair value of derivatives that do not qualify as hedges are immediately recognized in results of operations.

The Company suspends cash flow hedge accounting when (i) the derivative expires, (ii) it has been sold, cancelled or executed, (iii) it is not effective enough to offset the changes in the fair value or cash flows of the hedged item, or (iv) the Company decides to cancel the hedging designation. After suspending the accounting for cash flow hedges, the amounts recognized in equity as other comprehensive income items remain in equity until such time as the effects of the forecasted transaction or firm commitment affects earnings.

If a forecasted transaction or firm commitment is not expected to occur, the amounts previously recognized as part of other comprehensive income are immediately reclassified to results of operations. Whenever a cash flow hedge on a forecasted transaction was satisfactory and then no longer meets the conditions for effectiveness, the cumulative effects on the comprehensive income caption in equity are charged to results of operations in proportion to the forecasted asset or liability affecting them.

n) Accrued liabilities, provisions, contingent assets and liabilities and commitments

Accrued liabilities are recognized whenever (i) the Company has current obligations (legal or assumed) resulting from a past event, (ii) when it is probable the obligation will give rise to a future cash disbursement for its settlement and (iii) the amount of the obligation can be reasonably estimated.

When the effect of the time value of money is significant, the amount of the liability is determined as the present value of the expected disbursements to settle the obligation. The discount rate applied is determined on a pre-tax basis and reflects current market conditions at the balance sheet date and, where appropriate, the risks specific to the liability. When discounting is used, an increase in the liability is recognized as a financial expense.

Contingent liabilities are recognized only when it is probable they will give rise to a future cash disbursement for their settlement. Contingent assets are only recognized when they are expected to be realized. Also, commitments are only recognized when they will generate a loss.

o) Taxes on profits

Current-year taxes on profits are presented as a short-term liability, net of prepayments made during the year.

Deferred taxes on profits are recognized using the asset and liability method. Under this method, deferred taxes are recognized on all temporary differences between financial reporting and tax bases of assets and liabilities, applying the enacted income tax rate or the flat-rate business tax (FRBT) rate, as the case may be, effective as of the balance sheet date, or the enacted rate at the balance sheet date that will be in effect when the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets and, if necessary, creates a valuation allowance for those assets that do not have a high probability of being realized.

Taxes on profits are recognized as they are generated, including the related effect on deferred taxes. The deferred tax provision shown in the income statement is calculated by comparing the deferred tax balance at the end of the year to the balance at the beginning of the year, excluding from both balances any temporary differences that are recorded directly in equity, since the deferred taxes related to such temporary differences are recorded in the same equity account that gave rise to them.

p) Employee profit sharing

Current-year and deferred employee profit sharing is presented as part of the general and administrative

expenses caption in the income statement.

Deferred employee profit sharing is determined using the asset and liability method. Under this method, deferred profit sharing is computed by applying the 10% rate to all temporary differences between the values of assets and liabilities for financial and tax reporting purposes. The Company periodically evaluates the possibility of recovering deferred employee profit sharing assets and, if necessary, creates a valuation allowance for those assets that do not have a high probability of being realized.

q) Exchange differences

Transactions in foreign currency are recorded at the prevailing exchange rate on the day of the related transactions. Foreign currency denominated assets and liabilities are translated at the prevailing exchange rate at the balance sheet date. Exchange differences determined from such date to the time foreign currency denominated assets and liabilities are settled, as well as those arising from the conversion of foreign currency denominated balances at the balance sheet date, are charged or credited to results of operations.

See Note 17 for the Company's foreign currency position at the end of each year and the exchange rates used to translate foreign currency denominated balances, as well as the Company's transactions in foreign currency.

r) Comprehensive income

Comprehensive income consists of the net income for the year and the unrealized gain or loss on financial instruments that qualify as hedges, net of the effect of deferred taxes, applied directly to equity.

s) Presentation of statement of income

Costs and expenses shown in the Company's statement of income are presented based on their function, since such classification allows for an accurate evaluation of both gross profit and operating loss margins. Although Mexican FRS B-3 does not require the presentation of operating income, this caption is shown in the statement of income, since it is an important indicator used for evaluating the Company's operating results. Operating income consists of ordinary revenues and operating costs and expenses and thus excludes Other ordinary income (expenses).

t) Segment information

Segment information is presented based on the information used by management in its decision-making processes for the different types of housing sold by the Company (see Note 18).

u) Convenience translation

At December 31, 2010, amounts in U.S. dollars have been included in the financial statements solely for the convenience of the reader and have been translated from Mexican pesos at an exchange rate of Ps. 12.36 pesos per U.S. dollar, which was the exchange rate at that date. Such translation should not be construed as a representation that the Mexican peso can be converted to U.S. dollars at the exchange rate in effect on December 31, 2010 or any other exchange rate.

v) New accounting pronouncements

I. New accounting pronouncements issued by the Mexican Financial Reporting Standards Research and Development Board (*Consejo Mexicano para la Investigacion y Desarrollo de Normas de Informacion Financiera*, A.C. or "CINIF") that became effective in 2008, and that affected the Company's accounting

policies are as follows:

Mexican FRS B-10, ***Effects of Inflation***

Mexican FRS B-10 superseded Mexican accounting Bulletin B-10, *Accounting Recognition for the Effects of Inflation on Financial Information*. Mexican FRS B-10 defines the two economic environments that will be the basis on which to determine whether or not entities must recognize the effects of inflation on their financial information: i) inflationary, when cumulative inflation in the preceding three fiscal years is equal to or greater than 26%; and ii) non-inflationary, when cumulative inflation for the preceding three fiscal years is less than the aforementioned 26%. This standard requires that the effects of inflation on financial information must be recognized only when entities operate in an inflationary environment. Mexican FRS B-10 abolishes the use of the specific-indexation method for the valuation of imported fixed assets and the replacement-cost method for the valuation of inventories.

Consequently, the result from holding non-monetary assets included in the excess (deficit) from the restatement of stockholders' equity must be identified with the assets giving rise to them.

When it is not possible to identify such assets, the cumulative result from holding non-monetary assets, together with the initial effect from the adoption of Bulletin B-10, is reclassified to retained earnings.

The effect of the adoption of this standard on the Company's 2008 financial statements was to cease recognizing the effects of inflation on its financial information and to reclassify the total amount of the result from holding non-monetary assets, net of deferred taxes, and the accumulated monetary position loss to retained earnings. The amount of such reclassification was Ps. 739,199 as of January 1, 2008.

Mexican FRS D-3, ***Employees Benefits***

Mexican FRS D-3, Employee Benefits, replaced Mexican accounting Bulletin D-3, *Labor Obligations*. The most significant changes contained in Mexican FRS D-3 are as follows: i) shorter periods for the amortization of unamortized items, with the option to credit or charge actuarial gains or losses directly to results of operations, as they are incurred; and ii) elimination of the recognition of the additional minimum pension liability and the related recognition of intangible asset and comprehensive income item.

The scope of this standard includes the accounting treatment of employee profit sharing and requires the use of the asset and liability method in the computation of deferred taxes on profits to determine the deferred employee profit sharing asset or liability, as well as its effect on results of operations. This standard also establishes that the initial effect of recognizing deferred employee profit sharing is to be presented as an adjustment to retained earnings, unless it is related to other comprehensive income items not yet reclassified to income. Current-year and deferred employee profit sharing are recognized as an ordinary expense in the statement of income.

The application of this standard was prospective in nature.

Mexican FRS D-4, ***Taxes on Profits***

Mexican FRS D-4 replaced Mexican accounting Bulletin D-4, *Accounting for Income Tax, Asset Tax and Employee Profit Sharing*. The most significant changes included in this new standard with respect to Mexican accounting Bulletin D-4 are as follows: i) the concept of permanent differences is eliminated, since the use of the asset and liability method established in the new standard requires the recognition of deferred taxes on all differences in balance sheet accounts for financial and tax reporting purposes, regardless of whether they are permanent or temporary; ii) since current-year and deferred employee profit sharing is considered as an ordinary expense, it is excluded from this standard and is now addressed under Mexican FRS D-3; iii) asset tax is required to be recognized as a tax credit and, consequently, as a deferred income tax asset only in those cases in which there is certainty as to its future realization; and iv)

the cumulative effect of adopting the prior Mexican accounting Bulletin D-4 must be reclassified to retained earnings, unless it is identified with items recognized in stockholders' equity that are included in "Accumulated other comprehensive items not yet reclassified to income".

The Company has presented the cumulative effect of the initial adoption of Mexican accounting Bulletin D-4 in retained earnings. The amount of the reclassification was of Ps. 779,458 as of January 1, 2008.

Mexican FRS Interpretation 5, *Accounting Recognition of the Additional Consideration Agreed at the Inception of a Derivative to Adjust the Instrument to its Fair Value*

This Interpretation clarifies that the additional consideration is part of the fair value of the derivative and, accordingly, it must be included in the value at which the derivative is initially recorded, which will be subject to adjustment to its fair value in subsequent periods. Therefore, the additional consideration should not be amortized.

The adoption of this interpretation did not have any effect on the Company's financial statements.

II. New accounting pronouncements issued by the CINIF that became effective in 2009, and that affected the Company's accounting policies are as follows:

Mexican FRS B-8, *Consolidated and Combined Financial Statements*

Mexican FRS B-8 replaced Mexican accounting Bulletin B-8, *Consolidated and Combined Financial Statements and the Valuation of Long-Term Equity Investments*. The new standard includes a definition of special purpose entities (SPEs) and provides guidelines for their accounting treatment.

Mexican FRS B-8 also introduces new terminology and defines majority interest as controlling interest in an entity and minority interest as non-controlling interest. Under Mexican FRS B-8, minority interest and the related goodwill must be valued at fair value. This standard establishes that in determining the existence of control, any potential voting rights held must be taken into account, regardless of management's intention and ability to actually exercise them. Mexican FRS B-8 requires the financial statements of consolidating entities to be prepared under the same Mexican FRS as those of the controlling company.

Mexican FRS B–8 abolishes the supplementary application of SIC 12, Consolidation – Special Purpose Entities. In conformity with Mexican FRS B-1, *Accounting Changes and Error Corrections*, the application of this standard is prospective, except as it relates to SPEs which, per the transitory paragraphs of Mexican FRS, must be consolidated retrospectively. The adoption of Mexican FRS B-8 had no effect on the Company's financial statements.

Mexican FRS C-7, *Equity Investments in Affiliates and Other Permanent Investments*

Mexican FRS C-7 modifies the guidelines for the accounting recognition of investments in affiliates contained in Mexican accounting Bulletin B-8, *Consolidated and Combined Financial Statements and the Valuation of Long-Term Equity Investments*. Under the new standard, significant influence is considered to exist when an entity holds an equity interest of more than 10% in the case of publicly traded entities, and 25% in the case of unlisted entities. This standard establishes that in determining the existence of control, any potential exercisable or convertible voting rights held must be taken into account, regardless of management's intention and financial capacity to actually exercise or convert them. Mexican FRS C-7 also provides a specific procedure for recognizing the losses incurred by affiliates, as well as a cap for their recognition of such losses. This standard requires the financial statements of affiliates to be prepared under the same Mexican FRS as those of the controlling company.

Mexican FRS C-7 establishes the guidelines for determining the existence of significant influence in the case of SPEs and also creates a new category of long-term equity investments called "other long-term equity investments" for the recognition of those investments that do not give the investor control, joint control or significant influence over the investee.

The application of this standard is prospective and therefore, the financial statements of prior years were not restated, except as it relates to SPEs which, per the transitory paragraphs of Mexican FRS, must be recognized using the equity method. The adoption of Mexican FRS C-7 had no effect on the Company's financial statements.

Mexican FRS C-8, *Intangible Assets*

Mexican FRS C-8 replaced Mexican accounting Bulletin C-8, *Intangible Assets*. Unlike Mexican accounting Bulletin C-8, this standard establishes that separability is not a necessary condition for identifying an intangible asset. The new standard also establishes as an additional criterion for the initial recognition of intangible assets, that it must be probable that the entity will receive future economic benefits from the asset.

Mexican FRS C-8 also provides further guidance on the accounting treatment of asset barters and eliminates the presumed maximum twenty-year useful lives of intangible assets. Furthermore, the standard adds the requirement of an accelerated amortization period as a condition for impairment and modifies the definition of pre-operating costs. Finally, Mexican FRS C-8 establishes the accounting treatment for disposals of intangible assets resulting from sales, abandonments or exchanges.

The application of this standard is prospective; therefore, the financial statements from prior years were not restated. The adoption of Mexican FRS C-8 had no effect on the Company's financial statements.

Mexican FRS Interpretation 18, *Effects on Recognition from the 2010 Tax Reform Bill on Income Taxes*

On December 15, 2009 the CINIF published the Interpretation to Mexican FRS 18 with the objective of providing guidance in regard to the 2010 Tax Reform Bill and the accounting recognition that should be implemented in the financial statements.

This MFRSI establishes certain parameters for the recognition of changes to the new Tax Reform, mainly in regard to Income Tax rate changes, changes to the consolidation regime (related to tax losses), losses on stock transfers, special consolidation terms, dividends not distributed from the Net Tax Profit Account (CUFIN), consolidation tax benefits and differences in the CUFIN. The effects of the application of MFRSI 18 are disclosed in Note 16.

III. New accounting pronouncements issued by the CINIF that became effective in 2010, and that affected the Company’s accounting policies are as follows:

Mexican FRS Interpretation (MFRSI) 14, *Real Estate Construction, Sales and Service Agreements*

As of January 1, 2010, the Company adopted the new MFRSI 14, *Real Estate Construction, Sales and Service Agreements*, to Supplement Mexican accounting Bulletin D-7, *Construction Contracts and Capital Goods Manufacturing*. Mexican FRS Interpretation 14 requires the separation of a contract into a number of different components in order to determine whether the contract refers to the construction or sale of real estate, or the rendering of services.

The interpretation establishes the rules for the recognition of revenues, costs and expenses based on the

components identified in the contracts. Consequently, the Company ceased to recognize its revenues, costs and expenses associated with the sale of housing units using the percentage of completion method and instead began recognizing them in conformity with MFRSI 14. This new revenue and cost recognition method is similar to what is commonly known as the "completed contract method", under which revenues, costs and expenses are recognized when all of the following conditions are met:

a) The entity has transferred control over the housing to the buyer; that is, the significant risks and benefits inherent to the ownership of the assets are assumed and acquired by the homebuyers, which usually occurs after the title deed is executed,

b) The entity conclude, all involvement with the sold assets to the degree normally associated with relinquishing ownership, and retains no effective control over the assets,

c) The amount of the revenues can be reliably estimated,

d) It is likely that the Company will receive economic benefits from the transaction, and

e) The costs and expenses incurred or to be incurred can be reliably measured.

The accounting changes resulting from the initial application of this Interpretation to Mexican FRS were retrospectively recognized, in conformity with Mexican FRS B-1, *Accounting Changes and Error Corrections*, as if such changes had occurred as of the beginning of the earliest period reported. The effects of adopting Mexican FRS Interpretation 14 are disclosed in Note 20.

Mexican FRS C-1, *Cash and Cash Equivalents*

Mexican FRS C-1 was issued by the CINIF in November 2009 to replace Mexican accounting Bulletin C-1, *Cash*, and is effective for fiscal years beginning on or after January 1, 2010. The main differences between Mexican FRS C-1 and Mexican accounting Bulletin C-1 lie in the presentation of restricted cash and the substitution of the term "short-term investments" by the new term "liquid investments", which are those investments whose maturities do not exceed three months from their dates of acquisition and are highly liquid.

The adoption of Mexican FRS C-1 must be retrospective. The adoption of this standard had no effect on the Company's financial position or results of operations, except for the reclassification of restricted cash (see Note 3).

Mexican FRS Interpretation 19, *Changes derived from the adoption of International Financial Reporting Standards*

On August 31, 2010, the CINIF issued Interpretation to Mexican FRS 19, *Changes derived from the adoption of International Financial Reporting Standards*, which establishes the following disclosure requirements for: a) financial statements prepared under Mexican FRS issued prior to the adoption of International Financial Reporting Standards (IFRS) and (b) financial statements prepared in conformity with Mexican FRS issued during the IFRS adoption process. Requirements for both a) and b) result in additional disclosures related to the adoption of IFRS, such as, among others, the entity's IFRS adoption date, the significant impacts of IFRS adoption on the financial information and the significant changes to the entity's accounting policies.

At the date of the audit report on these financial statements, the Company does not have enough information to define the impact of the adoption of this Interpretation will have on the 2012 financial statements, as well as to the 2011 comparative financial statements that will be issued for fiscal year 2012.

IV. New accounting pronouncements issued by the CINIF that will become effective as of January 1, 2011.

Various new accounting pronouncements have been issued by the CINIF that are effective as of January 1, 2011, and upon their adoption are retrospectively applied. The accompanying consolidated financial statements are being included by the Company in an Offering Memorandum for the issuance of debt securities. Included in that same Offering Memorandum are the Company's September 2011 unaudited interim consolidated financial statements, with such new accounting pronouncements retrospectively applied. For comparability purposes, the following new accounting pronouncements have also been retrospectively applied in these accompanying consolidated financial statements as indicated below:

Mexican FRS B-5, *Financial Information by Segment*

In November 2009, the CINIF issued Mexican FRS B-5, which will be effective for fiscal years beginning on or after January 1, 2011. Mexican FRS B-5 will replace Mexican accounting Bulletin B-5, *Financial Information by Segment*. Any accounting changes resulting from the adoption of this standard must be recognized retrospectively.

The main differences between this standard and Mexican accounting Bulletin B-5 are that a) this standard does not require the different areas of the business to be subject to different risks; b) it allows the different areas of a business in its pre-operating stage to be classified as operating segments; c) it requires disclosure of interest income and expense, as well as other comprehensive financing items; and d) it requires disclosure of the liabilities included in the regular information for the operating segment that is habitually used by the entity's most senior business for their decisions regarding the Company's operations.

As a result of the application of this statement the Company has disclosed in the accompanying consolidated financial statements, as part of the segments note, the additional information required, such as: interest expense, interest income, depreciation and amortization expense, taxes on profits, additions of non-current assets and amount of liabilities by segment.

Mexican FRS B-9, *Interim Financial Information*

In November 2009, the CINIF issued Mexican FRS B-9, which is effective for interim periods beginning on or after January 1, 2011. Mexican FRS B-9 will replace Mexican accounting Bulletin B-9, *Interim Financial Information.* The accounting changes resulting from the adoption of this standard will be recognized retrospectively.

Mexican FRS B-9 changes the previous standards applicable to the presentation of interim financial statements by requiring the presentation of statements of changes in equity and statements of cash flows. This standard also allows the preparation of condensed financial statements.

Mexican FRS B-9 requires the interim financial information at the end of a period to be presented comparatively with the information at the closing of the immediately prior equivalent period. The only exception to this is the statement of financial position, which means that the balance sheet at the immediately prior annual closing date must be presented.

The adoption of Mexican FRS B-9 had no effect on the Company's financial position or results of operations.

Mexican FRS C-4, *Inventories*

In November 2010, the CINIF issued Mexican FRS C-4, which will be effective for fiscal years beginning on or after January 1, 2011 and will replace Mexican accounting Bulletin B-4, *Inventories*. Any accounting changes resulting from the adoption of this standard related to changes in the formula for assigning inventory costs are to be recognized retrospectively. Changes in valuation methods must be recognized prospectively.

The principal difference between Mexican accounting Bulletin C-4 and Mexican FRS C-4 is that the new standard does not allow using direct costing as the inventory valuation method nor does it allow using the LIFO cost method. Mexican FRS C-4 establishes that inventories must be valued at the lower of either acquisition cost or net realizable value. Such standard also establishes that advances to suppliers for the acquisition of merchandise must be classified as inventories provided the risks and benefits of ownership of the merchandise have already been transferred to the Company. Mexican FRS C-4 also establishes the standards for service supplier inventory valuations.

The adoption of this standard was applied retrospectively in the financial statements at December 31, 2008, 2009 and 2010 (see Note 2w).

Mexican FRS C-5, *Prepaid Expenses*

In November 2010, the CINIF issued Mexican FRS C-5. Mexican FRS C-5 replaces Mexican accounting Bulletin C-5, *Prepaid Expenses*. Any accounting changes resulting from the adoption of this standard must be recognized retrospectively.

This standard establishes that the main characteristic of prepaid expenses is that they do not result in the transfer to the entity of the benefits and risks inherent to the goods or services to be received. Consequently, prepaid expenses must be recognized in the balance sheet as either current or non-current assets, depending on the item classification in the statement of financial position. Moreover, Mexican FRS C-5 establishes that prepaid expenses made for goods or services whose inherent benefits and risks have already been transferred to the entity must be reflected in the caption associated with the good or service.

The adoption of Mexican FRS C-5 requires the reclassification of assets paid with the intention to ensure good or services to be received. The reclassification made as a consequence of the application of this standard was applied retrospectively in the financial statements at December 31, 2008, 2009 and 2010.

Mexican FRS C-6, *Property, Plant and Equipment*

Mexican FRS C-6 was issued by the CINIF in December 2010 to replace Mexican accounting Bulletin C-6, *Property, Plant and Equipment*, and will be effective for fiscal years beginning on or after January 1, 2011, except for the changes related to the segregation of property, plant and equipment into separate components for those assets with different useful lives. For entities that have not performed this component segregation, the provisions of this new standard will be effective as of January 1, 2012.

Unlike Mexican accounting Bulletin C-6, this standard includes within its scope the treatment for assets acquired to develop or maintain biological assets and assets related to the mining industry. Among other points, it establishes that for acquisitions of free-of-charge assets, the cost of the assets must be null, thus eliminating the option of performing appraisals.

In the case of asset exchanges, Mexican FRS C-6 requires entities to determine the commercial substance of the transaction and the depreciation of these assets must be applied against the components of the assets, and the amount to be depreciated is the cost of acquisition less the asset's residual value. Prepaid expenses for the acquisition of assets are to be recognized as a component of the asset as of the time the benefits and risks inherent to such assets are transferred. In the case of retirement of assets, income is recognized when the requirements for income recognition outlined under the standard have been met.

The disclosures required by this standard will be applied by the Company in 2011 and will not have a significant impact. Additionally, the adoption of this standard will require a rollforward between the values at the beginning and end of the period, this specific disclosure will be mandatory for the Company in 2012.

Mexican FRS C-18, *Obligations related to retirement of property, plant and equipment*

In December 2010, the CINIF issued Mexican FRS C-18, which came into force for fiscal years beginning on or after January 1, 2011. This standard establishes the treatment for the initial and subsequent recognition of a provision for current or assumed legal obligations related to the retirement of property, plant and equipment that may have arisen during the acquisition, construction, development and/or normal operation of such components.

The adoption of this standard will have no effect on the Company's financial position because there is no obligation related to retirement of property, plant and equipment at this date.

w) Reclassifications

Certain captions shown in the financial statements at December 31, 2008 and 2009 as originally issued have been reclassified for uniformity of presentation with the December 31, 2010 financial statements. The effects of these reclassifications were applied retrospectively in the balance sheet at December 31, 2010 according to Mexican FRS B-1 "Accounting Changes and Error Correction".

The reclassifications made to the financial statements included reclassification of capitalized interest and development expenses applied to the December 31, 2008 and 2009 financial statements and, following the guidelines for the changes in MFRS C-4, this standard is applied retrospectively, at December 31, 2009 and 2010, advances to suppliers are presented as inventory, however, MFRS C-4 requires the recognition as inventory of those items whose risks and benefits have already been transferred to the entity, therefore, it must be understood that advance payments are not a part of inventory.

The retrospective effects applied to the December 31, 2008, 2009 and 2010 financial statements are as follows:

	Reported amounts December 31, 2008	Reclassifications	December 31, 2008
Inventories	Ps. 18,445,221	Ps. (1,046,330)	Ps. 17,398,891
Prepaid expenses	279,363	1,135,862	1,415,225
Other assets	213,324	(89,532)	123,792
Land for construction, long term	2,880,943	58,073	2,939,016
Accounts payable	148,303	58,073	206,376
Cost of sales	4,712,377	89,532	4,801,909
Interest expense	400,780	(89,532)	311,248

	Reported amounts December 31, 2009	Reclassifications	December 31, 2009
Inventories	Ps. 21,031,003	Ps. (611,811)	Ps. 20,419,192
Prepaid expenses	306,863	611,811	918,674
Cost of sales	9,543,163	92,621	9,635,784
Interest expense	330,660	(92,621)	238,039

	Reported amounts December 31, 2010	Reclassifications	December 31, 2010
Inventories	Ps. 17,047,083	Ps. (866,733)	Ps. 16,180,350
Prepaid expenses	177,950	866,733	1,044,683

3. Cash and Cash Equivalents

An analysis of this caption at December 31, 2009 and 2010 is as follows:

	2009	**2010**
Cash	Ps. 1,283,818	**Ps. 597,001**
Cash equivalents	3,105,304	**5,422,225**
Restricted cash	4,000	**135,369**
	Ps. 4,393,122	**Ps. 6,154,595**

Cash equivalents are composed of highly liquity investments that are readily convertible to cash and are not subject to a significant risk of changes in value, with a fixed interest rate between 4.1% and 4.9%. Restricted cash is used to guarantee the Company's obligations under Trust AAA Urbi in the amount of Ps. 4,000 in 2009 and Ps. 70,000 in 2010 and to guarantee margin calls negotiated by the Company in some of its derivative financial instrument contracts in the amount of Ps. 65,369 in 2010 (see Note 11).

4. Trade Receivables

At December 31, 2009 and 2010, an analysis of trade receivable is as follows:

	2009 (restated)	**2010**
Corporate customers	Ps. -	**Ps. 4,433,431**
Other trade receivables	849,400	**1,462,189**
	849,400	**5,895,620**
Allowance for doubtful accounts	(27,191)	**(54,264)**
	822,209	**5,841,356**
Long-term trade receivables	(290,990)	**(648,021)**
	Ps. 531,219	**Ps. 5,193,335**

Other trade receivables include balances due from the INFONAVIT, Government Employee Housing

Fund (FOVISSTE), the Federal Mortgage Company (SHF), commercial banks and other housing buyers. These receivables together exceed 10% of the total receivables balance. At December 31, 2009 and 2010 long-term trade accounts receivable include USD 34,804 and USD 15,646, respectively, related to the sale of land for residential housing developments. These loans have terms between one and seven years, depending on the amount of the down-payment, and are guaranteed by the land itself. The financing bears interest at annual average rates between 3% and 10%.

5. Inventories

An analysis of inventories at December 31, 2009 and 2010 is as follows:

	2009 (restated)	**2010**
Land under development	Ps. 15,090,298	**Ps.13,241,255**
Construction in progress	8,511,132	**8,547,414**
Construction material	52,570	**76,022**
Houses for sale	75,539	**68,070**
	23,729,539	**21,932,761**
Land for future housing developments	(3,310,347)	**(5,752,411)**
	Ps. 20,419,192	**Ps. 16,180,350**

At December 31, 2008, 2009 and 2010, capitalized comprehensive financing cost attributable to qualifying assets of Ps. 14,639,554, Ps. 19,983,871 and Ps. 18,395,007, respectively, was Ps. 902,756, Ps. 998,494 and Ps. 1,205,893, respectively, of which Ps.797,643, Ps. 850,529 and Ps. 878,294, respectively, was applied to cost of sales. The amortization term of capitalized comprehensive financing cost is approximately 3 years and annual capitalization rates are 6.16%, 4.99% and 6.56%.

An analysis of comprehensive financing cost for the years ended December 31, 2008, 2009 and 2010 is as follows:

	2008 (restated)	2009 (restated)	**2010**
Total accrued comprehensive financing cost	Ps. 923,235	Ps. 1,150,168	**Ps. 1,541,836**
Comprehensive financing cost capitalized in inventories	(902,756)	(998,494)	**(1,205,893)**
Comprehensive financing cost after capitalization	Ps. 20,479	Ps. 151,674	**Ps. 335,943**

The Company goes into partnerships with land-owners through trusts in order to provide land for construction for some of its housing developments. At December 31, 2009 and 2010, the Company has recognized Ps. 137,493 and Ps. 716,582, respectively, as part of its own land, of which Ps. 137,493 in 2009 and Ps. 601,979 in 2010 is land for future housing developments and Ps. 114,603 in 2010 is land under development.

6. Other Accounts Receivable

An analysis of this caption at December 31, 2009 and 2010 is as follows:

	2009	**2010**
Recoverable taxes	Ps. 703,302	**Ps. 1,288,598**
Sundry debtors and accounts receivable from	73,758	**62,621**

	2009	2010
employees		
Guaranty deposits	12,931	**28,103**
	Ps. 789,991	**Ps. 1,379,322**

7. Prepaid Expenses

An analysis of prepaid expenses at December 31, 2009 and 2010 is as follows:

	2009	**2010**
Prepaid insurance	Ps. 206,487	**Ps. 157,341**
Land purchase advances	367,291	**456,438**
Advances to suppliers	337,141	**410,295**
Current portion of public debt placement expenses (Note 9)	7,755	**20,609**
	Ps. 918,674	**Ps. 1,044,683**

8. Property, Machinery and Equipment

An analysis of property, machinery and equipment at December 31 is as follows:

	2009	**2010**
Land	Ps. 29,560	**Ps. 29,560**
Buildings	169,774	**197,075**
Machinery	213,428	**187,502**
Automotive equipment	105,373	**92,707**
Office furniture and equipment	90,627	**96,423**
Computer equipment	568,763	**669,494**
	1,177,525	**1,272,761**
Accumulated depreciation	(658,332)	**(770,264)**
Property, machinery and equipment, net	Ps. 519,193	**Ps. 502,497**

Depreciation charged to results of operations for the years ended December 31, 2008, 2009 and 2010 was Ps. 118,520, Ps. 157,878 and Ps. 164,446, respectively.

At December 31, 2009 and 2010, the caption property, machinery and equipment includes software licenses for Ps. 89,519 and Ps. 89,375, respectively, that are recognized as part of the caption computer equipment. The contracts of these licenses are between 3 to 5 years and are depreciated in the same periods.

9. Other Assets

a) An analysis of this caption at December 31, 2009 and 2010 is as follows:

	2009	**2010**
Public debt issuance expenses	Ps. 52,430	**Ps. 156,376**
Other equity investments	13,650	**13,650**

	2009	2010
Good faith deposit (Note 19c)	17,500	**64,154**
	83,580	**234,180**
Current portion of public debt issuance	(7,755)	**(20,609)**
Total non-current	Ps. 75,825	**Ps. 213,571**

The public debt issuance expenses correspond to the placement of Senior Guaranteed Notes in the U.S. market that mature in 2016 and 2020, as well as the other domestic senior notes issued in Mexico mentioned in Note 10. Debt placement expenses are capitalized as they are incurred and are amortized using the straight-line method over the term of the debt.

Other equity investments consist of Hito, S.A.P.I. de C.V. and Club Industrial, A.C. for Ps. 13,500 and Ps. 150, respectively. These investments are recognized at cost.

Amortization charged to results of operations for the years ended December 31, 2008, 2009 and 2010 was Ps. 7,719, Ps. 8,980 and Ps. 20,588, respectively. The estimated amortization of public debt issuance expenses for the following years is as follows:

Year	Amortization
2011	Ps. 20,609
2012	20,609
2013	20,609
2014	20,609
2015	20,609
Thereafter	53,331
	Ps. 156,376

10. Debt and Bank Loans

a) An analysis of short-term debt at December 31, 2009 and 2010 is as follows:

	2009	2010
Unsecured working capital loan from Barclays Bank PLC denominated in U.S. dollars for USD 150,000, bearing interest at the London Interbank Offered Rate (LIBOR) plus 3% and maturing on December 16, 2011.	Ps. -	**Ps. 1,853,565**
Uncollaterized working capital loan from BBVA-Bancomer, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.80% and maturing in January 2010.	1,068,017	**-**

	2009	2010
Domestic senior notes issued on October 2007 aggregating Ps. 1,000,000, bearing interest at the 28-day TIIE plus 1.25%, plus 0.50% for taxes, and maturing in September 2010.	1,000,000	**-**
Uncollaterized working capital loan from Banco Nacional de Mexico, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus percentage points ranging from 3.75% and 4.50% and maturing on October 31,		

2011.	-	**800,000**
Working capital bridge loans from BBVA- Bancomer, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3%, and maturing in April 2011.	-	**399,913**
Loan from Banco de Credito e Inversiones, S.A. denominated in U.S. dollars, bearing interest at the London Interbank Offered Rate (LIBOR) plus 1.25%, and maturing in November 2010.	65,294	**-**
Domestic senior notes issued on October 2007 aggregating Ps. 1,000,000 denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 2.04%, plus 0.50% for taxes, and maturing in January 2010.	61,338	**-**
Working capital bridge loans from Santander (Mexico), S.A. de C.V., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.80%, and maturing in October and November 2010.	59,997	**-**
Uncollaterized working capital loans from Banorte, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.60% and maturing in March 2010.	58,245	**-**
Working capital bridge loans from BBVA- Bancomer, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3%, and maturing in December 2010.	23,749	**-**
Interest provision for short-term debt	1,899	**3,511**
Interest provision for long-term debt	33,976	**191,937**
Sub-total	2,372,515	**3,248,926**
Financial recourse factoring line of credit with Banco Santander (Mexico), S.A.	297,346	**-**
Financial recourse factoring line of credit with Hipotecaria Nacional, S.A.	1,185,366	**-**
	Ps. 3,855,227	**Ps. 3,248,926**

The average interest rate on short-term debt at December 31, 2009 and 2010 was 7.61% and 5.24%, respectively.

At December 31, 2009, the Company had recourse financial factoring lines of credit for up to Ps. 1,200,000 and an average discount rate of 1.99% with Hipotecaria Nacional, S.A. and for up to Ps. 299,500 and an average discount rate of 0.95% with Banco Santander (Mexico), S.A. At December 31, 2010, the Company has made no drawdowns against the lines of credit obtained from Hipotecaria Nacional, S.A. The financial recourse factoring line of credit with Banco Santander (Mexico), S.A. was cancelled.

b) An analysis of the Company's long-term debt at December 31, 2009 and 2010 is as follows:

	2009	**2010**
Senior Guaranteed Note bonds denominated in U.S. dollars with Santander, S.A. and Deutsche Bank for USD 300,000, bearing fixed annual interest at the rate of 9.5% and maturing on January 21, 2020.	Ps. -	**Ps. 3,707,130**
Senior Guaranteed Note bonds denominated in U.S. dollars with Merrill Lynch and UBS Investment Bank for USD 150,000, bearing fixed annual interest at the rate of 8.50% and maturing in April 2016.	1,958,805	**1,853,565**
Simple working capital mortgage loans from BBVA-Bancomer, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.5% and maturing on September 22, 2013.	-	**500,000**
Working capital bridge loans from Banco Nacional de Mexico, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 4.75%, and maturing in December 2013. These loans were repaid in full in advance on December 29, 2010.	800,000	**-**
Working capital bridge loans from Banco Santander (Mexico), S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.80%, and maturing in May, July and September 2011, as well as April and June 2012. These loans were repaid in full in advance on March 29, 2010.	590,351	**-**
Mortgage loans in UDIs with Hipotecaria Su Casita, S.A. with maturities of 25 years and bearing interest of 9.10%. These loans mature in 2033.	571,897	**480,643**
Working capital loan from Banco de Credito e Inversiones, S.A. denominated in U.S. dollars for U.S. 20,000, bearing interest at the London Interbank Offered Rate (LIBOR) plus 4%, and maturing in September 2013.	-	**247,142**

	2009	**2010**
Working capital bridge loans from Banco Santander (Mexico), S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.80%, and maturing in December 2012.	-	**198,277**
Working capital bridge loan from BBVA- Bancomer, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3%, and maturing in January 2011.	97,040	**-**
Long-term debt	Ps. 4,018,093	**Ps. 6,986,757**

The average interest rate on long-term debt at December 31, 2009 and 2010 was 9.28% and 9.02%, respectively.

Restrictions

The Company is subject to certain financial and operating restrictions under its loans and notes payable. The strictest of these restrictions require the Company to maintain a quarterly consolidated ratio of debt with cost of financing to EBITDA of less than 3.0 to 1.0, a consolidated ratio of EBITDA to financing expenses of not less than 2.0 to 1.0, a consolidated ratio of EBITDA to comprehensive financing cost of not less than 2.0. At December 31, 2009 and 2010, the Company has met all these financial requirements.

For the purpose of the aforementioned covenants, EBITDA is contractually defined, in any period, the sum, determined based on the Company's consolidated financial statements prepared in conformity with Mexican FRS, of (i) operating income, (ii) capitalized comprehensive financing cost, (iii) depreciation, and (iv) amortization.

Maturity of long-term debt

An analysis of the maturities of long-term debt at December 31, 2010 is as follows:

Year	Amount
2012	Ps. 198,277
2013	747,142
2016	1,853,565
2020	3,707,130
Thereafter	480,643
	Ps. 6,986,757

11. Financial Instruments Acquired for Hedging Purposes

Financial instruments related to senior guaranteed notes 2016

In April 2006, the Company issued Senior Guaranteed Notes denominated in U.S. dollars for USD

150,000, bearing interest of 8.50%, and maturing in April 2016. As part of its financial strategy, in 2006, the Company entered into two cross currency swaps with Merrill Lynch (ML) and UBS Investment Bank (UBS). The notional amount for each of the swaps is USD 75,000.

The purpose of these hedges was to neutralize the effects of exchange rate fluctuations on the Company's U.S. dollar senior guaranteed notes relative to both the coupon payments payable during the instrument's first 5 years and the principal to be repaid. Specifically, the hedge was to cover the interest payable on the bonds from October 19, 2006 through April 19, 2011 and the principal that will be repaid through April 19, 2016. Over the instrument's 10-year term, the Company committed to pay a fixed rate in Mexican pesos of Ps. 10.485 pesos and Ps. 10.53 pesos per U.S. dollar to the agents of Lynch and UBS Investment Bank, respectively. These hedges were acquired over-the-counter (OTC) and were recorded at fair value as of its inception date. These instruments were also designated as cash flow hedges.

On February 18, 2010, the cross currency swaps that the Company had with ML and UBS were replaced with a new cross currency swap acquired from Bank Morgan Stanley AG. The new swap hedges the Company's exposure to fluctuations in the exchange rates and interest rates associated with the Company's senior guaranteed notes that mature in 2016. The exchange rate set for the hedge was Ps. 13.75 pesos per U.S. dollar and the interest rate set was 10.5%. These conditions will be in force from the date of signing through April 2016.

The net effect of replacing the aforementioned financial instruments represented a charge of Ps. 130,197 to the Company's results of operations.

Financial instruments related to senior guaranteed notes 2020

In January 2010, the Company issued Senior Guaranteed Notes denominated in U.S. dollars totaling USD 300,000 that bear interest of 9.50% and mature in January 2020. To mitigate the risk associated with interest rate fluctuations, the Company entered into two cross currency swaps – one with Banco Santander (Mexico), S.A. (Santander), and the other with Deutsche Bank Mexico, S.A. (Deutsche). The notional amount of each swap is USD 150,000. The fixed interest rates set by Santander and Deutsche for the swap were 10.22% and 10.42%, respectively. These rates were the result of amendments made to the original contracts in October and November 2010.

The swaps are OTC financial instruments that qualify as cash flow hedges and are recorded at fair value, which is determined using commonly accepted valuation techniques.

The Company's agreements under which it negotiated its derivative financial instruments with Santander, Deutsche Bank and Morgan Stanley stipulate margin calls when the fair value of the derivatives exceeds thresholds established. At December 31, 2010, the Company has guaranty deposits for margin calls made by Santander and Morgan Stanley of Ps. 59,561 (USD 4,820) and Ps. 5,808 (USD 470), respectively, which are shown in the balance sheet as restricted cash (see Note 3).

Financial instrument related to a loan obtained from Barclays PLC

In December 2010, the Company obtained a working capital loan from Barclays Bank PLC (Barclays PLC) for USD 150,000 that bears interest at the London Interbank Offered Rate (LIBOR) plus 3% and matures in December 2011. To mitigate the risk of exchange rate fluctuations associated with this loan, on December 17, 2010, the Company contracted with Barclays Bank Mexico, S.A. de C.V. (Barclays) a Zero Cost Collar financial instrument (ZCC).

The purpose of the ZCC is to limit the Company's exposure to exchange rate fluctuations to a range determined using a floor rate and a cap rate for the purchase of U.S. dollars on a future date. This means that if the exchange rate at the payment date is higher than the cap, URBI will be required to pay the exchange rate set as the cap rate, and if the exchange rate is lower than the agreed on floor, the Company will be required to pay the amount at the exchange rate set as the floor rate. Under this agreement, the Company obtained a floor rate of Ps. 12.669 pesos and a cap rate of Ps. 13.50 pesos per U.S. dollar. The ZCC expires the same date as repayment of the loan obtained from Barclays is due. This is an OTC instrument and qualifies as a cash flow hedge, which is recorded at fair value.

The effectiveness of the Company's financial instruments acquired for hedging purposes is determined from the time of their designation as hedges. The Company evaluated these instruments as effective because at December 31, 2010, the changes in the cash flows of the primary position and the instrument offset each other on a highly effective basis.

The ineffective portion of the CCS with Banco Santander S.A. and Deutsche Bank Mexico, S.A. charged to results of operations of the year ended December 31, 2010 aggregated Ps. 14,195 and Ps. 41,846, respectively. The financial instruments that the Company entered into with Barclays Bank Mexico, S.A. de C.V. were classified as highly effective.

In 2010, the Company paid interest on the debt instruments that were hedged. These interest payments gave rise to charges to results of operations of Ps. 70,845 from the difference between the actual prevailing exchange rates at the payment date and the exchange rates agreed on in the hedge.

The notional amount of each contract represents the volume of current derivatives and not the loss or gain associated with the market risk or credit risk of the instruments. The notional amounts is the amount to which the reference rate or price is applied to determine the cash flow to be exchanged.

A summary of the main characteristics of the Company's long-term financial instruments at December 31, 2009 is as follows:

Financial instrument	Purpose of financial instrument	Notional amount	Fair value		Changes in comprehensive income, net of taxes
			Asset	Liability	
Cross currency swap in USD with Merrill Lynch	To hedge exchange rate fluctuation	USD 75,000	Ps. 84,564	Ps. -	Ps. 94,719
Cross currency swap in USD with UBS Investment Bank	To hedge exchange rate fluctuation	USD 75,000	81,012	-	90,641
		USD 150,000	Ps. 165,576	Ps. -	Ps. 185,360

A summary of the main characteristics of the Company's short-term financial instruments at December 31, 2010 is as follows:

Financial instrument	Purpose of financial instrument	Notional amount	Fair value Asset	Fair value Liability	Changes in comprehensive income, net of taxes
Zero cost collar in USD with Barclays Bank Mexico, S.A.	To hedge exchange rate fluctuations	USD 150,000	Ps. -	Ps. 21,845	Ps. 15,291

A summary of the main characteristics of the Company's long-term financial instruments at December 31, 2010 is as follows:

Financial instrument	Purpose of financial instrument	Notional amount	Fair value Asset	Fair value Liability	Changes in comprehensive income, net of taxes
Cross currency swap in USD with Bank Morgan Stanley AG	To hedge exchange rate fluctuation	USD 150,000	**Ps. -**	Ps. 72,891	Ps. (42,777)
Cross currency swap in USD with Banco Santander (Mexico), S.A.	To hedge interest rate variance	USD 150,000	**-**	319,935	171,568
Cross currency swap in USD with Deutsche Bank Mexico, S.A.	To hedge interest rate variance	USD 150,000	**-**	347,586	170,360
		USD 450,000	**Ps. -**	**Ps. 740,412**	**Ps. 299,151**

For the years ended December 31, 2009 and 2010, the loss on the valuation of these financial instruments recorded gave rise to a decrease in accumulated other comprehensive income items of Ps. 185,360 and Ps. 314,442, respectively.

12. Accounts Payable

An analysis of this caption at December 31, 2009 and 2010 is as follows:

	2009 (restated)	**2010**
Suppliers for construction (1)	Ps. 3,236,700	**Ps.3,647,319**
Land suppliers (2)	1,265,274	**681,658**
Hewlett-Packard Operations Mexico, S. de R.L. de C.V.	124,137	**118,548**
GE Capital CEF Mexico, S. de R.L. de C.V.	61,280	**65,503**
	4,687,391	**Ps.4,513,028**
Current portion of long-term accounts payable (3)	(3,923,758)	**(4,162,297)**
Total long-term accounts payable	Ps. 763,633	**Ps. 350,731**

1) The Company has mechanisms in place that allow its suppliers and creditors to ensure their collections from several financial institutions. One such mechanism is a factoring program sponsored by Nacional Financiera, Sociedad Nacional de Credito (NAFIN -institucion de banca de desarrollo). This factoring program is commonly known as production chain and is financed by the suppliers and creditors themselves. Under the production chain program, suppliers and creditors are able to receive their payments on a timely basis and the Company avoids having to secure more financing to pay them.

In August 2009, in order to take advantage of the factoring program sponsored by NAFIN, the Company set up a trust called AAA Urbi (F-80591) that has a revolving line of credit for suppliers of Ps. 350,000 and a guarantee fund at December 31, 2009 and 2010 of Ps. 4,000 and Ps. 70,000, respectively. Under this program, the trust may use the line of credit with NAFIN to finance settlement of accounts payable to suppliers. As mentioned in Note 2, the trust is consolidated with the rest of the Company's subsidiaries.

2) This liability represents accounts payable to land suppliers for the acquisition of territorial reserves under development or that are part of land for future housing developments. These accounts have annual maturities through 2013. At December 31, 2009 and 2010, Ps. 1,499 and Ps. 20,338 of the balance of accounts payable bears annual interest of 2.5% and 3%, respectively.

Certain land suppliers reserve the right to repossess such properties if the Company does not make the agreed payments. At December 31, 2009 and 2010, accounts payable to suppliers who maintain conditional ownership of the land acquired total approximately Ps. 498,691 and Ps. 244,249, respectively.

3) Long-term accounts payable include Ps. 106,482 in long-term debt with Hewlett Packard and GE Capital CEF Mexico corresponding to acquisitions of computer equipment. These accounts payable mature in 2015 and bear interest at an annual rate of between 9.67% and 14.00%.

An analysis of the maturities of long-term accounts payable at December 31, 2010 is as follows:

Year	**Amount**
2012	Ps. 181,995
2013	49,927
2014	115,700
2015	3,109
	Ps. 350,731

13. Taxes and Other Accounts Payable

An analysis of this caption at December 31 is as follows:

	2009	**2010**
Income tax payable	Ps. 312,312	**Ps. 1,677,713**
Value added tax	429,785	**620,194**
Taxes on wages, withheld income tax and value added tax	24,627	**30,268**
Employee profit sharing	14,237	**41,565**
Sundry creditors	169,779	**179,612**
	Ps. 950,740	**Ps. 2,549,352**

14. Employee Benefit Obligations

An analysis of the net period cost of the defined employee benefits, seniority premiums and termination benefits for the years ended December 31, 2008, 2009 and 2010 is as follows:

a) An analysis of the net period cost of labor obligations, which is recorded as part of general and administrative expenses, is as follows:

	2008		
	Seniority premiums	Termination benefits	Total
Current year service cost	Ps. 434	Ps. 102	Ps. 536
Financing cost	218	34	252
Net actuarial gain (loss)	189	(11)	178
Labor cost of past services	170	44	214
Net period cost	Ps. 1,011	Ps. 169	Ps. 1,180

	2009		
	Seniority premiums	Termination benefits	Total
Current year service cost	Ps. 465	Ps. 106	Ps. 571
Financing cost	247	36	283
Net actuarial gain (loss)	(110)	(20)	(130)
Labor cost of past services	170	44	214
Net period cost	Ps. 772	Ps. 166	Ps. 938

	2010		
	Seniority premiums	**Termination benefits**	**Total**
Current year service cost	Ps. 672	Ps. 89	Ps. 761
Financing cost	269	44	313
Net actuarial gain (loss)	449	(39)	410
Labor cost of past services	170	44	214
Net period cost	Ps. 1,560	Ps. 138	Ps. 1,698

b) An analysis of the changes in the defined benefit obligation is as follows:

2009

	Seniority premiums	Termination benefits	Total
Present value of defined benefit obligation at January 1, 2009	Ps. 2,742	Ps. 406	Ps. 3,148
Current year service cost	465	106	571
Financing cost	247	36	283
Present value of defined benefit obligation at December 31, 2009	Ps. 3,454	Ps. 548	Ps. 4,002

	2010		
	Seniority premiums	**Termination benefits**	**Total**
Present value of defined benefit obligation at January 1, 2010	Ps. 3,455	Ps. 547	Ps. 4,002
Current year service cost	672	89	761
Financing cost	269	44	313
Present value of defined benefit obligation at December 31, 2010	Ps. 4,396	Ps. 680	Ps. 5,076

c) An analysis of the net projected liability at December 31, 2009 and 2010 is as follows:

	2009		
	Seniority premiums	Termination benefits	Total
Defined benefit obligation	Ps. 3,455	Ps. 547	Ps. 4,002
Unrecognized past services for non-vested benefits	(510)	(133)	(643)
Actuarial (loss) gain	(124)	151	27
Net projected liability shown in balance sheet	Ps. 2,821	Ps. 565	Ps. 3,386

	2010		
	Seniority premiums	**Termination benefits**	**Total**
Defined benefit obligation	Ps. 4,396	Ps. 680	Ps. 5,076
Unrecognized past services for non-vested benefits	(620)	(277)	(897)
Actuarial (loss) gain	(951)	302	(649)
Net projected liability shown in balance sheet	Ps. 2,825	Ps. 705	Ps. 3,530

Rates used in the actuarial study at December 31, 2008, 2009 and 2010 were as follows:

	2008	2009	**2010**
Discount rate	4.0%	5.0%	**4.0%**
Expected salary increase rate	2.0%	2.0%	**2.0%**
Inflation rate	4.4%	3.6%	**4.0%**

15. Equity

a) At December 31, 2010, the Company's capital stock consists of fixed minimum capital stock aggregating Ps. 191,193 (Ps. 95,836 nominal amount), with no withdrawal rights, and variable capital. The Company’s capital stock is represented by 976,445,286 shares with no par value.

b) In conformity with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued until the legal reserve reaches 20% of the value of capital stock issued and outstanding. At December 31, 2010, the legal reserve aggregates Ps. 38,239, and is included in the caption Retained earnings.

c) Earnings distributed in excess of the Net taxed profits account (CUFIN) balance are subject to payment of corporate income tax at the statutory rate at that time.

d) The share of shareholders in trusts is reflected in the financial statements as non-controlling interest in the Company’s equity.

16. Taxes on Profits

a) Urbi, Desarrollos Urbanos, S.A.B. de C.V. and each of its subsidiaries are subject to payment of income tax and flat-rate business tax (FRBT) on an individual basis. Income tax is computed at the rate of 30% of taxable income, taking into consideration certain taxable or deductible inflationary effects, such as depreciation computed on values in constant Mexican pesos and the effects of inflation on certain monetary assets and liabilities by means of the annual inflation adjustment.

b) Current-year FRBT is computed by applying the 17.5% rate (17% for 2009 and 17.5% for 2010 and subsequent years) to an income base determined on the basis of cash flows, net of authorized credits. FRBT credits result mainly from the negative FRBT base to be amortized, salary and social security contribution credits, and credits arising from the deduction of certain assets, such as inventories and fixed assets, during the transition period as of the date on which the FRBT became effective.

FRBT is payable only to the extent it exceeds income tax for the same period. To determine FRBT payable, income tax paid in a given period is first subtracted from the FRBT of the same period. When the FRBT base is negative because deductions exceed taxable income, there is no FRBT payable. The amount of the negative base multiplied by the FRBT rate results in a FRBT credit, which may be applied against income tax for the same year or, if applicable, against FRBT payable in the next ten years. Due to the abrogation of the Asset Tax Law, any favorable asset tax generated by the Company in the last ten years may either be requested in refund or offset against the income tax payable of future years, subject to certain restrictions.

Based on projections of its taxable income, the Company estimates that it will be subject to the payment of income tax in subsequent years.

c) For the years ended December 31, 2008, 2009 and 2010, income tax charged to results of operations

was as follows:

	2008 (restated)	2009 (restated)	**2010**
Current-year income tax	Ps. 7,312	Ps. 260,488	**Ps. 1,865,796**
Deferred income tax	119,403	901,765	**(898,017)**
Current year FRBT	27,893	57,755	**-**
Total taxes on profits	Ps. 154,608	Ps. 1,220,008	**Ps. 967,779**

d) An analysis of the effects of the temporary differences on deferred tax (assets) liabilities is as follows:

	2009 (restated)	**2010**
Deferred income tax assets:		
Property, machinery and equipment	Ps. (24,453)	**Ps. (34,488)**
Allowance for doubtful accounts	(217)	**(17)**
Derivative financial instruments	(75,905)	**(134,468)**
Tax losses from prior years	(340,539)	**(623,926)**
Other liabilities	(45,449)	**(55,083)**
	(486,563)	**(847,982)**
Deferred tax liabilities:		
Trade receivables	99,559	**69,567**
Inventories	4,032,214	**3,392,179**
Prepaid expenses	75,305	**74,266**
	4,207,078	**3,536,012**
Deferred income tax liability, net	Ps. 3,720,515	**Ps. 2,688,030**

e) The major items that gave rise to a difference between the total amount of current year income tax and the current year deferred tax determined at the statutory rate are as follows:

	2008 (restated)	2009 (restated)	**2010**
Statutory tax rate	28.0%	28.0%	**30.0%**
Annual inflation adjustment	0.4%	2.0%	**3.4%**
Permanent items	0.5%	0.3%	**2.7%**
Other	0.4%	-	**0.6%**
	29.3%	30.3%	**36.7%**
Effect of change in statutory rate	-	14.0%	**-**
Effective tax rate	29.3%	44.3%	**36.7%**

f) In November 2009, Mexican Congress passed a new Income Tax Law (tax reform) that was published on December 7, 2009 and came into force as of January 1, 2010. This reform establishes that the income tax rate will increase from 28% to 30% for the years from 2010 to 2012, that the rate will be 29% for 2013 and that it will return to 28% for 2014 and thereafter.

g) Staring in 2005, the Mexican Income Tax Law was modified to allow for the tax deduction of cost of

sales rather than purchases. As a result of this change, the beginning balance of inventories will be taxable equally over 12 years, as determined based on the Company's inventory turnover rate of 0 to 1 times. However, a tax deduction from the purchase of land for construction is still allowed.

h) At December 31, 2010, the balance of the restated contributed capital account (CUCA) was Ps. 4,961,728 and the balance of the Net taxed profits account (CUFIN) was Ps. 6,024,855.

i) The Company has tax losses from prior years which, in conformity with the current Income Tax Law, may be restated for inflation and carried forward against taxable income generated in the next ten years.

An analysis of the Company's available tax loss carryforward at December 31, 2010 is as follows:

Year of loss	Year of expiration	Restated amount	Deferred tax effect
2005	2015	Ps. 31,465	Ps. 9,439
2006	2016	154,768	46,430
2007	2017	63,706	19,112
2008	2018	413,400	124,020
2009	2019	429,391	128,817
2010	2020	987,024	296,108
		Ps. 2,079,754	**Ps. 623,926**

17. Foreign Currency Balances

a) The consolidated financial statements at December 31, 2009 and 2010 include the following U.S. dollar denominated assets and liabilities:

	(Thousands of U.S. Dollars) 2009	**2010**
Total assets	USD 51,043	**USD 52,706**
Total liabilities	(183,920)	**(654,925)**
Net monetary liability position	USD (132,877)	**USD (602,219)**

The exchange rates used to translate the above-mentioned amounts to Mexican pesos at December 31, 2009 and 2010, published by Banco de Mexico in the *Official Gazette*, were Ps. 13.06 pesos and Ps. 12.36 pesos, respectively, per U.S. dollar. At September 8, 2011, the date of the audit report on these financial statements, the exchange rate is Ps. 12.51 pesos per U.S. dollar.

18. Segments

The Company primarily operates in four segments: affordable entry-level (AEL), low middle-income (LMI), high middle-income and upper-income (HMI and UI) and housing-related activities. Management uses information categorized by segment to: i) measure the performance of the business; ii) evaluate the risks and benefits of the business; and iii) aid the decision-making process.

The Company generates individual reports for each of these segments. The following segment information is presented and is base from the information used by management for decision making purposes. The Company segregates its financial information by housing segments (AEL, LMI, HMI and UI, and housing related activities), taking in consideration the nature of the business operational structures required to meet a specific customer profile. The housing segments in which the Company operates are consistent with the levels at which most financial institutions categorize their funding.

The industry of housing developers in Mexico is divided into three business segments depending on the price of sale: AEL, LMI, HMI and UI. It is considered that the AEL sale price fluctuates in a range between Ps. 195 and Ps. 400, while the sale price of LMI fluctuates between Ps. 400 and Ps. 720, and the sale price of HMI and UI is more than Ps. 720.

Housing related activities includes mainly revenues from activities related to home sales, particularly from services such as Casa Capital Plus program, the sale of home furnishings and equipment; and the sale of commercial land and macroprojects.

The Company's gross income by business segment at December 31, 2008, 2009 and 2010 is as follows:

	2008 (restated)				
	AEL	LMI	HMI and UI	Housing related activities	Total
Sales	Ps. 5,243,616	Ps. 1,052,339	Ps. 396,148	Ps. 191,248	Ps. 6,883,351
Cost of sales	3,720,930	710,335	260,464	110,180	4,801,909
Gross profit	1,522,686	342,004	135,684	81,068	2,081,442
Operating income	339,593	104,570	46,303	37,917	528,383
Depreciation and amortization	209,489	42,042	15,827	7,640	274,998
Interest expense	237,103	47,584	17,913	8,648	311,248
Interest income	180,819	36,288	13,661	6,595	237,363

	2009 (restated)				
	AEL	LMI	HMI and UI	Housing related activities	Total
Sales	Ps. 5,250,574	Ps. 6,628,158	Ps. 1,602,506	Ps. 219,204	Ps. 13,700,442
Cost of sales	3,854,023	4,578,701	1,079,961	123,099	9,635,784
Gross profit	1,396,551	2,049,457	522,545	96,105	4,064,658
Operating income	952,207	1,488,531	386,928	77,554	2,905,220
Depreciation and amortization	144,218	182,057	44,016	6,021	376,312
Interest expense	91,226	115,161	27,843	3,809	238,239
Interest income	31,576	39,861	9,637	1,318	82,393

	2010				
	AEL	LMI	HMI and UI	Housing related activities	Total
Sales	**Ps. 7,860,051**	**Ps. 3,552,706**	**Ps. 1,549,054**	**Ps. 2,015,025**	**Ps. 14,976,836**
Cost of sales	**5,806,476**	**2,467,596**	**1,058,315**	**1,390,678**	**10,723,065**
Gross profit	**2,053,575**	**1,085,110**	**490,739**	**624,347**	**4,253,771**
Operating income	**1,348,676**	**766,499**	**351,818**	**443,638**	**2,910,631**
Depreciation and amortization	**145,717**	**65,863**	**28,718**	**37,357**	**277,655**
Interest expense	**192,851**	**87,168**	**38,007**	**49,440**	**367,465**
Interest income	**116,300**	**52,567**	**22,920**	**29,815**	**221,603**

The operating income shown in the tables above was calculated based on the revenues of each segment, less consolidated costs and expenses. The allocation of the total of operation expenses, depreciation and amortization by segment was based on the percentage of each segment sales of the consolidated sales.

The Company does not segregate its total assets by business segment.

19. Contingencies and Commitments

a) As required under Mexican law, the Company extends its homebuyers a two-year warranty for construction defects. However, the Company obtains bonds and guarantee deposits from its contractors to cover potential future warranty claims. Guarantee deposits are returned to contractors upon expiration of the warranty period.

The Company also takes out insurance for 10-year terms against construction defects in the low-income houses it builds.

b) As part of its investment in information technology systems, the Company has entered into operating leases for the use of computer equipment with Hewlett-Packard Operations Mexico, GE Capital CEF Mexico and Arrendadora Capital Corporation aggregating Ps. 146,418, payable in a period from 12 to 37 months.

Future minimum annual rent under the current operating leases with initial terms of more than one year at December 31, 2010 is as follows:

Year	Amount
2012	Ps. 44,324
2013	24,628
2014	105
	Ps. 69,057

c) On December 19, 2007, the Company entered into a partnership agreement with Prudential Investment Management, Inc. (Prudential). In general terms, the purpose of the association is for both companies to jointly invest in real estate development projects, which includes, buying and urbanizing land and building infrastructure and low-, medium- and high-income homes. The Company's participation in the association shall be limited to a total investment of USD 1 billion or 5 years, whichever occurs first.

This agreement stipulates the obligation to create a master trust under the laws of Mexico, and it is this master trust that created the trusts for each real estate project. Prudential is the controlling beneficiary in these trusts. Prudential places the land into these trusts and the Company contributes the urbanization, infrastructure and construction of the houses for each real estate project. The trustees for these trusts are Bank of America Mexico, S.A., Institucion de Banca Multiple; Grupo Financiero Bank of America, Division Fiduciaria; and The Bank of New York Mellon, S.A. Institucion de Banca Multiple.

On December 28, 2007, Prudential made Ps. 3,500 million available for this program and it was originally agreed that this amount would remain available until March 15, 2009; however, the availability term was extended through June 30, 2011. The Company left a good faith deposit of Ps. 17.5 million with Prudential to guarantee that it will actually make the contributions to the real estate development program with the characteristics agreed by both parties. The good faith deposit will be returned to the Company provided the prospective profit from the real estate development is at least equal to the funds contributed by Prudential to the program.

As required under the association agreement, the Company guaranteed its compliance with its obligations under the agreement by providing Prudential with a standby letter of credit of USD 10 million. This letter of credit is rolled over every six months and the maximum maturity date is June 30, 2013.

The master trust will not have access to commercial loans; therefore each partner of the trust should obtain the financing to perform its activities.

At December 31, 2008, 2009 and 2010, the value of the real estate projects that comply with the characteristics agreed in the association agreement with Prudential was Ps.2,274,662, Ps. 2,241,162 and Ps. 4,911,374, respectively. At December 31, 2008, 2009 and 2010, 18 trusts have been created for the development of real estate projects, with a total investment of Ps. 224,553, Ps. 981,019 and Ps. 1,991,712, (9.9%, 43.8% and 40.6% of total investment, respectively), which is recorded in inventories as part of construction and urbanization in process.

Based on the terms of the master agreement PREI is responsible for finding and acquiring the land that will be contributed to the trust, while URBI is responsible for obtaining the applicable construction permits, executing the urbanization work, and building housing units.

URBI is responsible, in the name of the trust, for the actual selling of the houses, including issuance of the corresponding deeds ("escritura") and the corresponding registration with the Public Registry of Property. Collections from the acquirers are done by the Trust or by Urbi in the name of the Trust and deposited in the Trust bank accounts. These collections are distributed by the Trust according to the Master Trust Agreement. This means that monies are distributed to PREI, for the portion attributable to the land, and to URBI for the portion attributable to the houses and related constructions made on the land contributed to the corresponding trust.

URBI recognizes the Trust as its customer, and therefore, recognizes all capitalizable costs as part of inventories and recognizes the corresponding liabilities incurred to develop the housing units as well. As soon as the sale by the Trust is performed, it recognizes the sale for the portion of the construction and the corresponding account receivable, related to the portion of the project that belongs to the construction of the housing units and costs of construction (which include urbanization and housing expenditures) as part of cost of goods sold, and does not include the costs related to land.

20. Restatement of Financial Statements

As a result of the adoption of Mexican FRS Interpretation 14, *Real Estate Construction, Sales and Service*

Agreements, as of January 1, 2010, the Company retrospectively recognized certain adjustments in the financial statements from prior years to show such financial statements as if the adoption of MFRSI 14 had occurred at January 1, 2008, in conformity with Mexican FRS B-1, *Accounting Changes and Error Corrections*.

An analysis of the effects of the adjustments derived from the adoption of Interpretation to Mexican FRS 14 on the balance sheet at December 31, 2009 is as follows:

	Consolidated Condensed Balance Sheet		
	Figures at December 31, 2009	**Effects of adopting Mexican FRS Interpretation 14**	**Restated figures at December 31, 2009**
Assets			
Cash and cash equivalents	Ps. 4,389,122	Ps. -	Ps. 4,389,122
Restricted cash	4,000	-	4,000
Accounts receivable, net	13,807,928	(13,276,709)	531,219
Inventories	10,747,038	9,672,154	20,419,192
Other accounts receivable	789,991	-	789,991
Prepaid expenses	1,011,295	(92,621)	918,674
Total current assets	30,749,374	(3,697,176)	27,052,198
Non-current assets	4,361,931	-	4,361,931
Total assets	Ps. 35,111,305	Ps. (3,697,176)	Ps. 31,414,129
Current liabilities	Ps. 8,729,725	Ps. 469,667	Ps. 9,199,392
Long-term liabilities	9,755,681	(1,250,054)	8,505,627
Total liabilities	18,485,406	(780,387)	17,705,019
Total equity	16,625,899	(2,916,789)	13,709,110
Total liabilities and equity	Ps. 35,111,305	Ps. (3,697,176)	Ps. 31,414,129

An analysis of the effects of the adjustments derived from the adoption of Mexican FRS Interpretation 14 on the statement of income for the year ended December 31, 2009 is as follows:

	Consolidated Condensed Statement of Income		
	Year ended December 31, 2009	**Effects of adopting Mexican FRS Interpretation 14**	**Restated figures for the year ended December 31, 2009**
Sales	Ps. 13,057,220	Ps. 643,222	Ps. 13,700,442
Cost of sales	(9,094,902)	(540,882)	(9,635,784)
General and administrative expenses	(1,159,438)	-	(1,159,438)
Other income, net	685	-	685
Comprehensive financing cost	(244,295)	92,621	(151,674)
Income before taxes	2,559,270	194,961	2,754,231
Taxes on profits	(1,161,520)	(58,488)	(1,220,008)
Net income	Ps. 1,397,750	Ps. 136,473	Ps. 1,534,223

An analysis of the effects of the adjustments derived from the adoption of Interpretation to Mexican FRS

14 on the statement of income for the year ended December 31, 2008 is as follows:

	Consolidated Condensed Statement of Income		
	Year ended December 31, 2008	**Effects of adopting Mexican FRS Interpretation 14**	**Restated figures for the year ended December 31, 2008**
Sales	Ps. 15,003,984	Ps. (8,120,633)	Ps. 6,883,351
Cost of sales	(10,289,628)	5,487,719	(4,801,909)
General and administrative expenses	(1,553,059)	-	(1,553,059)
Other income, net	19,263	-	19,263
Comprehensive financing cost	(110,011)	89,532	(20,479)
Income before taxes	3,070,549	(2,543,382)	527,167
Taxes on profits	(866,755)	712,147	(154,608)
Net income	Ps. 2,203,794	Ps. (1,831,235)	Ps. 372,559

21. Adoption of International Financial Reporting Standards

As of 2012, the CNBV has required issuers with securities registered with the National Registry of Securities release financial information prepared based on IFRS. In accordance with this requirement, the Company will adopt IFRS accounting beginning January 1, 2012.

The Company has not yet quantified the impact that IFRS will have on its consolidated financial statements.

22. Other Income, Net

An analysis of this caption for the years ended December 31, 2008, 2009 and 2010 is as follows:

	2008	2009	**2010**
Gain on sale of fixed assets	Ps. 1,098	Ps. 588	**Ps. 62,048**
Other	18,165	97	**1,366**
	Ps. 19,263	Ps. 685	**Ps. 63,414**

23. Subsequent Events

a) On April 12, 2011, the Company obtained an uncollateralized loan from Credit Suisse AG of USD 150,000. The loan bears interest at the London Interbank Offered Rate (LIBOR) plus 3.25%, and it matures on April 13, 2012. The proceeds received from the loan shall primarily be used to repay the Company's short-term debt and to cover its working capital requirements. To mitigate the effects of exchange rate fluctuations on the loan, on April 13, 2011, the Company contracted two financial

instruments with Banco Credit Suisse (Mexico), S.A.: i) an interest rate hedge that provides a fixed interest rate of the TIIE, less 1%, and ii) a zero cost collar instrument, which mitigates the risk of exchange rate fluctuations in the payment of principal through exchange rates of $ 11.9280 pesos (floor) and $ 13.50 pesos (cap) per U.S. dollar.

b) During the first quarter of 2011, the financial instruments contracts with Bank Morgan Stanley AG, Banco Santander (Mexico), S.A. (Santander) and Deutsche Bank Mexico, S.A. (Deutsche) in force as of December 31, 2010 were restructured so as to obtain better interest rates. This interest rate restructuring yielded the following results:

i) The restructuring with Morgan Stanley consisted of dividing the notional amount of USD 75,000 into equal portions. The originally agreed upon rate of 10.50% was reduced to 9.98% and applied to one of the two portions into which the notional amount was divided. The 28-day TIIE plus 2.95% was applied to the other portion. The counterparty was replaced by another company of the Morgan Stanley group, Morgan Stanley (France) SAS.

ii) The Company agreed with Santander to divide the original notional amount of USD 150,000 between Santander and Morgan Stanley so that Santander will cover USD 130,000 at an interest rate that was modified from 10.22% to 10.32%. Morgan Stanley will cover the remaining notional amount of USD 20,000 at the originally agreed upon interest rate of 10.22%.

iii) The instrument contracted with Deutsche covered a notional amount of USD 150,000 and the originally agreed interest rate of 10.42% was switched to a variable rate based on the DB Gain index.

c) As of April 15, 2011, the Company has six new subsidiaries, constituted with capital stock of Ps. 100 each. At the date of this report these subsidiaries have not started operations, the new subsidiaries are as follows:

Subsidiary	**% equity interest**
Desarrolladora Armmed Norte, S.A. de C.V.	99.99%
Constructora y Desarrolladora del Occidente, S.A. de C.V.	99.99%
Herof Desarrolladora del Sur, S.A. de C.V.	99.99%
Desarrolladora Mex-Centro, S.A. de C.V.	99.99%
Lufro Desarrolladora del Bajio, S.A. de C.V.	99.99%
Inmobiliaria y Constructora Pac- Mex, S.A. de C.V.	99.99%

d) On July 6, 2011, the trust AAA URBI, subsidiary of Urbi, Desarrollos Urbanos, S.A.B. de C.V. entered into a modificatory agreement of the revolving line of credit for suppliers signed on October 29, 2009. Through the modifications the Company increased the amount of the line of credit to Ps.700,000. The resources will be used to finance suppliers. The increase in this line of credit is conditioned to reach funding for Ps.140,000.

URBI, DESARROLLOS URBANOS, S.A.B. DE C.V. AND SUBSIDIARIES
Unaudited Condensed Consolidated Balance Sheets
(In thousands of Mexican pesos)

	At December 31, 2010	At September 30, 2011	Thousands of U.S. dollars 2011 (Note 1k)
Assets			
Current assets:			
Cash and cash equivalents (Note 2)	Ps. 6,154,595	Ps. 6,931,281	USD 516,423
Trade receivable, net (Note 3)	5,193,335	7,190,834	535,762
Inventories (Note 4)	16,180,350	17,973,337	1,339,125
Other accounts receivable	1,379,322	1,454,359	108,359
Prepaid expenses	1,044,683	1,295,928	96,555
Derivative instruments (Note 6)	-	164,438	12,252
Total current assets	**29,952,285**	**35,010,177**	**2,608,476**
Non-current assets:			
Long-term trade receivable, net (Note 3)	648,021	596,993	44,480
Land for construction, long-term (Note 4)	5,752,411	5,984,744	445,901
Property, machinery and equipment, net	502,497	553,348	41,228
Derivative instruments (Note 6)	-	525,498	39,153
Other assets	213,571	133,993	9,983
Total non-current assets	**7,116,500**	**7,794,576**	**580,745**
Total assets	**Ps. 37,068,785**	**Ps. 42,804,753**	**USD 3,189,221**
Liabilities and equity			
Current liabilities:			
Short-term debt (Note 5)	Ps. 3,248,926	Ps. 6,940,726	USD 517,127
Current portion of long-term debt (Note 5)	-	89,478	6,667
Trade advances	546,356	655,391	48,831
Accounts payable (Note 7)	4,162,297	4,662,651	347,396
Derivative instruments (Note 6)	21,845	-	-
Taxes and other accounts payable	2,549,352	3,210,242	239,183
Total current liabilities	**10,528,776**	**15,558,488**	**1,159,204**
Long-term liabilities:			
Long-term debt (Note 5)	6,986,757	7,016,221	522,752
Accounts payable (Note 7)	350,731	198,131	14,762
Labor obligations	3,530	3,531	263
Derivative instruments (Note 6)	740,412	192,985	14,379
Deferred income tax (Note 10)	2,688,030	2,090,235	155,735
Total long-term liabilities	**10,769,460**	**9,501,103**	**707,891**
Total liabilities	**21,298,236**	**25,059,591**	**1,867,095**
Equity (Note 9)			
Capital stock	191,193	191,193	14,245
Additional paid-in capital	5,133,062	5,133,062	382,445
Retained earnings	10,141,081	11,877,101	884,919
Accumulated other comprehensive income items	(411,369)	(196,554)	(14,644)
Controlling interest	15,053,967	17,004,802	1,266,965
Non-controlling interest	716,582	740,360	55,161
Total equity	**15,770,549**	**17,745,162**	**1,322,126**
Total liabilities and equity	**Ps. 37,068,785**	**Ps. 42,804,753**	**USD 3,189,221**

The accompanying notes are an integral part of these financial statements.

URBI, DESARROLLOS URBANOS, S.A.B. DE C.V. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Income
(In thousands of Mexican pesos, except for earnings per share and weighted average number of outstanding shares)

	Period from July 1 to September 30,		Nine-months ended September 30,		Thousands of U.S. dollars
	2010	**2011**	**2010**	**2011**	**(Note 1k)**
Net sales (Notes 1c and 11)	Ps. 4,199,115	Ps. 4,533,643	Ps. 9,967,096	Ps.11,235,755	USD 837,133
Cost of sales (Notes 1c and 11)	3,012,597	3,264,225	7,128,878	8,081,733	602,139
Gross profit	1,186,518	1,269,418	2,838,218	3,154,022	234,994
General and administrative expenses	310,468	388,605	885,367	982,664	73,215
Operating income	876,050	880,813	1,952,851	2,171,358	161,779
Other income, net (Note 12)	1,170	945	1,584	2,262	169
Comprehensive result of financing:					
Financial expense	(83,234)	(9,611)	(246,936)	(121,433)	(9,047)
Financial income	23,701	185,533	113,071	354,103	26,383
Exchange (loss) gain, net	(29,826)	25,489	(15,480)	(15,672)	(1,168)
(Loss) gain on financial instruments (Note 6)	(64,347)	222,769	(156,345)	205,561	15,315
	(153,706)	424,180	(305,690)	422,559	31,483
Income before taxes on profits	723,514	1,305,938	1,648,745	2,596,179	193,431
Taxes on profits (Note 10)	(218,699)	(395,893)	(497,933)	(833,122)	(62,073)
Net income	Ps. 504,815	Ps. 910,045	Ps. 1,150,812	Ps. 1,763,057	USD 131,358
Net income attributable to:					
Controlling interest	Ps. 504,815	Ps. 905,243	Ps. 1,150,812	Ps. 1,736,020	USD 129,344
Non-controlling interests	-	4,802	-	27,037	2,014
Net income	Ps. 504,815	Ps. 910,045	Ps. 1,150,812	Ps. 1,763,057	USD 131,358
Weighted average number of outstanding shares	976,445,286	976,445,286	976,445,286	976,445,286	976,445,286
Earnings per share of equity holders of the parent	Ps. 0.52	Ps. 0.93	Ps. 1.18	Ps. 1.78	USD 0.13

The accompanying notes are an integral part of these financial statements.

URBI, DESARROLLOS URBANOS, S.A.B. DE C.V. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Equity
For the nine-month periods ended September 30, 2010 and 2011
(In thousands of Mexican pesos)

	No. of shares	Capital stock	Additional paid in capital
Balance at January 1, 2010	976,445,286	Ps. 191,193	Ps. 5,133,062
Changes in the fair value of derivatives, net of taxes	-	-	-
Net income	-	-	-
Balance at September 30, 2010	976,445,286	Ps. 191,193	Ps. 5,133,062
Balance at January 1, 2011	976,445,286	Ps. 191,193	Ps. 5,133,062
Changes in the fair value of derivatives, net of taxes (Note 6)	-	-	-
Additions to non-controlling interests attributable to land-owner programs (Note 4)	-	-	-
Net income	-	-	-
Payment to non-controlling interests (Note 4)	-	-	-
Balance at September 30, 2011	976,445,286	Ps. 191,193	Ps. 5,133,062

The accompanying notes are an integral part of these financial statements.

	Retained earnings	Accumulated other comprehensive income items	Non-controlling interest	Total equity	Comprehensive income
	Ps. 8,481,782	Ps. (96,927)	Ps. -	Ps. 13,709,110	
	-	(322,790)	-	(322,790)	Ps. (322,790)
	1,150,812	-	-	1,150,812	1,150,812
	Ps. 9,632,594	Ps. (419,717)	Ps. -	Ps. 14,537,132	Ps. 828,022
	Ps. 10,141,081	**Ps. (411,369)**	**Ps. 716,582**	**Ps. 15,770,549**	
	-	**214,815**	**-**	**214,815**	**Ps. 214,815**
	-	**-**	**23,778**	**23,778**	
	1,736,020	**-**	**27,037**	**1,763,057**	**1,763,057**
	-	**-**	**(27,037)**	**(27,037)**	
	Ps. 11,877,101	**Ps. (196,554)**	**Ps. 740,360**	**Ps. 17,745,162**	**Ps. 1,977,872**

The accompanying notes are an integral part of these financial statements.

URBI, DESARROLLOS URBANOS, S.A.B. DE C.V. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows
(Amounts in thousands of Mexican pesos)

	For the nine-month periods ended September 30, 2010	2011	Thousands of U.S. Dollars 2011 (Note 1k)
Operating activities			
Income before taxes on profits	Ps. 1,648,745	Ps. 2,596,179	USD 193,431
Items not requiring cash flows:			
From investing activities			
Depreciation	121,327	97,101	7,235
Amortization of public debt placement expenses	84,902	-	-
Interest income	(113,071)	(354,103)	(26,383)
Gain on sale of property, machinery and equipment	(1,142)	(1,046)	(78)
From financing activities			
Valuation of derivatives	313,473	(504,768)	(37,608)
Changes in operating assets and liabilities:			
Accrued interest payable	246,936	121,433	9,047
Trade receivables	(3,017,117)	(1,946,471)	(145,024)
Other accounts receivable	(576,569)	(75,037)	(5,591)
Inventories	3,265,391	(726,882)	(54,157)
Prepaid expenses	(398,703)	(251,245)	(18,720)
Other assets	(94,179)	79,578	5,930
Accounts payable	(1,197,006)	347,754	25,910
Taxes and other accounts payable	(365,485)	(745,052)	(55,511)
Net cash flows from operating activities	(82,498)	(1,362,560)	(101,519)
Investing activities			
Proceeds from the sale of property, machinery and Equipment	2,059	3,867	288
Interest income	113,071	38,599	2,876
Purchase of property, machinery and equipment	(99,287)	(150,773)	(11,234)
Net cash flows from investing activities	15,843	(108,307)	(8,070)
Financing activities			
Loans received	11,311,132	8,289,456	617,616
Payments to non-controlling interests	-	(27,037)	(2,014)
Earned interest	-	315,504	23,507
Loans repaid	(9,025,882)	(5,274,272)	(392,966)
Interest paid	(953,747)	(1,056,098)	(78,686)
Net cash flows provided by financing activities	1,331,503	2,247,553	167,457
Net increase in cash and cash equivalents	1,264,848	776,686	57,868
Cash and cash equivalents at beginning of the year	4,393,122	6,154,595	458,555
Cash and cash equivalents at end of year	Ps. 5,657,970	Ps. 6,931,281	USD 516,423

The accompanying notes are an integral part of these financial statements.

URBI, DESARROLLOS URBANOS, S.A.B. DE C.V. A ND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements
(In thousands of Mexican pesos, unless otherwise indicated)

1. Summary of Significant Accounting Policies and Practices

a) Basis of presentation

The accompanying unaudited condensed consolidated financial statements are presented based on the same accounting principles described in the Company's audited financial statements at December 31, 2010 and for the year then ended (audited financial statements), and were prepared in accordance with Mexican Financial Reporting Standards (MFRS) Bulletin B-9, *Interim financial reporting*, applicable to interim financial information. Consequently, such interim financial statements do not include all the information and notes required for complete financial statements. For further information, refer to the audited financial statements for the year ended December 31, 2010. However, in the opinion of Company's management, all the adjustments (consisting of normal recurring provisions) that were considered necessary for a reasonable presentation have been included. The results of operations for the nine-month periods ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The condensed consolidated balance sheet as of December 31, 2010 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by MFRS. For further information, refer to the 2010 audited financial statements.

On January 24, 2012, the accompanying condensed consolidated financial statements and these notes at September 30, 2011 were authorized by Company management for their issuance and subsequent approval by the audit committee, Board of Directors, and shareholders at their next meetings.

b) Consolidation

The unaudited condensed consolidated financial statements include the financial statements of URBI, Desarrollos Urbanos, S.A.B. de C.V. and those of its subsidiaries, all of which are 99.9% owned, as well as of the trust the Company controls (see Note 2 to the consolidated financial statements at December 31, 2010).

Consolidation starts from the moment the Company acquires control over the subsidiary. The financial statements of the subsidiaries have been prepared for the same accounting period and following the same accounting policies as those of the Company.

All intercompany balances, investments and transactions were eliminated in the consolidated financial statements.

The equity investment of minority partners is presented in the consolidated financial statements as part of the caption non-controlling interest.

c) Recognition of revenues and cost of sale of housing units

Revenues, costs and expenses from the Company's home sales are recognized when all of the following conditions are fulfilled, according to MFRS Interpretation 14:

a) the Company has transferred the control to the homebuyer, in other words, the significant risks and benefits due to the property or the assets ownership.

b) the Company does not retain any continued participation of the actual management of the sold assets, in the usual grade associated with the property, nor does retain the effective control of the sold assets;

c) the revenues amount can be estimated reliably;

d) it is probable that the Company 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.

The above conditions are typically met upon the completion of construction, and signing by the Company, the customer and (if applicable) the lender, the legal contracts and deeds of ownership (escritura) over the property. At that time, the customer would have the legal right to take possession of the home.

During 2010, the Company initiated a program whereby in addition to selling completed housing units to individuals, it also began selling multiple completed housing units of housing to institutional investors who typically subsequently resell those units to individuals as the individuals become eligible for financing. These corporate customers purchase the units from the Company with no down payment, and typically receive extended credit terms ranging from three to nine months. From the time of initial sale by the Company, the Company is no longer involved in any manner in the construction or management of the unit, or in corporate customers' subsequent resale of the units, or in assisting the customers of the corporate customers obtain financing for such subsequent resale. At the time of the sale to the corporate customers, the Company transfers the legal title, and all other significant risk and rewards related to the units, to the corporate customers. The Company's promissory note from the corporate customer is typically unsecured in nature. The Company evaluates the creditworthiness of its corporate customers, ensuring that collection of amounts due are probable and are not in any way economically contingent upon the corporate customers resale of the unit.

The cost of sales includes land, direct materials, labor and all the indirect costs related to the development of the project such as indirect labor, equipment, repairs, depreciation and the capitalization of the comprehensive result of financing.

d) Recognition of the effects of inflation on financial information

The accompanying financial statements have been prepared on a historical-cost basis, except for those non-monetary items acquired or recorded in the financial statements before December 31, 2007, as such items reflect the accumulated effects of inflation from their initial recognition date through December 31, 2007. Financial instruments and assets available for sale are recognized at their fair value. Hedged assets and liabilities are recognized at their fair value and are subsequently adjusted due to changes in their fair value attributable to the risk being hedged. The figures shown in the accompanying financial statements and these notes are in thousands of Mexican pesos (Ps.), except where otherwise indicated.

The annual rate of inflation for the year ended December 31, 2010, as determined based on the Mexican National Consumer Price Index (NCPI) published by Banco de Mexico, was 4.40%, while the cumulative inflation rate for the three years was 12.7%. Under Mexican FRS B-10, this cumulative inflation rate represents the necessary condition for considering Mexico as having a non-inflationary economic environment. Consequently, the financial information for September 30, 2010 and 2011 was prepared without recognizing the effects of inflation.

e) Cash and cash equivalents

Cash and cash equivalents consist primarily of bank deposits and other highly liquid investments. Cash equivalents typically have purchased maturities of less than three months, or may be redeemed upon demand, and are subject to insignificant risk regarding changes of value in time. These investments are stated at cost plus accrued interest, which is similar to their market value (see Note 2).

f) Concentration of risks and derivative financial instruments

Risks

The main risks associated with the Company's financial instruments are credit risk, liquidity risk and market risk (exchange rates and interest rates).

Company management establishes polices to identify, analyze and determine appropriate limits and controls for risks. These policies are reviewed periodically and adjusted to reflect changes in the market conditions and the Company's activities.

The audit committee through the internal audit department monitors management's control over compliance with these policies and evaluates the suitability of such policies in view of the risks faced by the Company.

Credit risk represents the potential loss from the failure of the customer or financial instrument counterparty to meet all of its payment obligations. This risk is present primarily in the Company's accounts receivable and derivative financial instruments.

The Company's cash and cash equivalents and financial instruments, including derivatives, are maintained in different financial institutions located in different geographical areas. The Company's policies are designed to not limit its exposure to any one financial institution.

The credit risk for accounts receivable is determined based on the specific characteristics of each account. The Company transfers ownership of homes when the customer or financial institution certifies that the corresponding mortgage loan has been approved and the required down-payment has been made. In the case of sales to corporate customers, ownership is transferred after the customer's credit rating and financial and liquidity capability is assessed and a line a credit is authorized, based on the results of such evaluation. The Company also has an allowance for doubtful accounts that is evaluated and adjusted periodically. At the date of these financial statements, 63% of the overall accounts receivable portfolio is concentrated in three customers as a result of the Company's introduction of a mass sales program.

With regard to its derivative financial instruments, the Company only contracts these instruments with institutions that have a good credit rating and that have been duly registered with and authorized by a regulating body.

Liquidity risk is the risk that the Company will be unable to cover its financial obligations when they mature. The Company's goal is to ensure, insofar as possible, that it always has sufficient liquidity to settle its financial liabilities when they mature, under both normal and adverse conditions, without incurring unacceptable losses or placing the entity's financial position at risk.

This risk is mitigated through the corporate treasury, which constantly monitors cash flows and sets the dates and flows necessary to cover the Company's obligations, and also monitors the level of revenues obtained through collections and the optimal use of such funds. The goal in this regard is for the Company to comply with all its obligations correctly and promptly, whether financial obligations or obligations of any other kind.

The Company uses various financial projections to manage its operating cash flows in such a way as to ensure that it always has enough cash to cover its operating needs and its financial obligations.

Market risk is the risk of fluctuation in market prices, such as interest rates and exchange rates. The Company's goal is to manage and control its exposure to these risks and keep them within acceptable parameters. Interest rate risk is the risk of fluctuation in the market value or the future cash flows of a financial instrument as a result of changes in the market interest rates. The Company is exposed to exchange rate risk primarily in its accounts payable to suppliers and its creditors for land, bond and bank loans.

Derivative financial instruments

The Company mitigates certain financial risks, such as interest rate and foreign currency risks (market risk) associated with financing obtained, through a controlled risk management program that includes the use of derivative financial instruments. Derivative instruments are contracted solely with financially-strong institutions. The Company's policy is not to carry out speculative transactions with derivative financial instruments.

All of the Company's derivatives are contracted through the Mexican Derivatives Market. Company policy requires

that there must be an International Swaps and Derivatives Association (ISDA) Master Agreement for all interest rate hedges.

The Company values and records all derivative financial instruments as fair value assets and liabilities in the balance sheet, irrespective of their holding purpose.

Financial instruments are revalued from the acquisition date and then on a quarterly basis based on the changes in their fair value.

When a derivative financial instrument is acquired for hedging purposes and it complies with all hedging requirements, it is documented as a hedge upon inception. This documentation describes the objective, characteristics and accounting recognition of the hedge, and how the hedge effectiveness will be assessed.

At September 30, 2010 and 2011, the Company's financial instruments are recorded as cash flow hedges. The effective portion of the cash flow hedge is temporarily recognized as an other comprehensive income item and is carried to results of operations when the hedged transaction affects profit or loss, while the ineffective portion is immediately recognized in results of operations.

Changes in the fair value of derivatives that do not qualify as hedges are immediately recognized in results of operations.

The Company's financial instruments are adjusted at fair value from the acquisition date and then on a quarterly basis based on the changes in their fair value.

The Company suspends cash flow hedge accounting when (i) the derivative expires, (ii) it has been sold, cancelled or executed, (iii) it is not effective enough to offset the changes in the fair value or cash flows of the hedged item, or (iv) the Company decides to cancel the hedging designation. After suspending the accounting for cash flow hedges, the amounts recognized in equity as other comprehensive income items remain in equity until such time as the effects of the forecasted transaction or firm commitment affects earnings. If a forecasted transaction or firm commitment is not expected to occur, the amounts previously recognized as part of other comprehensive income are immediately reclassified to results of operations. Whenever a cash flow hedge on a forecasted transaction was satisfactory and then no longer met the conditions for effectiveness, the cumulative effects on the comprehensive income caption in equity are charged to operations in proportion the forecasted asset or liability affects them.

g) Allowance for doubtful accounts

The Company's policy is to estimate an allowance for doubtful accounts based on balances of uncollected accounts receivables and the results of a study of the collectability of accounts and those balances with specific collection problems.

h) Inventories

Constructions in process, land under development and land inventories for future housing developments are recorded at acquisition cost. Land inventories for future housing developments represent the Company's land reserve available for housing development.

Inventories of construction materials are recognized at acquisition cost, including all expenses incurred, and are valued using the average-cost method.

Mexican FRS D-6 establishes the amount of capitalizable comprehensive financing cost (CFC) to be determined. Land inventories under development and construction in process include capitalized comprehensive financing cost.

Capitalized comprehensive financing cost is determined by applying the weighted average capitalization rate of financing to the weighted average amount of investments in constructions in process and land under development. The capitalization of these costs begins at the time land development activities commence and continues over the

period the Company works on the project. In the case of foreign currency denominated financing, capitalized comprehensive result of financing includes the related exchange gains or losses (see Note 4).

The Company enters into partnerships with land owners and local developers through trusts to build housing developments. These trusts grant both parties a share in the proceeds from the sale of housing developments and land for commercial use. The equity interest of the Company's partners in such proceeds varies between 1.87% and 14.50% in the case of land contributed for housing developments and between 7.68% and 35.00% for land for commercial use. Based on the characteristics of the trusts, the Company recognizes the land contributed by the partners as part of its inventory when construction of housing developments begins.

The Company evaluates whether there are indicators of decline in the value of its inventories due to obsolescence and slow movement. At September 30, 2010 and 2011, there are no indicators of impairment.

i) Taxes on profits

Current-year taxes on profits are presented as a short-term liability, net of prepayments made during the year.

Deferred taxes on profits are recognized using the asset and liability method. Under this method, deferred taxes are recognized on all temporary differences between financial reporting and tax bases of assets and liabilities, applying the enacted income tax rate or the flat-rate business tax (FRBT) rate, as the case may be, effective as of the balance sheet date, or the enacted rate at the balance sheet date that will be in effect when the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

The Company periodically evaluates the possibility of recovering deferred tax assets and, if necessary, creates a valuation allowance for those assets that do not have a high probability of being realized.

Taxes on profits are recognized as they are generated, including the related effect on deferred taxes. The deferred tax provision shown in the income statement is calculated by comparing the deferred tax balance at the end of the year to the balance at the beginning of the year, excluding from both balances any temporary differences that are recorded directly in equity, since the deferred taxes related to such temporary differences are recorded in the same equity account that gave rise to them.

j) Segment information

Segment information is presented based on the information used by management in its decision-making processes for the different types of housing sold by the Company (see Note 11).

k) Convenience translation

At September 30, 2011, amounts in U.S. dollars have been included in the financial statements solely for the convenience of the reader and have been translated from Mexican pesos at an exchange rate of Ps. 13.42 pesos per U.S. dollar, which was the exchange rate at that date. Such translation should not be construed as a representation that the Mexican peso can be converted to U.S. dollars at the exchange rate in effect on September 30, 2011 or any other exchange rate. The current exchange rate at December 31, 2010 was 12.38.

2. Cash and Cash Equivalents

An analysis of this caption is as follows:

	At December 31, 2010		At September 30, 2011	
Cash	Ps.	597,001	Ps.	380,036
Cash equivalents		5,422,225		6,428,745
Restricted cash		135,369		122,500

	Ps. 6,154,595	Ps. 6,931,281

Cash equivalents are composed of highly liquity investments that are readily convertible to cash and are not subject to a significant risk of changes in value, with a fixed interest rate between 4.1% and 4.9%. At December 31 2010 and September 30, 2011, restricted cash is used to guarantee the Company's obligations under Trust AAA Urbi in the amount of Ps. 70,000 and Ps. 122,500, respectively; and to guarantee margin calls negotiated by the Company in some of its derivative financial instrument contracts in the amount of Ps. 65,369 at December 31, 2010 (see Note 6).

3. Trade Receivable

An analysis of trade receivable is as follows:

	At December 31, 2010	At September 30, 2011
Corporate customers	Ps. 4,433,431	Ps. 6,211,989
Other trade receivables	1,462,189	1,639,014
	5,895,620	7,851,003
Allowance for doubtful accounts	(54,264)	(63,176)
	5,841,356	7,787,827
Long-term trade receivables	(648,021)	(596,993)
	Ps. 5,193,335	Ps. 7,190,834

Other trade receivables include balances due from the INFONAVIT, Government Employee Housing Fund (FOVISSTE), the Federal Mortgage Company (SHF), commercial banks and other housing buyers. These receivables together exceed 10% of the total receivables balance.

4. Inventories

An analysis of inventories is as follows:

	At December 31, 2010	At September 30, 2011
Land under development	Ps. 13,241,255	Ps. 15,160,406
Construction in progress	8,547,414	8,662,913
Construction material	76,022	78,372
Houses for sale	68,070	56,390
	21,932,761	23,958,081
Land for future housing developments	(5,752,411)	(5,984,744)
	Ps. 16,180,350	Ps. 17,973,337

Company policy is to locate and acquire on an annual basis land to build new housing developments, and to classify as short-term the land that the Company is currently developing or that it expects to build on in the following year, although not all such current construction will be completed and sold and thereby realized in cash or accounts receivable within one year. Land slated for development within a term of more than one year is classified as long-term.

For the three-month periods ended September 30, 2010 and 2011 and for the nine-month periods ended September 30, 2010 and 2011, capitalized comprehensive result of financing attributable to qualifying assets of Ps. 8,180,937 and Ps. 10,466,158 respectively, was Ps. 228,847, Ps. 651,630, Ps. 807,229 and Ps. 1,238,326, respectively, of which Ps. 257,464, Ps. 275,779, Ps. 627,242 and Ps.703,173, respectively, was applied to cost of sales. The capitalized comprehensive result of financing is recognized as part of cost of sales in approximately 3 years considering an annual capitalization rate of 11.83% at September 30, 2011.

An analysis of comprehensive result of financing for the three-month periods ended September 30, 2010 and 2011 and for the nine-month periods ended September 30, 2010 and 2011 is as follows:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2010	**2011**	**2010**	**2011**
Total accrued comprehensive result of financing	Ps. 382,563	Ps. 227,450	Ps. 1,112,919	Ps. 815,767
Comprehensive result of financing capitalized in inventories	(228,857)	(651,630)	(807,229)	(1,238,326)
Comprehensive result of financing after capitalization	Ps. 153,706	Ps. (424,180)	Ps. 305,690	Ps. (422,559)

The Company enters into partnerships with other entities through trusts in order to provide land for construction for some of its housing developments. At December 31, 2010 and September 30, 2011, the Company has recognized Ps. 716,582 and Ps. 740,360, respectively, as part of its own land in the partnership properties, of which Ps. 601,979 and Ps. 496,968, is land for future housing developments, respectively.

5. Debt and Bank Loans

a) An analysis of short-term debt at December 31, 2010 and September 30, 2011 are as follows:

	At December 31, 2010	At September 30, 2011
Unsecured working capital loan from Barclays Bank PLC denominated in U.S. dollars for USD 150,000, bearing interest at the London Interbank Offered Rate (LIBOR) plus 3% and maturing on December 16, 2011.	Ps. 1,853,565	Ps. 2,013,255
Unsecured working capital loan from Credit Suisse AG denominated in U.S. dollars for USD 150,000, bearing interest at the London Interbank Offered Rate (LIBOR) plus 3.25% and maturing on April 13, 2012.	-	2,013,255
Uncollaterized working capital loan from Banco Nacional de Mexico, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus percentage points ranging from 3.75% and 4.50% and maturing on October 31, 2011.	800,000	200,000
Working capital bridge loans from BBVA- Bancomer, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.00%, and maturing on April 1, 2011.	399,913	-
Uncollaterized working capital loan from Banco Mercantil del Norte, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.60% and maturing on December 28, 2011.	-	300,000

	At December 31, 2010	At September 30, 2011
Unsecured working capital loan from HSBC, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.00% and maturing on November 1, 2011.	-	600,000
Unsecured working capital loan from BBVA Bancomer, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.00% and maturing on October 4, 2011.	-	500,000
Working capital bridge loans from Banco Santader (México), S.A., denominated in Mexican pesos, bearing fixed interest rate of 8.10%, and maturing on October 4, 2011.	-	492,574
Working capital bridge loans from BBVA Bancomer, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.00%, and maturing on December 12, 2011.	-	143,489
Working capital bridge loans from Banco Mercantil del Norte, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus percentage points ranging from 3.75% and 4.50% and maturing on December 30, 2011.	-	93,487
Unsecured working capital loan from BBVA Bancomer, S.A. denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.50% and maturing on October, November and December 2011 and January and February 2012.	-	500,000
Interest provision	195,448	84,666
Total	**Ps. 3,248,926**	**Ps. 6,940,726**

The average interest rate of short-term debt payable at December 31, 2010 and September 30, 2011 was 5.24% and 5.07%, respectively.

At December 31, 2010 and September 30, 2011, the Company had recourse financial factoring lines of credit for up to Ps. 1,200,000 and an average discount rate of 1.99% with Hipotecaria Nacional, S.A. and for up to Ps. 299,500 and an average discount rate of 0.95% with Banco Santander (Mexico), S.A. At December 31, 2010 and September 30, 2011, the Company has made no drawdowns against the above mentioned lines of credit.

b) The analysis of long-term debt is as follows:

	At December 31, 2010	At September 30, 2011
Senior Guaranteed Note bonds denominated in U.S. dollars with Sandander, S.A. and Deutsche Bank for USD 300,000, bearing fixed annual interest at the rate of 9.5% and maturing on January 21, 2020.	Ps. 3,707,130	Ps. 4,026,510
Senior Guaranteed Note bonds denominated in U.S. dollars		

with Merrill Lynch and UBS Investments Bank for USD 150,000, bearing fixed annual interest at the rate of 8.50% and maturing on April 19, 2016.	1,853,565	2,013,255
Working capital bridge loans from Banco Nacional de Mexico, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 4.75% and maturing on December 16, 2013.	-	699,786
Working capital bridge loans in UDIs with Hipotecaria Su Casita, S.A. with maturities between 10 and 25 years and bearing interest rate between 9.10% and 12.65%. These loans mature between 2018 and 2020.	480,643	-
Working capital loan from Banco de Credito e Inversiones, S.A. denominated in U.S. dollars for USD20,000, bearing interest at the London Interbank Offered Rate (LIBOR) plus 4.0%, and maturing on September 13, 2013.	247,142	178,956
Unsecured working capital loans from BBVA-Bancomer, S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.5%, and maturing on September 22, 2013.	500,000	-
Working capital bridge loans from Banco Santander (Mexico), S.A., denominated in Mexican pesos, bearing interest at the 28-day TIIE rate plus 3.80%, and maturing on December 15, 2012.	198,277	187,192
	6,986,757	7,105,699
Current portion	-	(89,478)
Long-term total	**Ps. 6,986,757**	**Ps. 7,016,221**

The average interest rate of long-term debt at December 31, 2010 and September 30, 2011 was 9.02% and 9.41%, respectively.

Restrictions

The Company is subject to certain financial and operating restrictions under its loans and notes payable. The strictest of these restrictions require the Company to maintain a quarterly consolidated ratio of debt with cost of financing to EBITDA of less than 3.5 to 1.0, a consolidated ratio of EBITDA to financing expenses of not less than 2.0 to 1.0, a consolidated ratio of EBITDA to comprehensive financing cost of not less than 2.0. At December 31, 2010 and September 30, 2011, the Company has met all these financial requirements.

For the purpose of the aforementioned covenants, EBITDA is contractually defined, in any period, the sum, determined based on the Company's consolidated financial instruments prepared in conformity with Mexican FRS, of (i) operating income, (ii) capitalized comprehensive result of financing, (iii) depreciation, and (iv) amortization.

On June 30, 2011 the Company renegotiated the conditions of it covenant “quarterly consolidated ratio of debt with cost of financing to EBITDA” consolidated financial ratio (describe above) with Banco Nacional de Mexico, S.A. and HSBC, accordingly the new ratio will be based on a ratio of 3.5 to 1.0, rather than 3.0 to 1.0.

Maturity of long-term debt

An analysis of the maturities of long-term debt at September 30, 2011 is as follows:

Year	Amount
October to December 2012	Ps. 187,192
2013	789,264
2016	2,013,255
2020	4,026,510
	Ps. 7,016,221

6. Financial Instruments Acquired for Hedging Purposes

Financial instruments related to senior guaranteed notes 2016

In April 2006, the Company issued Senior Guaranteed Notes denominated in U.S. dollars for USD 150,000, bearing interest of 8.50%, and maturing in April 2016. As part of its financial strategy, in 2006, the Company entered into two cross currency swaps with Merrill Lynch (ML) and UBS Investment Bank (UBS). The notional amount for each of the swaps is USD 75,000. The purpose of these hedges was to neutralize the effects of exchange rate fluctuations on the Company's U.S. dollar senior guaranteed notes relative to both the coupon payments payable during the instrument's first five years and the principal to be repaid. Specifically, the hedge was to cover the interest payable on the bonds from October 19, 2006 through April 19, 2011 and the principal that will be repaid through April 19, 2016. Over the instrument's 10-year term, the Company committed to pay a fixed rate in Mexican pesos of Ps. 10.485 pesos and Ps. 10.53 pesos per U.S. dollar to the agents of ML and UBS, respectively. These hedges were acquired over-the-counter (OTC) and were recorded at fair value as of its inception date. These instruments were also designated as cash flow hedges.

On February 18, 2010, the cross currency swaps that the Company had with ML and UBS were replaced with a new cross currency swap acquired from Bank Morgan Stanley AG. The new swap hedges the Company’s exposure to fluctuations in the exchange rates and interest rates associated with the Company's senior guaranteed notes that mature in 2016. The exchange rate set for the hedge was Ps. 13.75 pesos per U.S. dollar and the interest rate set was 10.5%. These conditions are in force from the date of signing through April 2016.

Financial instruments related to senior guaranteed notes 2020

In January 2010, the Company issued Senior Guaranteed Notes denominated in U.S. dollars totaling USD 300,000 that bear interest of 9.50% and mature in January 2020. To mitigate the risk associated with interest rate fluctuations, the Company entered into two cross currency swaps – one with Banco Santander (Mexico), S.A. (Santander), and the other with Deutsche Bank Mexico, S.A. (Deutsche). The notional amount of each swap is USD 150,000. The fixed interest rates set by Santander and Deutsche for the swap were 10.22% and 10.42%, respectively. These rates were the result of amendments made to the original contracts in October and November 2010. The swaps are OTC financial instruments that qualify as cash flow hedges and are recorded at fair value, which is determined using commonly accepted valuation techniques.

The Company’s agreements under which it negotiated its derivative financial instruments with Santander, Deutsche Bank and Morgan Stanley stipulate margin calls when the fair value of the derivatives exceeds thresholds established. At December 31, 2010, the Company has guaranty deposits for margin calls made by Santander and Morgan Stanley of Ps. 59,561 and Ps. 5,808, respectively, which are shown in the balance sheet as restricted cash (see Note 2). At September 30, 2011, the Company has no margin calls.

Refinancing of derivative financial instruments 2011

During the first quarter of 2011, the Company entered into a refinancing of the derivative financial instruments contracts with Bank Morgan Stanley AG (Morgan Stanley), Banco Santander (Mexico), S.A. (Santander) and Deutsche Bank Mexico, S.A. (Deutsche) that were outstanding as of December 31, 2010, with the intention of obtaining better interest rates than those originally arranged. The renegotiation of these contracts resulted in the following:

i) Changes to the Morgan Stanley agreement consisted of splitting the notional amount of USD 150,000 into two equal portions of USD 75,000 each, and reducing the originally agreed rate from 10.50% to 9.98% for the first portion and 28-days TIIE plus 2.95% for the other portion. Additionally, the counterpart of the transaction was replaced by another institution of the Morgan Stanley group, Morgan Stanley (France) SAS.

ii) Changes to the Santander agreement consisted of splitting the original notional amount of USD 150,000 between Santander and Morgan Stanley, in which Santander will cover USD 130,000 with an interest rate that was increased from 10.22% to 10.32%; while, Morgan Stanley will cover the remaining notional amount of USD 20,000, keeping the originally agreed upon interest rate of 10.22%.

iii) Changes to the agreement with Deutsche for the financial instrument of USD 150,000 consisted of changing the originally agreed interest rate of 10.42% to a variable rate based on the DB Gain index. On December 2011 this financial instrument was classified as trading derivative.

In the third quarter of 2011 the Company renegotiated its derivative contracts with Santander and Morgan Stanley as follows:

i) Changes to the Santander agreement consisted of reducing the fixed interest rate from 10.32% to 10.58%, effective as of January 1, 2012. Also, the threshold was increased from USD 24,000 to USD 35,000.

ii) Changes to the Morgan Stanley agreement consisted of replacing the previous agreement with a notional amount of USD 75,000, and an interest rate of 28-day TIIE plus 2.95% with a new cross currency swap with a similar notional amount and a fixed interest rate of 7.50% payable from August 19, 2011 to August 19, 2013, and with a fixed interest rate of 8.97% payable from August 19, 2013 to April 19, 2016. The effect of replacing these instruments represented a net charge of Ps. 5,347 in the Company's results of operations. The effect of the accumulated valuation of the replaced instruments allocated as part of other comprehensive income of Ps. 78,383, will be amortized to result of operations until the maturity of the debt hedged.

All the above mentioned derivative financial instruments qualify as cash flow hedges.

The Company's agreements under which it negotiated its derivative financial instruments with Santander, Deutsche Bank and Morgan Stanley stipulate margin calls when the fair value of the derivatives exceeds thresholds established. At September 30, 2011, the Company has no margin calls.

Financial instrument related to a loan obtained from Barclays PLC

In December 2010, the Company obtained a working capital loan from Barclays Bank PLC (Barclays PLC) for USD 150,000 that bears interest at the London Interbank Offered Rate (LIBOR) plus 3% and matures in December 2011. To mitigate the risk of exchange rate fluctuations associated with this loan, on December 17, 2010, the Company contracted with Barclays Bank Mexico, S.A. de C.V. (Barclays) a Zero Cost Collar financial instrument (ZCC). The purpose of the ZCC is to limit the Company's exposure to exchange rate fluctuations to a range determined using a floor rate and a cap rate for the purchase of U.S. dollars on a future date. This means that if the exchange rate at the payment date is higher than the cap, URBI will be required to pay the exchange rate set as the cap rate, and if the exchange rate is lower than the agreed on floor, the Company will be required to pay the amount at the exchange rate set as the floor rate. Under this agreement, the Company obtained a floor rate of Ps. 12.669 pesos and a cap rate of Ps. 13.50 pesos per U.S. dollar. The ZCC expires the same date as repayment of the loan obtained from Barclays is due. This is an OTC instrument and qualifies as a cash flow hedge, which is recorded at fair value.

Financial instruments related to a loan obtained from Credit Suisse AG

On April 12, 2011 the Company obtained an unsecured loan from Credit Suisse AG, for USD 150,000 that bears interest rate of LIBOR plus 3.25% maturing on April 13, 2012. The funds received are used to pay short-term debt

and working capital needs. To mitigate the effect of foreign exchange resulting from this credit, on April 13, 2011 the Company contracted with Bank Credit Suisse (Mexico), SA two financial instruments: 1) an exchange of interests, by which changes the profile of the interest payments of LIBOR plus 3.25% to TIIE least 1% and 2) a combination of European options, Zero Cost Collar (Zero Cost Collar-ZCC), by which is covered the risk of foreign exchange in the payment of principal, setting a flat exchange rate of Ps. 11.9280 pesos and a ceiling of Ps. 13.50 pesos per dollar of the United States of America.

The effectiveness of the Company's financial instruments acquired for hedging purposes is determined from the time of their designation as hedges. The Company evaluated these instruments as effective because at September 30, 2011, the changes in the cash flows of the primary position and the instrument offset each other on a highly effective basis.

At September 30, 2011, the ineffective portion of the CCS with Banco Santander S.A. and Morgan Stanley charged to results of operations aggregated Ps. 52,884.

At September 30, 2011, the valuation effect of the Put and Call options with Credit Suisse AG and Barclays Bank PLC, was recognized as a credit to results of operations of Ps. 158,024.

The notional amount of each contract represents the volume of current derivatives and not the loss or gain associated with the market risk or credit risk of the instruments. The notional amounts is the amount to which the reference rate or price is applied to determine the cash flow to be exchanged.

A summary of the main characteristics of the Company's short-term financial instruments at September 30, 2011 is as follows:

Financial instrument	Purpose of financial instrument	Notional amount	Fair value		Changes in comprehensive income, net of taxes
			Asset	Liability	
Zero cost collar of Put and Call option in USD with Barclays Bank Mexico, S.A.	To hedge exchange rate fluctuation	USD 150,000	Ps. 51,510	Ps. -	Ps. -
Zero cost collar of Put and Call option in USD with Credit Suisse AG	To hedge exchange rate fluctuation	USD 150,000	106,514	-	-
Cross currency swap in USD with Credit Suisse AG	To hedge exchange rate fluctuation	USD 150,000	6,414	-	4,490
		USD 450,000	**Ps. 164,438**	**Ps. -**	**Ps. 4,490**

A summary of the main characteristics of the Company's long-term financial instruments at September 30, 2011 is as follows:

Financial instrument	Purpose of financial instrument	Notional amount	Fair value		Changes in comprehensive income, net of taxes
			Asset	Liability	
Cross currency swap in USD with Bank Morgan Stanley (France) SAS	To hedge interest rate and exchange rate fluctuation	USD 75,000	Ps.104,269	Ps. -	Ps. 26,124

Financial instrument	Purpose of financial instrument	Notional amount	Fair value Asset	Fair value Liability	Changes in comprehensive income, net of taxes
Cross currency swap in USD with Bank Morgan Stanley (France) SAS	To hedge exchange rate fluctuation	USD 75,000	175,396	-	6,404
Cross currency swap in USD with Santander	To hedge interest rate and exchange rate fluctuation	USD 130,000	-	172.585	(2,594)
Cross currency swap in USD with Bank Morgan Stanley (France) SAS	To hedge interest rate and exchange rate fluctuation	USD 20,000	-	20,400	(29,320)
Cross currency swap in USD with Deutsche Bank México, S.A.	To hedge exchange rate fluctuation	USD 150,000	245,833	-	267,190
		USD 450,000	**Ps. 525,498**	**Ps. 192,985**	**Ps. 267,804**

A summary of the main characteristics of the Company's short-term financial instruments at December 31, 2010 is as follows:

Financial instrument	Purpose of financial instrument	Notional amount	Fair value		Changes in comprehensive income, net of taxes
			Asset	Liability	
Zero cost collar in USD with Barclays Bank Mexico, S.A.	To hedge exchange rate fluctuations	USD 150,000	Ps. -	Ps. 21,845	Ps. 15,291

A summary of the main characteristics of the Company's long-term financial instruments at December 31, 2010 is as follows:

Financial instrument	Purpose of financial instrument	Notional amount	Fair value Asset		Fair value Liability	Changes in comprehensive income, net of taxes
Cross currency swap in USD with Bank Morgan Stanley AG	To hedge exchange rate fluctuation	USD 150,000	**Ps.**	**-**	Ps. 72,891	Ps. (42,777)
Cross currency swap in USD with Banco Santander (Mexico), S.A.	To hedge interest rate variance	USD 150,000		-	319,935	171,568
Cross currency swap in USD with Deutsche Bank Mexico, S.A.	To hedge interest rate variance	USD 150,000		-	347,586	170,360
		USD 450,000	**Ps.**	**-**	**Ps. 740,412**	**Ps. 299,151**

For the years ended December 31, 2010 and September 30, 2011, the loss on the valuation of these financial instruments recorded gave rise to a decrease in accumulated other comprehensive income items of Ps. 314,442 and Ps. 214,815, respectively. At September 30, 2011, the valuation effect in other comprehensive income includes a credit to income of Ps. 57,479 related to the cancelation of the derivatives mentioned previously.

7. Accounts Payable

a) An analysis of this caption is as follows:

	December 31, 2010	September 30, 2011
Suppliers for construction	Ps. 3,647,319	Ps. 4,429,252
Land suppliers (1)	681,658	268,774
Hewlett-Packard Operations Mexico, S. de R.L. de C.V.	118,548	109,375
GE Capital CEF Mexico, S. de R.L. de C.V.	65,503	53,381
	4,513,028	4,860,782
Current portion of long-term accounts payable (2)	(4,162,297)	(4,662,651)
Total long-term accounts payable	Ps. 350,731	Ps. 198,131

In order to take advantage of the factoring program sponsored by NAFIN, the Company set up a trust called AAA Urbi (F-80591) that has a revolving line of credit for suppliers of Ps. 612,500 and a guarantee fund at December 31, 2010 and September 30, 2011 of Ps. 70,000 and Ps. 122,500, respectively. Under this program, the trust may use the line of credit with NAFIN to finance settlement of accounts payable to suppliers. As mentioned in Note 1, the trust is consolidated with the rest of the Company's subsidiaries.

1) This liability represents accounts payable to land suppliers for the acquisition of territorial reserves under development or that are part of land for future housing developments. These accounts have annual maturities through 2014. Certain land suppliers reserve the right to repossess such properties if the Company does not make the agreed payments. At December 31, 2010 and September 30, 2011, accounts payable to suppliers who maintain conditional ownership of the land acquired total approximately Ps. 244,249 and Ps. 93,662, respectively.

2) Long-term accounts payable include Ps. 104,469 in long-term debt with Hewlett Packard and GE Capital CEF Mexico corresponding to acquisitions of computer equipment. These accounts payable mature in 2016 and bear interest at an annual rate of between 9.67% and 14.00%.

An analysis of the maturities of long-term accounts payable at September 30, 2011 is as follows:

Year	Amount
2012	Ps. 29,616
2013	56,942
2014	98,000
2015	11,366
2016	2,207
	Ps. 198,131

8. Contingencies and Commitments

a) As required under Mexican law, the Company extends its homebuyers a one-year warranty for construction defects. However, the Company obtains bonds and guarantee deposits from its contractors to cover potential future warranty claims. Guarantee deposits are returned to contractors upon expiration of the warranty period. The Company also takes out insurance for 10-year terms against construction defects in the low-income houses it builds.

b) As part of its investment in information technology systems, the Company has entered into operating leases for the use of computer equipment with Hewlett-Packard Operations Mexico, GE Capital CEF Mexico and Arrendadora Capita Corporation aggregating Ps. 141,476, payable in a period from 3 to 48 months.

Future minimum annual rent under the current operating leases with initial terms of more than one year at September 30, 2011 is as follows:

September 30,	Amount
2012	Ps. 63,836
2013	43,505
2014	10,087
2015	1,846
Total	**Ps. 119,274**

c) On December 19, 2007, the Company entered into a partnership agreement with Prudential Investment Management, Inc. (Prudential). In general terms, the purpose of the association is for both companies to jointly invest in real estate development projects, which includes, buying and urbanizing land and building infrastructure and low-, medium- and high-income homes. The Company's participation in the association shall be limited to a total investment of USD 1 billion or five years, whichever occurs first.

This agreement stipulates the obligation to create a master trust under the laws of Mexico, and it is this master trust that created the trusts for each real estate project. Prudential places the land into these trusts and the Company contributes the urbanization, infrastructure and construction of the houses for each real estate project. The trustees for these trusts are Bank of America Mexico, S.A., Institucion de Banca Multiple; Grupo Financiero Bank of America, Division Fiduciaria; and The Bank of New York Mellon, S.A. Institucion de Banca Multiple.

On December 28, 2007, Prudential made Ps. 3,500 million available for this program and it was originally agreed that this amount would remain available until March 15, 2009; however, the availability term was extended through September 30, 2011. The Company left a good faith deposit of Ps. 17.5 million with Prudential to guarantee that it will actually make the contributions to the real estate development program with the characteristics agreed by both parties. The good faith deposit will be returned to the Company provided the

prospective profit from the real estate development is at least equal to the funds contributed by Prudential to the program, at September 30, 2011 the Company provided the prospective profit equal to the funds that Prudential made available for this program, accordingly, the good faith deposits were returned to the Company.

As required under the association agreement, the Company guaranteed its compliance with its obligations under the agreement by providing Prudential with a standby letter of credit of USD 10 million. This letter of credit is rolled over every six months and the maximum maturity date is June 30, 2013.

The master trust will not have access to commercial loans, each partner of the trust should obtained the financing to perform its activities by itself.

At September 30, 2011, the value of the real estate projects that comply with the characteristics agreed in the association agreement with Prudential is Ps. 5,217,417. At that date, 18 trusts have been created for the development of real estate projects, with a total investment of Ps.2,444,512, which is recorded in inventories as part of construction and urbanization in process.

Based on the terms of the master agreement PREI is responsible for finding and acquiring the land that will be contributed to the trust, while URBI is responsible for obtaining the applicable construction permits, executing the urbanization work, and building housing units.

URBI is responsible, in the name of the trust, for the actual selling of the houses, including issuance of the corresponding deeds (“escritura”) and the corresponding registration with the Public Registry of Property. Collections from the acquirers are done by the Trust or by Urbi in the name of the Trust and deposited in the Trust bank accounts. These collections are distributed by the Trust according to the Master Trust Agreement. This means that monies are distributed to PREI, for the portion attributable to the land, and to URBI for the portion attributable to the houses and related constructions made on the land contributed to the corresponding trust.

URBI recognizes the Trust as its customer, and therefore, recognizes all capitalizable costs as part of inventories and recognizes the corresponding liabilities incurred to develop the housing units as well. As soon as the sale by the Trust is performed, it recognizes the sale for the portion of the construction and the corresponding account receivable, related to the portion of the project that belongs to the construction of the housing units and costs of construction (which include urbanization and housing expenditures) as part of cost of goods sold, and does not include the costs related to land.

9. Equity

a) At September 30, 2011, the Company’s capital stock consists of fixed minimum capital stock in the aggregate amount of Ps. 191,193 (Ps. 95,836 nominal amount), with no withdrawal rights, and variable capital. The Company’s capital stock is represented by 976,445,286 shares with no par value.

b) In conformity with the Mexican Corporations Act, the Company is required to appropriate at least 5% of its net income of each year to increase the legal reserve. This practice must be continued until the legal reserve reaches 20% of capital stock issued and outstanding. At September 30, 2011, the Company has a legal reserve of Ps. 38,239, which is recorded under the “Retained earnings” caption.

c) Earnings distributed in excess of the Net tax profit account (CUFIN) balance are subject to payment of corporate income tax, payable by the Company, at the enacted income tax rate at that time.

d) The share of shareholders in trusts (non-controlling interest) in the Company’s equity is reflected in the financial statements as minority interest.

10. Taxes on Profits

a) Urbi, Desarrollos Urbanos, S.A.B. de C.V. and each of its subsidiaries are subject to payment of income tax (ISR) and Flat Rate Business Tax (FRBT) on an individual basis. Income tax is computed at the rate of 30% of taxable income, taking into consideration certain taxable or deductible inflationary effects, such as depreciation computed on values in constant Mexican pesos and the effects of inflation on certain monetary assets and liabilities by means of the annual inflation adjustment.

b) Current year FRBT is computed by applying the 17.5% rate to an income base determined on the basis of cash flows, net of authorized credits. FRBT credits results mainly from the negative FRBT base to be amortized, salary and social security contributions credits, and credits arising from the deduction of certain assets, such as inventories and fixed assets, during the transition period as of the date on which the FRBT became effective.

FRBT is payable only to the extent it exceeds income tax for the same period. To determine FRBT payable, income tax paid in a given period is first subtracted from the FRBT of the same period. When the FRBT base is negative because deductions exceed taxable income, there is no FRBT payable. The amount of the negative base multiplied by the FRBT rate results in a FRBT credit, which may be applied against income tax for the same year or, if applicable, against FRBT payable in the next ten years. Due to the abrogation of the Asset Tax Law, any favorable asset tax generated by the Company in the last ten years may either be requested in refund or offset against the income tax payable of future years, subject to certain restrictions.

Based on projections of its taxable income, the Company estimates that it will be subject to the payment of income tax in subsequent years.

c) For the years ended September 30, 2010 and 2011, income tax charged to results of operations was as follows:

	Three-month periods ended July 1 to September 30,		**Nine-month periods ended September 30,**	
	2010	2011	2010	**2011**
Current year income tax	Ps. 7,670	Ps. 628,776	Ps. 7,670	Ps. 1,491,472
Deferred income tax	211,029	(232,883)	490,263	(658,350)
Total income tax	Ps. 218,699	Ps. 395,893	Ps. 497,933	Ps. 833,122

The Company's effective tax rate was 30% for the nine months ended September 30, 2010, and 32% for the nine months ended September 30, 2011. The 2% increase in the effective tax rate during 2011 was primarily attributable to estimated non deductible inflationary adjustment applied to taxable assets which increased during the nine months ended September 30, 2011.

d) An analysis of the effects of temporary differences on net deferred tax liabilities is as follows:

	At December 31, 2010	**At September 30, 2011**
Deferred income tax assets:		
Property, machinery and equipment	Ps. (34,488)	Ps. (33,293)
Allowance for doubtful accounts	(17)	(219)
Derivative financial instruments	(134,468)	(83,669)
Tax losses from prior years	(623,926)	(732,572)
Other liabilities	(55,083)	(56,336)
	(847,982)	(906,089)
Deferred income tax liabilities:		
Trade receivables	69,567	47,583
Inventories	3,392,179	2,872,719
Prepaid expenses	74,266	76,022
	3,536,012	2,996,324
Deferred income tax liability, net	Ps. 2,688,030	Ps. 2,090,235

e) In November 2009, Mexican Congress passed a new Income Tax Law (tax reform) that was published on December 7, 2009 and came into force as of January 1, 2010. This reform establishes that the income tax rate will increase from 28% to 30% for the years from 2010 to 2012, that the rate will be 29% for 2013 and that it will return to 28% for 2014 and thereafter.

f) Staring in 2005, the Mexican Income Tax Law was modified to allow for the tax deduction of cost of sales rather than purchases. As a result of this change, the beginning balance of inventories will be taxable equally over 12 years, as determined based on the Company's inventory turnover rate of 0 to 1 times. However, a tax deduction from the purchase of land for construction is still allowed.

g) The Company has tax losses from prior years which, in conformity with the current Income Tax Law, may be restated for inflation and carried forward against taxable income generated in the next ten years.

An analysis of the Company's available tax loss carryforward at September 30, 2011, is as follows:

Year of loss	Year of expiration	Restated amount	Effect of deferred tax
2005	2015	Ps. 31,837	Ps. 9,551
2008	2018	363,782	109,135
2009	2019	383,143	111,671
2010	2020	1,270,701	375,413
2011	**2021**	**445,224**	**126,802**
		Ps. 2,494,688	**Ps. 732,572**

11. Segments

The Company primarily operates in four segments: affordable entry-level (AEL), low middle-income (LMI), high middle-income and upper-income (HMI and UI) and housing-related activities. Management uses information categorized by segment to: i) measure the performance of the business; ii) evaluate the risks and benefits of the business; and iii) aid the decision-making process.

The Company generates individual reports for each of these segments, the following segment information is presented accordingly to the information used by management for decision making purposes. The Company segregates its financial information by housing segments (AEL, LMI, HMI and UI, and housing related activities), taking in consideration the nature of the business operational structures required to meet a specific customer profile. The housing segments in which the Company operates are consistent with the levels at which most financial institutions categorize their funding.

The industry of housing developers in Mexico is divided into three business segments depending on the price of sale: AEL, LMI, HMI and UI. It is considered that the AEL sale price fluctuates in a range between Ps. 195 and Ps. 400, while the sale price of LMI fluctuates between Ps. 400 and Ps. 720, and the sale price of HMI and UI is more than Ps. 720.

Housing related activities includes mainly revenues from activities related to home sales, particularly from services such as Casa Capital Plus program, the sale of home furnishings and equipment; and the sale of commercial land and macroprojects.

The Company's segment operating information from July 1 to September 30, 2010 and 2011 is as follows:

2010					
	AEL	**LMI**	**HMI and UI**	**Housing related activities**	**Total**
Sales	Ps. 1,907,980	Ps. 1,011,726	Ps. 230,670	Ps.1,048,739	Ps. 4,199,115
Cost of sales	1,430,322	703,714	157,603	720,958	3,012,597
Gross profit	477,658	308,012	73,067	327,781	1,186,518
Operating income	343,223	232,778	61,442	238,607	876,050
Depreciation and amortization	29,990	16,971	2,372	20,621	69,954
Interest expense	35,613	20,197	2,766	24,658	83,234
Interest income	8,231	5,875	-	9,595	23,701

2011					
	AEL	**LMI**	**HMI and UI**	**Housing related activities**	**Total**
Sales	**Ps. 2,605,201**	**Ps. 728,246**	**Ps. 349,576**	**Ps. 850,620**	**Ps. 4,533,643**
Cost of sales	**1,920,720**	**508,090**	**244,389**	**591,026**	**3,264,225**
Gross profit	**684,481**	**220,156**	**105,187**	**259,594**	**1,269,418**
Operating income	**460,960**	**158,072**	**75,461**	**186,320**	**880,813**
Depreciation and amortization	**16,919**	**4,215**	**1,925**	**5,902**	**28,961**
Interest expense	**5,038**	**2,309**	**1,280**	**984**	**9,611**
Interest income	**107,620**	**28,215**	**13,187**	**36,511**	**185,533**

The Company's segment operating information for the nine months ended September 30, 2010 and 2011 is as follows:

2010					
	AEL	LMI	HMI and UI	Housing related activities	Total
Sales	Ps. 5,140,683	Ps. 2,361,815	Ps. 1,048,392	Ps.1,416,206	Ps. 9,967,096
Cost of sales	3,789,789	1,642,908	716,682	979,499	7,128,878
Gross profit	1,350,894	718,907	331,710	436,707	2,838,218
Operating income	894,253	509,109	238,582	310,907	1,952,851
Depreciation and amortization	106,366	48,868	21,692	29,303	206,229
Interest expense	127,361	58,514	25,974	35,087	246,936
Interest income	58,319	26,793	11,893	16,066	113,071

	2011				
	AEL	**LMI**	**HMI and UI**	**Housing related activities**	**Total**
Sales	**Ps. 6,274,945**	**Ps. 2,091,479**	**Ps. 1,068,296**	**Ps. 1,801,035**	**Ps. 11,235,755**
Cost of sales	**4,634,590**	**1,459,125**	**737,568**	**1,250,450**	**8,081,733**
Gross profit	**1,640,355**	**632,354**	**330,728**	**550,585**	**3,154,022**
Operating income	**1,091,557**	**449,436**	**237,296**	**393,069**	**2,171,358**
Depreciation and amortization	**54,229**	**18,075**	**9,232**	**15,565**	**97,101**
Interest expense	**67,818**	**22,604**	**11,546**	**19,465**	**121,433**
Interest income	**197,760**	**65,914**	**33,668**	**56,761**	**354,103**

12. Other Income, Net

An analysis of this caption at September 30, 2010 and 2011 is as follows:

	Period from July 1 to September 30,		**Nine-months ended September 30,**	
	2010	2011	2010	**2011**
Gain on sales of fixed assets, net	Ps. 875	Ps. 271	Ps. 1,142	Ps. 1,046
Inflation effect on recovered taxes	295	674	442	1,216
	Ps. 1,170	Ps. 945	Ps. 1,584	Ps. 2,262

13. Subsequent Events

a) On October 3, 2011, the Company entered into a credit loan with Deutshe Bank AG, London Branch, of USD 50,000, bearing interest at the LIBOR rate plus 3.70% and maturing on September 6, 2013. On December 15, 2011, the Company entered into an addendum of the loan with Deutshe Bank AG, London Branch, for an additional USD 35,000, bearing interest at the LIBOR rate plus 4.75% and maturing on December 14, 2012.

b) On December 13, 2011, the Company entered into a public offering of 6,000,000 denominated bonds (certificados bursatiles) with a nominal value of Ps. 100 pesos each, placing a total of Ps.600,000, bearing interest at the 28-days TIIE rate plus 4.00%, and maturing on December 9, 2014.

c) During the period from October to December, 2011, the Company repaid all of the debt that had a maturity date during that period for an aggregate amount of Ps.4,842,805.

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