

EXHIBIT "N"

FINANCIAL PROJECTIONS AND AUDITORS REPORT

LAKESHORE DEVELOPMENTS LTD.

**Financial Projection
March 31, 2009, 2010, 2011, 2012 and 2013**

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AUDITORS' REPORT

TO THE DIRECTORS OF LAKESHORE DEVELOPMENTS LTD. OWNER OF WALNUT BEACH HOTEL

The accompanying financial projection of Walnut Beach Hotel consisting of the statement of projected revenues and expenses for the years ending March 31, 2009, 2010, 2011, 2012 and 2013 has been prepared by management using the hypotheses set out in notes 4 and 5, with an effective date of April 7, 2006, and from other information provided by management.

Since hypotheses need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of this financial projection described in note 1. We have also examined the support provided by management for the specific hypotheses, and the preparation and presentation of this financial projection. Our examination was made in accordance with the applicable Auditing Guidelines issued by the Canadian Institute of Chartered Accountants. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- the general and specific hypotheses are consistent with the purpose of this financial projection;
- this financial projection reflects the general and specific hypotheses; and
- this financial projection complies with the presentation and disclosure standards for projections established by the Canadian Institute of Chartered Accountants.

Since this projection is based on general and specific hypotheses regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material. Accordingly, we express no opinion as to whether this projection will be achieved.

"Smythe Ratcliffe" (signed)

Chartered Accountants

Vancouver, British Columbia
June 20, 2006

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LAKESHORE DEVELOPMENTS LTD.
Statement of Projected Revenues and Expenses
Years Ending March 31

	2009	2010	2011	2012	2013
Revenues (note 5(a))					
Rooms	\$ 2,157,377	\$ 2,208,892	\$ 2,345,261	\$ 2,456,308	\$ 2,542,736
Food and beverage	132,402	159,178	163,158	167,237	171,417
Telecommunications	18,872	18,546	19,704	20,635	21,441
Other, net	33,911	34,042	35,530	36,815	37,994
	<u>2,342,562</u>	<u>2,420,658</u>	<u>2,563,653</u>	<u>2,680,995</u>	<u>2,773,588</u>
Departmental Expenses					
(note 5(b))					
Rooms	493,806	489,458	516,349	538,461	557,976
Food and beverage	77,704	87,711	89,904	92,151	94,455
Telecommunications	14,984	14,789	15,656	16,362	16,978
	<u>586,494</u>	<u>591,958</u>	<u>621,909</u>	<u>646,974</u>	<u>669,409</u>
	<u>1,756,068</u>	<u>1,828,700</u>	<u>1,941,744</u>	<u>2,034,021</u>	<u>2,104,179</u>
Operating Expenses					
(note 5(c))					
Administration	278,065	282,079	291,770	300,689	309,263
Marketing	137,200	139,181	143,962	148,363	152,594
Property operations and maintenance	150,300	183,599	189,563	195,147	200,574
Energy	107,569	109,940	114,570	118,958	123,267
	<u>673,134</u>	<u>714,799</u>	<u>739,865</u>	<u>763,157</u>	<u>785,698</u>
Gross Operating Profit	1,082,934	1,113,901	1,201,879	1,270,864	1,318,481
Fixed Charges					
(note 5(d))					
Insurance	48,214	49,420	50,655	51,922	53,220
Management fee	93,702	96,826	102,546	107,240	110,944
Rental management strata lot fee (note 6)	31,406	32,192	32,996	33,821	34,667
	<u>173,322</u>	<u>178,438</u>	<u>186,197</u>	<u>192,983</u>	<u>198,831</u>
Net Operating Income	909,612	935,463	1,015,682	1,077,881	1,119,650
(note 5(e))					
Other Items					
Incentive fee	0	0	13,011	10,158	6,948
Reserve for asset replacement	93,702	96,826	102,546	107,240	110,944
Strata fee	(67,650)	(67,650)	(67,650)	(67,650)	(67,650)
	<u>26,052</u>	<u>29,176</u>	<u>47,907</u>	<u>49,748</u>	<u>50,242</u>
Net Cash Flow	\$ 883,560	\$ 906,287	\$ 967,775	\$ 1,028,133	\$ 1,069,408

See notes to financial projection.

LAKESHORE DEVELOPMENTS LTD.
Notes to Financial Projection
Years Ending March 31, 2009, 2010, 2011, 2012 and 2013

1. GENERAL

The accompanying projection has been prepared on the basis of the following hypotheses provided by the management of Lakeshore Developments Ltd. (the "rental pool"). The hypotheses are assumptions, which are consistent with management's intended course of action and represent plausible circumstances, but which may not necessarily be the most probable. These hypotheses are based on information existing at April 7, 2006, the date of this projection.

The hypotheses disclosed herein are those that management believes are significant to this financial projection. They are inherently subject to uncertainty and variations depending on evolving events and circumstances occurring subsequent to the date of this projection. As this financial projection is based on hypotheses, there is a risk that actual results will vary, perhaps materially, from the results projected.

This operation is prepared for inclusion in the disclosure statement amendment dated June 30, 2006 with respect to an offering of 112 hotel units by Lakeshore Developments Ltd. and may not be appropriate for other purposes. Management does not intend to update this projection subsequent to issue.

2. BASIS OF PRESENTATION

This projection reflects the projected results from the operation of the hotel only. It does not include any other items that are for the benefit or are the responsibility of the strata lot owners, as individuals, that are outside of the obligations arising in connection with the Rental Pool Management Agreement. Accordingly, this projection does not include any provisions for property incomes, property tax, income taxes, financing costs or other items that are the responsibility of the strata lot owners with the exception of per unit projections as presented below. Potential strata lot owners are encouraged to consult with their own professional advisors on such matters.

3. ACCOUNTING POLICIES

This projection has been prepared in accordance with Canadian generally accepted accounting principles.

4. GENERAL HYPOTHESES

(a) Rental pool participation and owner occupancy

The hotel consists of 112 units, of various sizes and styles, including meeting space, catering food and beverage, and fitness and recreation. The town of Osoyoos mandates that up to 22 of the 112 units may be occupied for permanent residents who will not place their unit in the hotel rental pool. Therefore, this projection assumes that the full 22 units will be reserved for owner occupancy and the remaining 90 units will be available for occupancy throughout the entire period of the projection. If an owner uses his suite for owner occupancy, the net income per unit attributable to that suite owner will be reduced accordingly.

The overall mix of the 112 units is 35% studios, 38% one-bedroom suites and 27% two-bedroom suites. This projection assumes that the proportion of units in the 90-unit rental pool would be similar to the overall mix.

LAKESHORE DEVELOPMENTS LTD.

Notes to Financial Projection

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4. GENERAL HYPOTHESES (Continued)

(b) Total suite sales price

Management plans to market the sale of the suites by strata units. The strata units will vary in price depending on the size of the suites and it is projected the total market value of all suites will approximate \$38,500,000.

(c) Commencement of operations

Operations are assumed to commence by April 1, 2008, and consequently, no actual results are incorporated in this projection.

The pre-opening sales and marketing costs will not be borne by the rental pool and are, therefore, not included in this projection.

(d) Construction and development

In the opinion of management, the hotel was constructed and furnished to a standard of quality commensurate with that of a good quality resort. It is assumed professional, skilled and competent management will operate this development. It is also assumed sales and marketing efforts will be undertaken prior to the beginning of the projection period to adequately promote the hotel and its related facilities.

(e) Owners' suite revenue share

This projection assumes that the strata lot owners' gross income will be shared proportionately on the basis of "unit share ratio", which is calculated on the estimated market value of each unit relative to the estimated aggregate market value of all units.

(f) Inflation

This projection assumes an inflation rate of approximately 2.5%, except where noted.

5. SPECIFIC HYPOTHESES

(a) Revenues

(i) Rooms

Room revenue is based on projected occupancy levels and average daily room rates adjusted for future growth.

	2009	2010	2011	2012	2013
Room nights occupied	16,354	15,679	16,252	16,605	16,833
Percentage occupancy	50%	48%	50%	50%	51%
Average daily room rate	\$ 132	\$ 141	\$ 144	\$ 148	\$ 151

LAKESHORE DEVELOPMENTS LTD.
Notes to Financial Projection
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5. **SPECIFIC HYPOTHESES (Continued)**

(a) Revenues (Continued)

(ii) Food and beverage

Food and beverage revenue includes projected revenue generated from meeting room rentals, catering and a seasonal bar and lounge operation. Catering revenues include a 15% commission on food and beverage.

(iii) Telecommunications

It is assumed telecommunications revenue will be at a rate per occupied room night of \$1.15 in 2009, increasing in accordance with occupancy and inflation in subsequent fiscal years.

(iv) Other net income

Other net income includes services such as pop machines, photocopy, fax and other business services, foreign exchange, interest income, movie rentals, video game rentals, newspaper and magazine sales, and sales of other sundry items, net of associated costs. Other net income is projected at \$2.07 per occupied room in 2009, increasing in accordance with occupancy and inflation in subsequent years.

(b) Departmental expenses

(i) Rooms

Room expenses include wages, supplies, travel agent commissions, laundry, linen, guest supplies and other miscellaneous supplies. These expenses are projected to range from 22% to 23% of room revenues throughout the projection period.

(ii) Food and beverage

Expenses for catering would include cost of audio visual and catering equipment as well as other minor miscellaneous charges. Expenses for this department are projected at 55% to 59% of food and beverage revenues during the projection period.

(iii) Telecommunications

Telecommunications expenses are assumed to be 79% to 80% of telecommunications revenue throughout the projection period.

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5. **SPECIFIC HYPOTHESES (Continued)**

(c) **Operating expenses**

(i) **Administrative and general**

Expenses in this category include items such as credit card commissions, office supplies, accounting and legal expenses, office equipment, other office related expenses, and the costs associated with a courtesy guest shuttle or taxi service to locations such as the airport and local golf courses. This category includes the salary and benefits of the general manager as well as an in-house accountant and seasonal security guard. Administration and general expenses are projected to be \$3,090 per available room in the first year, and increased annually in accordance with guest room night volumes and inflation.

(ii) **Marketing**

This expense includes advertising, signage, public relations and other promotions. The projections also assume a salaried sales and marketing manager position would be created in order to promote the new 90-room hotel. Marketing expenses are projected at \$1,524 per available room in 2009 and \$1,546 in 2010. Subsequent increases were based on projected revenues and inflationary factors. These costs are largely expected to decrease as a percentage of total revenues throughout the projection period.

(iii) **Property operations and maintenance**

Maintenance and repairs expenses include those costs related to regular maintenance and upkeep of the property but exclude any major capital replacement items. These expenses are assumed to be \$1,670 per available room in 2009 and \$2,040 per available room in 2010, reflecting the new condition and lack of repairs in a new property.

(iv) **Energy**

Energy expenses include electricity, gas, steam, water and waste and are assumed to be \$1,195 per available room in the first fiscal year and increases are based on room demand and inflation. Gas costs are projected to increase higher than inflation.

(d) **Other fixed charges**

(i) **Insurance**

Insurance cost is comparable to an insurance quote given to the developer and the experience of the management company, and is based on comparable properties. Insurance is projected to be \$536 per available room in 2009 and increased with inflation in all subsequent years.

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5. SPECIFIC HYPOTHESES (Continued)

(d) Other fixed charges (Continued)

(ii) Management fee

A base management fee of 4% of gross revenues for each year has been applied throughout the projection period.

(iii) Incentive fee

The management incentive fee is projected to begin in 2010 and range from 0.3% to 0.5% of total revenues. The management incentive fee is calculated based on 15% of the increase in income before fixed charges less insurance from the previous year. The amount becomes payable for the third fiscal year (2011) after the opening of the hotel.

(iv) Reserve for asset replacement

An annual provision for capital replacement has been projected at 4% of gross revenues in 2009 and all subsequent years.

(e) Owners' share of revenues

Hotel suite owners will share the net operating income from resort operations as described in note 4(e).

6. RENTAL MANAGEMENT STRATA LOT FEE

The rental management lot refers to strata lot #1 and represents the great room, exercise room and administration offices and expenses for a hotel level of service. This projection assumes a fee of \$31,406 in 2009.

7. STRATA FEE RECOVERY

This projection assumes that 22 of the 112 units in the hotel will not participate in the hotel rental pool. Therefore, the hotel should be entitled to a strata fee recovery of the projected strata fees paid by the 22 unit holders, calculated as \$67,650 per year.

8. CONTINGENCY

Operating cash reserve

The hotel manager will create a \$50,000 cash reserve, by way of loan, for working capital in connection with the operation of the hotel. If hotel operations do not generate \$50,000 in net operating income during the period October 1, 2005 to May 31, 2006, then the loan will be reduced by the amount of the shortfall.