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TAX COURT OF CANADA
COUR CANADIENNE DE L'IMPÔT

NAME / NOM	Club Intrawest	EXHIBIT / PIÈCE
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DATE: November 25, 2014

S. Lee

COURT REGISTRAR - GREFFIER DE LA COUR

N° 2012-3401(GST)G

CLUB INTRAWEST 2006 ANNUAL REPORT

CLUB INTRAWEST®

OVERVIEW

Club Intrawest is a private resort club with Vacation Homes in multiple locations. On December 31st, 2006, 385 Vacation Homes were held in trust by a third-party public trustee. The number of Resort Points each Club Intrawest Member owns determines their proportionate ownership share in this trust. Members also have voting rights relating to the number of Resort Points owned – one vote for every 15 Resort Points owned. Club Intrawest is registered as a non-profit entity in the state of Delaware, USA.

Club Intrawest's mission is:

- To provide our Members with extraordinary Vacation Experiences through equity ownership in an innovative, international, multi-site Resort Club

- To ensure the highest level of Guest satisfaction by delivering unparalleled accommodations, amenities, services and the flexibility to meet Members' changing vacation needs

Club Intrawest employs Intrawest ULC to manage the Club in the provision of this mission. The services Intrawest provide include the following:

- Operate and maintain the Club locations including hiring staff, providing reception, housekeeping, maintenance and all other on-site services;
- Management of a Capital Reserve Fund;
- Provision of a reservation system and the hiring and training of Member Services Representatives;
- Preparation and management of Club budgets and appropriate financial reporting;
- Management of the Resort Points, including Rules and Regulations;
- Resort Dues invoicing and collection;
- Development of communication materials such as the Member Web site, Member magazine and online newsletter;
- Management of an exchange program

Club Members can choose to join Club Intrawest's unique partner exchange program, ExtraOrdinary Escapes. Membership in ExtraOrdinary Escapes provides access to more than 6,500 partner properties around the world.

- *The World of Hilton* – More than 2,700 vacation options including Hilton Grand Vacations Club, Hilton family hotels around the world, car rentals and air travel
- *RCI* – More than 3,700 vacation ownership properties world-wide
- *Disney Vacation Club* – Seven locations in Florida and South Carolina
- *Cruises* – More than 2,000 itineraries available on six cruise lines
- *Excursions and Adventure Travel* – A collection of once-in-a-lifetime vacations with partners including Abercrombie & Kent
- *Hotels and Resorts* – 52 hand-picked partners in 11 countries
- *Resort to Resort* – Access to condominiums and homes at Intrawest resorts and other carefully selected destinations. Includes 143 properties at 26 resorts

GOVERNANCE

The Club Intrawest Board of Directors is responsible for the overall management and operation of Club Intrawest. The Board reviews and approves the annual Club budget and receives regular reports from the manager. The Board consists of five Club Members who are elected for three year staggered terms at the Club's annual general meetings. A sub-set of the Board, the Club Intrawest Finance Committee, consists of two Board Members and a management representative who review the financial statements with the Auditors of Club Intrawest. The Board of Directors consists of:

- Jim Gibbons, Chairman
- Rene Cardinal
- Barb Jackson
- James Orr
- Kenneth Smith

The Club Intrawest Advisory Committee is a group of 10 Club Intrawest Members who act as representatives of the entire Membership to provide input on issues faced by Club Management (Intrawest) in the operation of Club Intrawest. The make-up of the Committee is carefully monitored to ensure it is representative of the general Membership with respect to geographic location, size of Membership, length of Membership, family status and recreational interests. The Advisory Committee has provided input on many topics, including:

- The Member Referral Program
- Age of entry to Adult Oriented areas
- 2010 Lottery system
- Availability at Club locations
- Getaway Time reservation costs
- Housekeeping standards

MEMBERSHIP PROFILE

As of December 31, 2006 the Club consisted of 18,901 Memberships. Members are from over 60 different countries with the majority of Members living in North America, equally split between the US and Canada. The highest proportion of Members live in British Columbia, Washington, California, Ontario and Quebec. Internationally, England and Australia have the highest number of Club Intrawest Members.

Through 2006, one in every four new Members joined Club Intrawest through Encore, the Member Referral Program and nearly 2,000 Members were awarded C-Notes. Club Intrawest Members purchasing additional Resort Points in 2006 accounted for nearly 20% of Intrawest's Resort Points business. Together with the Referral business, Club Intrawest Members accounted for 37% of Club Intrawest's growth in 2006.

2006 IN REVIEW

2006 was another busy year for the Club with a focus on a few major initiatives.

Member Communications: Mid-year saw the launch of an updated Web site for Members. Key features include quick links to Club and ExtraOrdinary Escapes locations from the Home Page, an online database of Frequently Asked Questions and a Member's Corner that provides the opportunity for Members to post vacation reviews and tips. Overall the Web site received a fresh new look with enhanced navigation and increased security. The format of the on-line newsletter, Club Currents, was also refreshed to match the new look of the Web site.

The new Member magazine, Compass, was launched in the Spring. Named for the instrument of exploration and discovery, the magazine is intended to inspire Members to travel to new and old places, help Members get the most from their Membership and keep Members up to date on Club news.

Hilton Grand Vacation Club: 2006 was the first full year of operation for this partnership that provides Members access to 8 HGVC locations in Hawaii, Las Vegas and Orlando. Nearly 700 Members enjoyed a HGVC vacation in 2006 and Member feedback has been very positive. One reason for the success of this partnership is that reserving most HGVC locations is just like reserving a Club Intrawest vacation. The Member Services team have direct access to HGVC availability and a reservation can be confirmed with just one call or email from the Member. Members have also taken opportunity of the ability to use Resort Points for travel through Hilton HHonors.

Member Satisfaction Survey: The Member Satisfaction Survey was completed by more than 25% of the Membership. Once again, high levels of satisfaction were reported with most aspects of the Membership. More than 92% of Members were Satisfied with the quality of Vacation Homes, 91% were Satisfied with the Club's amenities and 91% with the professionalism of Member Services Representatives. More than half of respondents also shared their ideas for improvement. Two of the most common suggestions for improvement were for online reservation capability and a simpler ENCORE Member Referral Program.

Club Travel: Responding to Member demand, 2006 saw an expansion of Club Travel, which provides in-house airline, car rental and ground transportation arrangements for Members. We now offer a wider number of flights and rates and a number of Member Services Representatives have been specially trained so that all reservations can be made in-house. In 2006, hundreds of Members booked their travel using this service.

Member Servicing: In 2006, Member Services answered nearly 140,000 phone calls and 45,000 emails resulting in more than 33,500 Club reservations, 8,000 ExtraOrdinary Escapes reservations and over 5,000 Getaway Time reservations.

FINANCIAL REVIEW

BALANCE SHEET

The Club continues to be in a strong financial position with assets of nearly $38 Million and members' equity of $9.7 Million. Assets consist primarily of 2007 Resort Dues collected and receivable and Capital Fund investments.

The Club investment policy is to have a portfolio with an average credit rating of no less than "A"; not hold positions of greater than 5 years to maturity, and have no corporate holdings greater than 5% of the market value of the entire portfolio. The Club holds accounts in both currencies with UBS Financial Services Inc. and segregates capital funds from current years Resort Dues.

As in the prior year, investments held with UBS are held on the balance sheet at cost and the current market value is disclosed. The market value is less than the cost but the entire cost will be recovered as the investments will be held until maturity. Therefore there is no permanent impairment to the value of the investment.

At March 31, 2007 the 2007 Resort dues were 92.4% collected. This is consistent with prior year collection rates.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES

In fiscal 2006, "Excess of Revenue Over Expenses" was $1,926,944; $1,800,121 from the Capital Fund, $126,333 and $490 in the Operating and Workers Compensation Insurance Reserve Fund respectively.

Operating Fund

Interest revenue earned of $594,187 (2005-$271,997) increased due to improved interest rates and also reflecting the first full year of implementation of the new investment policy.
Operating expenses increased with the growth in membership with a few notable exceptions. Insurance costs rose particularly in the Southern U.S. due to the increase in hurricane activity. Housekeeping costs increase as a result of a severe labour shortage in Whistler and increases from our service provider in Kauai. Utility costs increased with gas prices and some consumption increases over prior year.

Capital Fund

Included in the increase in the Capital Fund of $3,165,051 is interest revenue earned of $376,585 (2005-$263,585) reflecting the investment policy.

During the year the Club spent $1,364,930 on capital projects. Almost half of this was spent at the Whistler Club, replacing carpets, soft furnishings and appliances in the rooms. Work was also done on the pool landscaping, creek areas and the deck replacements were completed. As well upgrades were made to the reception desk and steam room. Approximately $360,000 was spent in Tremblant primarily on the addition of air conditioning to Building 800 (first year of a five year plan to air condition all units), and re-staining of building exteriors. Another $270,000 was spent on the Palm Desert Club on numerous projects including roof maintenance, improved accessibility, pool deck repairs, landscaping and appliance replacement. The remaining funds were spent on small projects at the other Clubs.

Workers Compensation Fund

This fund was fully funded in 2005, therefore no contributions were made this year. No payments were required to be made out of this fund in the current year.