



GENESIS LAND DEVELOPMENT CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2010

November 3, 2010

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GENESIS LAND DEVELOPMENT CORP.

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

For the three and nine months ended September 30, 2010

(All tabular and table footnotes dollar amounts are in thousands except per share amounts and as noted in %)

Dated November 3, 2010

The following discussion and analysis of financial condition and results of operations of Genesis Land Development Corp. ("Genesis" or the "Corporation") should be read in conjunction with the unaudited interim consolidated financial statements and the notes thereto for the three and nine months ended September 30, 2010 and 2009 and the audited consolidated financial statements and the notes thereto for the year ended December 31, 2009. These financial statements have been reviewed by the Corporation's Audit Committee, consisting of three independent external directors and adopted by the Board of Directors. Additional information, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute "forward-looking statements". In some cases, forward-looking statements can be identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "potential", "continue" or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward looking statements, including: competition, national and regional economic conditions and the availability of capital to fund further investments in Genesis' business. Further information regarding these risks, uncertainties and other factors may be found under the heading "Risk and Uncertainties" in this MD&A and in the Corporation's most recent Annual Information Form. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements contained, or incorporated by reference, in this MD&A.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events may not occur. Although management of Genesis believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. Neither Genesis nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statements, and no one has any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors which affect this information, except as required by law. The forward-looking statements in this document are provided for the limited purpose of enabling current and potential investors to evaluate an investment in the Corporation. Readers are cautioned that such statements may not be appropriate, and should not be used, for any other purpose.

NON-GAAP MEASURES

This MD&A refers to certain financial measurements that do not have any standardized meaning within Canadian Generally Accepted Accounting Principles ("GAAP") and therefore may not be comparable to similar measures provided by other companies. These measures are provided to assist investors in determining the Corporation's ability to generate cash from various operations. The funds from operations provide a longer term perspective of the expected cash flows than GAAP measures as it takes out the short term cash flow volatility from timing differences in revenue recognition and cash receipts.

The specific measures being referred to are: i) gross margin, calculated as revenues less cost of sales; and ii) funds from operations calculated as follows:

(\$'s)	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Cash provided (used) by operating activities (GAAP)	20,124	16,695	53,312	21,599
Changes in non-cash working capital	(18,537)	(16,768)	(23,243)	(14,730)
Funds from operations	1,587	(73)	30,069	6,869

RESULTS OF OPERATIONS

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
Net earnings after tax and non-controlling interest	994	721	273	38%	25,780	7,470	18,310	245%
Basic net earnings per share	0.02	0.02	-	-	0.58	0.17	0.41	241%

Revenue, Cost of Sales and Gross Margin

Land Development

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
Residential lot revenue	1,527	2,708	(1,181)	(44%)	10,614	19,164	(8,550)	(45%)
Number of lots sold	9	15	(6)	(40%)	56	101	(45)	(45%)
Average revenue per lot	170	181	(11)	(6%)	190	190	-	-
Development land revenue	-	-	-	-	39,712	-	39,712	-

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
Residential lot revenue	1,527	2,708	(1,181)	(44%)	10,614	19,164	(8,550)	(45%)
Cost of sales	(323)	(1,260)	937	(74%)	(3,750)	(8,695)	4,945	(57%)
Gross margin	1,204	1,448	(244)	(17%)	6,864	10,469	(3,605)	(34%)
Gross margin %	79%	53%	26%		65%	55%	10%	
Development land revenue	-	-	-	-	39,712	-	39,712	-
Cost of sales	-	-	-	-	(13,800)	-	(13,800)	-
Gross margin	-	-	-	-	25,912	-	25,912	-
Gross margin %	-	-	-	-	65%	-	65%	-

Revenues from residential lots for the three and nine months ended September 30, 2010 were lower than expected primarily due to weather delays experienced in the servicing of Genesis' two new development communities, Sage Meadows in North Calgary, and Saddlestone in North East Calgary. Consequently, Genesis was unable to complete its servicing requirements in time to recognize revenue on the 75 and 100 lots (respectively) of pre-sales it has secured in those two projects. Sales were therefore limited to serviced lots in

inventory in mature areas. Subsequent to September 30, 2010, servicing has been substantially completed in the two new areas, and the builders have commenced construction of their show homes.

In Airdrie, Genesis is also completing servicing of 150, primarily, entry-level lots in phase 7 of its Bayside Community. Management believes that cost continues to be a major influence over new-home purchase decisions, particularly for first-time buyers, so these lots will be priced in the \$100 range.

For the nine months ended September 30, 2010, the Corporation sold two residential development land parcels in the city of Calgary, Alberta for a combined total of \$39,062, as well as a commercial land parcel (through one of its limited partnerships) in the city of Airdrie, Alberta for \$650.

Cost of sales on residential lot sales decreased for the three and nine months ended September 30, 2010 compared to same periods last year mainly due to lower sales volume. The average cost per lot sold has also decreased from last year primarily due to a comparatively lower cost base of the non-amenity lots sold this year as compared to amenity lots sold in Calgary's northeast community of Taralake in 2009. This resulted in increased gross margins in 2010 compared to last year, particularly for the three months ended September 30, 2010.

Residential Home Building

Single-family

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
Single-family revenue	14,448	11,285	3,163	28%	39,400	34,936	4,464	13%
Number of homes sold	29	34	(5)	(15%)	86	94	(8)	(9%)
Average revenue per home	498	332	166	50%	458	372	86	23%

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
Single-family revenue	14,448	11,285	3,163	28%	39,400	34,936	4,464	13%
Cost of sales	(10,068)	(8,853)	(1,215)	14%	(26,758)	(24,955)	(1,803)	7%
Gross margin	4,380	2,432	1,948	80%	12,642	9,981	2,661	27%
Gross margin %	30%	22%	8%		32%	29%	3%	

The average sales price and gross margin has increased over last year as a result of the sales mix favoring the Communités of Kincora and Sherwood, which are typically mid-range homes with higher margins, and management's ongoing efforts to control construction costs and favorable economic conditions compared to last year. Management believes the housing market has stabilized in Calgary and Airdrie for the near term, which should help maintain margins at current levels.

Home sales recorded for the nine months ended September 30, 2010 in Calgary and Airdrie are as follows:

Community	# of single-family homes sold	Average amount per home
<u>Calgary</u>		
Kincora	33	441
Sherwood	19	581
Taralake	3	519
<u>Airdrie</u>		
Bayside	31	395
	86	458

Sales for the last four quarters are as follows:

QUARTER ENDED	Homes Closed/Sold
September 30, 2010	29
June 30, 2010	39
March 31, 2010	18
December 31, 2009	24

Multi-family

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
Multi-family revenue	1,573	6,540	(4,967)	(76%)	11,460	13,744	(2,284)	(17%)
Number of homes sold	7	27	(20)	(74%)	45	56	(11)	(20%)
Average revenue per home	225	242	(17)	(7%)	255	245	10	4%

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
Multi-family revenue	1,573	6,540	(4,967)	(76%)	11,460	13,744	(2,284)	(17%)
Cost of sales	(1,512)	(6,454)	4,942	(77%)	(10,941)	(13,893)	2,952	(21%)
Gross margin	61	86	(25)	(29%)	519	(149)	668	(448%)
Gross margin %	4%	1%	3%		5%	(1%)	6%	

The Corporation currently only has one active multi-family project, The Breeze, a 125-unit condominium project in Airdrie, which is a joint venture with Genesis Limited Partnership #6 ("LP6"). To September 30, 2010 a total of 117 units have closed, (2010 - 45, 2009 - 72). Subsequently, no additional unit sales have closed for the project. The project was constructed at peak construction costs in 2007 and 2008, but has been selling in a depressed multi-family housing segment in 2009 and 2010. The carrying value of the project has been written down to an estimate of net realizable value, which is why the margins are at or near zero. The project financing was repaid from unit sales in September, so the final 8 units sold will represent a recovery of land costs contributed to the project, and will be split with LP 6 approximately 3:1 in favor of LP6.

The Corporation currently has an additional five multi-family projects which have undergone planning and approvals but have not commenced construction due to oversupply in the multi-family market. Management is also currently evaluating the opportunities to divest itself of certain of these project sites.

Other Revenue

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
Interest and other income	245	88	157	178%	1,105	500	605	121%

Increase in interest and other income for the three and nine months ended September 30, 2010 compared to same periods last year was driven primarily by interest income on outstanding mortgage loan receivables and customer deposit forfeitures on purchases of real estate.

General and Administrative Expense

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
General and administrative expense - gross	2,982	2,156	826	38%	9,040	8,343	697	8%
Limited partnership allocations	(226)	(252)	26	(10%)	(1,249)	(1,080)	(169)	16%
General and administrative expense - net	2,756	1,904	852	45%	7,791	7,263	528	7%

Increase in general and administrative expense, net of the limited partnership allocations, for the three and nine months ended September 30, 2010 compared to same periods last year was mainly driven by higher fees incurred for professional, non-project financing, and directors' services.

Write-down of Real Estate Held for Development and Sale and Other

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
Write-down of real estate held for development and sale and other	1,582	1,559	23	1%	2,576	4,154	(1,578)	(38%)

Decrease in the write-down for the nine months ended September 30, 2010 compared to same period last year was primarily a result of stabilized property values, so write-downs were limited to additional project costs capitalized to lands previously written down rather than additional impairments of lands.

Interest Expense

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
Interest capitalized	1,214	1,336	(122)	(9%)	5,852	5,079	773	15%
Interest expensed	374	579	(205)	(35%)	745	1,444	(699)	(48%)
Total interest incurred	1,588	1,915	(327)	(17%)	6,597	6,523	74	1%

Interest expense relates to single-family home building operations and certain operating loans secured by land. Interest pertaining to project specific debt associated with land development is capitalized as part of the work in progress associated with the land development process. Interest incurred on project specific debt within the multi-family division is capitalized as part of work in progress associated with the construction process.

The year to date amounts are comparable, but the decrease in interest expense for the three and nine months ended September 30, 2010 compared to same periods last year was mainly due to lower average outstanding loan balances relating to working capital (non-project) financings which in turn is driven by management's continuing efforts to reduce the Corporation's non-project debt levels. This trend is expected to continue as management continues to target non-project loans for repayment.

Income Tax Expense

(\$'s)	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	Change	%	2010	2009	Change	%
Income tax expense	652	63	589	935%	10,006	3,548	6,458	182%

Income tax expense increased for the nine months ended September 30, 2010 compared to same period last year primarily due to higher taxable earnings driven by residential development and commercial land parcel sales recognized during 2010. The increase for the three months ended September 30, 2010 compared to same period last year was mainly a result of timing differences relating to various tax provision components considered on an annual basis.

SUMMARY OF QUARTERLY RESULTS

(\$'s)	Third Quarter 2010	Second Quarter 2010	First Quarter 2010	Fourth Quarter 2009	Third Quarter 2009	Second Quarter 2009	First Quarter 2009	Fourth Quarter 2008
Revenues	17,793	66,440	18,058	18,219	20,621	31,119	16,603	8,098
Earnings (loss) before income taxes and non- controlling interest	488	31,119	2,835	(1,868)	(239)	3,792	3,920	(16,669)
Net earnings (loss)	994	22,802	1,984	(714)	721	4,387	2,362	(6,532)
Net earnings (loss) per share:								
Basic	0.02	0.52	0.04	(0.02)	0.02	0.10	0.05	(0.14)
Diluted	0.02	0.51	0.04	(0.02)	0.02	0.10	0.05	(0.14)

LIQUIDITY AND CAPITAL RESOURCES

During the first nine months of 2010, the Corporation generated net earnings of \$25,780 and generated \$30,069 for funding its operating activities. At September 30, 2010, the consolidated cash balance was \$2,244 as compared to \$4,578 as at December 31, 2009.

At September 30, 2010, current liabilities include: (i) \$12,604 of trade accounts payable; (ii) \$11,457 of amounts accrued and payable to Canada Revenue Agency; (iii) \$12,180 of the customer deposit balances that are expected to materialize into sales in 2010; (iv) \$7,354 of accrued land development service costs, of which a significant portion may not be realized immediately depending on scheduling of the related maintenance work; and (v) \$46,492 of financings, excluding deferred financing fees, contractually due within 12 months based on the underlying loan agreements.

The following is a summary of the Corporation's divisional financings balances at quarter-end:

Financings	Third Quarter 2010	Second Quarter 2010	First Quarter 2010	Fourth Quarter 2009
(\$'s)				
Land & land project loans	65,169	84,993	106,435	106,547
Home building operations	-	1,617	4,943	10,253
Other	714	705	688	839
	65,883	87,315	112,066	117,639
Deferred financing fees	(1,445)	(1,570)	(1,863)	(2,429)
	64,438	85,745	110,203	115,210

Through the strategic sales of assets as well as ongoing principal repayments, the Corporation's financings have decreased to \$64,438 from the December 31, 2009 balance of \$115,210. Management is continuing its efforts to reduce the Corporation's non-project and high-interest debt levels.

Certain of the Corporation's financing agreements include terms related to material adverse change, covenants and cross default. If loan defaults occur and management is unable to negotiate terms, and any one lender takes steps to exercise its rights and remedies under loan default provisions, which may include full repayment, the Corporation may face similar actions from its other lenders. Management believes that the Corporation would not have sufficient liquidity to satisfy any such demand for repayments. Additionally, the terms of the short-term debt arrangements in many cases require that cash collected from future sales is dedicated to partial discharges of the debt, resulting in a limitation on net free cash available to cover operational requirements.

A significant portion of the short-term debt (\$46,492 at September 30, 2010) will be paid out through the proceeds of lot, land and multi-family housing sales but may also require refinancing or extension over the course of the next twelve months. The Corporation uses new financings together with timely sale of its inventory of land to meet its on-going obligations.

The Corporation uses a combination of project specific credit facilities and limited partnership financing to fund development costs and land acquisitions. Generally, Genesis repays its project specific debt from the proceeds of sale of homes and lots. The Corporation presently maintains lending relationships with several lenders who provide financings at interest rates ranging from prime + 2% to the greater of 10% or prime plus 5% per annum. There is a risk that lot closings and property sales could be delayed which would impact the Corporation's ability to repay these project oriented financings at the contracted discharge prices or in a timely fashion. In such an instance the Corporation would attempt to refinance and/or extend the term of the financing.

Contractual Obligations

The Corporation's contractual obligations, other than accounts payable, income taxes payable, customer deposits and land development service costs, stated as of September 30, 2010 are as follows:

(\$'s)	Financings (excl. deferred financing fees)	Naming Rights	Lease Obligations	Total
Current	46,492	200	541	47,233
Years 2 and 3	19,391	400	556	20,347
Years 4 and 5	-	400	-	400
Thereafter	-	400	-	400
	65,883	1,400	1,097	68,380

As per the press release dated March 4, 2010, Genesis has already obtained over \$100,000 in either closings or pre-sales for 2010. These sales include a \$35,000 land parcel sale that closed on May 11, 2010, 93 lot pre-sales worth approximately \$17,000 subject to completion of servicing for 75 of the lots and over 100 single-family home sales totaling \$48,000 with closing dates throughout the year. The proceeds from these sales in conjunction with leveraging of these sale contracts will be used to payout the Corporation's existing financial commitments.

Genesis has entered into a memorandum of understanding with a community society in north east Calgary, whereby Genesis will contribute \$5,000 over the next ten years for the naming rights to a recreation complex. Negotiations are underway to determine when payments will commence; therefore this obligation is not reflected in the table above.

Genesis has entered into an agreement with the City of Airdrie, whereby Genesis will contribute \$200 per year for ten years, commencing June 1, 2008, for the naming rights to a recreation complex. The first three payments have been remitted as scheduled and recorded as part of general and administrative expense.

FINANCIAL POSITION

ASSETS

(\$'s)	September 30,		December 31,	
	2010	%	2009	%
Real estate held for development and sale	294,806	91%	302,598	88%
Amounts receivable	9,744	3%	15,384	4%
Cash and cash equivalents	2,244	1%	4,578	1%
Future income taxes	-	-	2,213	1%
Other operating assets	16,779	5%	17,568	6%
	323,573	100%	342,341	100%

Real Estate Held For Development and Sale

(\$'s)	September 30, December 31,		Change	%
	2010	2009		
Real estate held for development and sale	294,806	302,598	(7,792)	(3%)

During the first nine months of 2010, carrying value of real estate held for development and sale decreased primarily as a result of sales of development land parcels and housing inventory, reflecting real estate market's stabilization in 2010, while offset by on-going residential land development and home construction expenditures relating to new community phases expected to come on-stream in 2010.

Real estate held for development and sale changed during the first nine months of 2010 as follows:

(\$'s)	Land Under Development	Land Held for Future Development	Housing Projects	Intersegment elimination	Total
December 31, 2009	116,148	168,713	17,737	-	302,598
Acquisitions & Transfers	39,842	(38,552)	15,765	(17,055)	-
Development	12,889	2,265	19,143	17,055	51,352
Sold	(11,293)	-	(45,746)	-	(57,039)
Write-down	(420)	(1,345)	(340)	-	(2,105)
September 30, 2010	157,166	131,081	6,559	-	294,806

Amounts Receivable

(\$'s)	September 30, 2010	December 31, 2009	Change	%
Amounts receivable, net	9,744	15,384	(5,640)	(37%)

Amounts receivable, net of allowance for doubtful accounts, decreased at September 30, 2010 compared to December 31, 2009 mainly due to consistent collections during the first nine months of 2010, while offset by residential development and commercial land parcel sales, as well as lower residential lot sales volume in 2010 resulting from weather delays.

Credit exposure associated with land division lot receivables is mitigated as the Corporation retains title to the lot until payment is received. In the event that a customer is unable to pay the balance of the purchase price owing, the Corporation would retain the collected non-refundable deposit and the developed lot. Credit risk associated with accounts receivable for single- and multi-family homes is mitigated as payment is received upon title transfer of homes.

LIABILITIES, NON-CONTROLLING INTEREST & SHAREHOLDERS' EQUITY

(\$'s)	September 30, 2010	%	December 31, 2009	%
Financings	64,438	20%	115,210	34%
Customer deposits	12,180	4%	4,986	1%
Accounts payable and accrued liabilities	12,604	4%	8,350	2%
Income taxes payable	11,457	4%	11,138	3%
Future income taxes	612	0%	-	-
Land development service costs	7,354	2%	8,300	2%
Non-controlling interest	54,734	17%	61,084	18%
Shareholders' equity	160,194	49%	133,273	40%
	323,573	100%	342,341	100%

Financings from lending institutions, excluding deferred financing fees, at September 30, 2010 totaled \$65,883 of which \$46,492 or 71% relates to short-term project financing, repayment of which is either (i) linked directly to the collection of lot receivables and sales proceeds; (ii) regularly scheduled principal installments; or (iii) due at maturity. During the first nine months of 2010, Genesis received \$85,285 of financing proceeds and made repayments of \$136,057. The multi-family division has financed \$Nil of construction costs at September 30, 2010 as compared to \$10,253 at December 31, 2009, which represented repayments of the financing while

offset by the remaining construction cost of the project. Repayment of the financing was through sales proceeds from closings of individual units to third party purchasers.

Land Development Service Costs

(\$'s)	September 30, December 31,		Change	%
	2010	2009		
Land development service costs	7,354	8,301	(947)	(11%)

Accrued land development service costs decreased at September 30, 2010 compared to December 31, 2009 mainly due to performing planned service work thus incurring the previously budgeted completion costs, which resulted in the adjusted lower budgets for the future cost-to-complete liability.

Non-Controlling Interest

(\$'s)	September 30, December 31,		Change	%
	2010	2009		
Non-controlling interest liability	54,734	61,084	(6,350)	(10%)

Non-controlling interest liability decreased primarily due to cash paid to unit holders and a de-recognition of a variable interest entity ("VIE") that was previously consolidated into the Corporation's accounts.

As at and for the nine months ended September 30, 2010, the Corporation recognized a non-controlling interest liability of \$54,734 comprised as follows:

(\$'s)	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	VIE	Total LP
December 31, 2009	(8,034)	(16,716)	(6,696)	(27,518)	(2,120)	(61,084)
De-recognition of VIE	-	-	-	-	2,120	2,120
Net earnings allocation on sale of real estate held for development and sale	(14)	(794)	-	(47)	-	(855)
Market value write-down	-	-	-	950	-	950
Cash paid out	-	2,886	-	-	-	2,886
Net general and administrative expenses (recoveries)	24	507	33	685	-	1,249
September 30, 2010	(8,024)	(14,117)	(6,663)	(25,930)	-	(54,734)

Shareholders' Equity

As at September 30, 2010 and November 3, 2010, the Corporation had 44,347,697 common shares issued and outstanding. In addition, there were options to acquire 2,056,185 common shares of the Corporation issued under the Corporation's stock option plan.

OFF BALANCE SHEET ARRANGEMENTS

Letters of Credit

The Corporation has an ongoing requirement to provide letters of credit to municipalities as part of the subdivision plan registration process. As at September 30, 2010, these letters of credit totaling approximately \$14,754 would provide a source of funds to the municipalities that would allow them to complete the construction and maintenance of improvements to the subdivision should the Corporation not be able to. The amount of any particular letter of credit is reduced at various stages of construction. Once the municipality issues a certificate acknowledging completion of the improvements to the project, the letter of credit is returned and cancelled.

Lease Agreements

The Corporation has certain lease agreements that are entered into in the normal course of operations. All leases are treated as operating leases whereby lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease. No asset or liability value has been assigned to these leases in the balance sheet as of September 30, 2010.

JOINT VENTURE

On April 30, 2010, Genesis entered into a joint venture agreement with another real estate development corporation to form a joint venture corporation with a purpose of conducting residential development of certain real estate holdings. Genesis contributed 75 acres (net of JV interests) and has a 50% interest in the JV. Development servicing could commence as early as 2011.

FUTURE ACCOUNTING CHANGES

In January 2006, Canada's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011.

On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will be required for the Corporation's interim and annual financial statements for the fiscal year beginning January 1, 2011.

In October 2009, the Canadian Accounting Standards Board issued a third and final IFRS Omnibus exposure Draft confirming that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. The Corporation's IFRS adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for the year ended December 31, 2010, including the opening statement of financial position as at January 1, 2010.

Management has commenced its IFRS conversion project which consists of the following three phases:

1. *Preliminary impact and assessment* – this phase commenced with a review of the Corporation's significant accounting policies relative to current and proposed IFRS. The results of this analysis were priority ranked according to the complexity and the extent of the impact in adoption of IFRS accounting policies.
2. *Detailed analysis* – the Corporation is now in the process of preparing draft analysis for the impact and evaluation phase, where items identified in the preliminary phase are addressed according to the priority levels assigned to them. This phase involves analysis of policy choices allowed under IFRS, drafting IFRS position papers for areas requiring significant judgment, assessing impact on systems and controls and drafting IFRS compliant consolidated financial statements.
3. *Implementation phase* – this final phase involves implementing all changes approved in the impact and evaluation phase.

The Corporation completed the preliminary impact and assessment phase during Q2 of 2009. The Corporation is currently in the detailed analysis phase which is expected to be completed within the reasonable timeframe to allow for further disclosure and filing as required and applicable. The implementation phase will commence upon completion of the detailed analysis phase. Upon completion of the preliminary phase, management determined that the differences most likely to have the greatest degree of complexity and impact on the Corporation's consolidated financial statements were as follows:

First-Time Adoption

IFRS 1 grants first time adopters:

- Optional exemptions, from retrospective application of certain standards, that the Corporation may choose to elect in preparation of its opening statement of financial position; and
- Mandatory exceptions to retrospective application of certain standards.

Elections made upon transition to IFRS can have a significant impact on the level of time and effort needed for IFRS conversion. The following optional exemptions appear to be the most applicable to the Corporation:

- a) Fair value or revaluation as deemed cost - This exemption provides the Corporation with the option to elect specific fair values for the deemed cost of any qualifying item of property, plant and equipment;
- b) Share-based payments - This exemption provides the Corporation with the option of not applying IFRS 2 Share-based Payments to equity-settled share-based payment transactions issued after November 7, 2002 and which have vested before the date of transition; and
- c) Capitalization of borrowing costs - This exemption provides the Corporation with the option of applying IAS 23 Borrowing Costs ("IAS 23") prospectively from the transition date.

Furthermore, IFRS 1 requires extensive disclosure in the Corporation's first set of IFRS compliant interim and annual consolidated financial statements. This includes the disclosure of several reconciliations that explain the how the transition from Canadian GAAP to IFRS affected the reported financial position, financial performance and cash flows of the Corporation.

Borrowing Costs

IAS 23 Borrowing Costs ("IAS 23") requires the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a long period of time to construct). Interest costs may only be capitalized to a property when an entity incurs expenditures for the asset, incurs borrowing costs, and begins development to prepare the asset for its intended use or sale. As a result, borrowing costs on land held for development may not qualify. Borrowing costs must cease being capitalized to a project in cases of extended delays in development or once the property is substantially complete for its intended use, regardless of level of occupancy.

Furthermore, to the extent that the Corporation borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Corporation must determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period.

The Corporation is analyzing its current practice of capitalizing borrowing costs to ensure that it meets the requirements of IAS 23.

Impairment of Assets

PP&E is tested for impairment in accordance with IAS 36 Impairment of Assets which requires that the Corporation assesses, at the end of each reporting period, whether there is any indication that these assets may be impaired. An asset is impaired when the recoverable amount of the asset is less than the carrying amount. If there is any indication that an asset may be impaired, the recoverable amount should be estimated for individual assets. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties. The value in use is the present value of the future cash flows (i.e. discounted cash flows) expected to be derived from an asset.

If it is not possible to estimate the recoverable amount for the individual asset, the Corporation must determine the recoverable amount for the cash-generating unit (“CGU”) to which that asset can be allocated. A CGU is the smallest group of assets that generates cash flows largely independent of other assets or groups of assets. Management is currently in the process of determining the CGU’s of the Corporation.

As a result of the above changes, impairment may be recognized more frequently under IFRS as Canadian GAAP does not require the discounting of cash flows when assessing the recoverability of an assets carrying value. IAS 36 does, however, require the reversal of an impairment loss where there is an indication that circumstances have changed and that the impairment loss no longer exists or may have decreased. This is not allowed under Canadian GAAP.

Income Taxes

IAS 12 Income Taxes ("IAS 12") is similar to Canadian GAAP in that the Corporation has to recognize deferred (future) taxes on temporary differences between the carrying value of assets and liabilities and their tax base. The adoption of IFRS will have a significant impact on the Corporation 's tax accounting in the period of adoption and in subsequent periods for new temporary differences arising on the conversion to IFRS as a result of changes in carrying values of assets, differences in depreciation and depletion expense, residual values, capitalization of borrowing and direct costs and impairment charges and reversals.

Impact on Systems and Controls

The impact on information technology, data systems, internal control over financial reporting, disclosure controls and procedures, debt covenants, capital requirements and compensation arrangements will be assessed as part of phase 2. The Corporation will complete the assessment of the impact to investor relations and external communication plans once the evaluation of the impact to the consolidated financial statements is complete.

Next Steps

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact on the Corporation’s consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) have designed, or caused to be designed under their direct supervision, Genesis’ disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that

- (i) material information relating to Genesis, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual and interim filings are being prepared; and
- (ii) material information required to be disclosed in the annual and interim filings is recorded, processed, summarized, and reported on a timely basis.

In conformance with National Instrument 52-109 (“52-109”), the Corporation has filed certificates signed by the CEO and CFO that deal with the matter of disclosure controls and procedures and have concluded that the design and operating effectiveness of these disclosure controls and procedures are not effective in providing reasonable assurance that material information required to be disclosed by the Corporation in reports filed with Canadian securities regulators is accurate and complete and filed within the periods required due to the material weakness and material changes as outlined below.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Genesis' Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have also designed, or caused to be designed under their direct supervision, Genesis' internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Further, using the criteria established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Genesis' internal controls over financial reporting at December 31, 2009 and identified the material weakness identified below.

Material Changes to Internal Controls over Financial Reporting and Disclosure Control and Procedures for the nine months ended September 30, 2010

During the period covered by this report, our management with the participation of our Chief Executive Office and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure control and procedure. Based on this evaluation, our management concluded that our disclosure control and procedures were not effective to ensure that information we are required to disclose in the reports we file or submit is accurate because of the following:

- In May of 2010, Special Committee and the Corporate Governance Committee issued two news releases. Neither of these news releases were discussed with, nor circulated to the certifying officers prior to their release. Subsequence to these actions, the Board of Directors have implement the following remedies:
 - The board created an Executive Committee of the Board to oversee financing, land sale or purchase above certain financial limits, and press releases.
 - All board Mandates & Polices have been reviewed, updated and approved by the Board of Directors.

Material Weakness

During the operating effectiveness assessment, certain material weaknesses in internal controls over financial reporting were identified. Due to the limited number of staff and complexity of certain accounting transactions relating to items such as costs to complete and future development costs liability, instances of control weaknesses relating to insufficient segregation of duties and lack of independent review have been noted.

Management is taking the following measures to address the material weaknesses in internal controls over financial reporting and disclosure controls and procedures:

- Management is reviewing the process to calculate for estimates of "Cost to complete" and "Future Developments Cost liability" by involving Operational Managers and Consultants in the estimation and assumptions made during the course of production. Genesis is also implementing new software that will help track costs and provide real-time data that help in providing current and actual data. Estimates are made with the best available data at the time the financial statements are being prepared. Management has also hired a Senior Cost Accountant to help in providing better estimates as well as ensure proper segregation of duties within the process.
- Management is in the process of reviewing the effectiveness of its disclosure controls and procedures and it will implement the necessary measures to ensure that controls are working as intended. Management will continue to monitor the effectiveness of its internal controls over financial reporting and disclosure framework and may make modifications from time to time as considered necessary or desirable.
- Management is addressing segregation of duties conflicts by analyzing the cause of these conflicts and has been updating procedures and processes to separate key duties where possible. As such, lack of segregation and their related risks are not uncommon in smaller companies with a limited number of

employees in the accounting function. Management is in the process of adding employees to help clearly segregate duties. In order to provide a compensating control for these weaknesses, the Corporation is also employing the services of external consultants, and has hired an internal auditor to enhance its internal controls.

While these measures may reduce the likelihood of a material misstatement or untimely disclosure in financial reporting, there is no assurance that a material misstatement will not occur. Management, the Audit Committee and the Board of Directors work to mitigate the risk of material misstatement. The CEO and CFO oversee all material transactions and related accounting record. In addition, the Audit Committee reviews on a quarterly basis the financial statements and key risks of the Corporation and queries management about significant transactions, and there is daily oversight by the senior management of the Corporation. Management and the Board of Directors however do not have reasonable assurance that the risk of material misstatement can be reduced to a remote likelihood of a material misstatement.

OUTLOOK

Genesis is continuing to build on its best annual financial results in its history and continues to strengthen its balance sheet by reducing its corporate debt levels through both strategic land sales and normal operations. As at September 30, 2010, total financings were reduced to \$64,438, an overall reduction of \$50,772 since December 31, 2009. The management of Genesis recognizes the need for land and housing project financings, but is focused on eliminating debts on raw land loans as the underlying assets are not expected to generate cash flows during the term of the loan and Genesis must consume working capital to service them. While the overall reduction in debt positively impacts availability of capital and borrowing rates, management is continuing to pursue alternatives in order to gain greater flexibility over how it manages its loans and cash flows.

While the summer months were slow in terms of new home sales for Genesis, management believes the housing market remains stable in the Calgary Metropolitan Area (“CAM”). Interest rates remain low, inventory in the market from re-sellers on the MLS service within the CAM is dwindling, and with the addition of two new communities within the city of Calgary, and with new show-home parades currently under construction in Calgary (Sage Meadows and Saddlestone) and Airdrie (Bayside 9), renewed sales traffic is expected in these areas.

Challenges to sales volumes in all segments arise from new, tighter mortgage qualification rules which act as a barrier to entry for many first-time home buyers. Consequently, management is adjusting its entry level product to meet this need. These new rules have renewed focus on affordability and could have a positive demand on multi-family homes and multi-family sites. Management is investigating these alternatives, either through the construction of multi-family sites, or divestiture of select multi-family sites.

Genesis also continues to seek offers on its Sagehill Crossing commercial site. Management intends to sell a portion of the lands to cover servicing costs for the site, and is considering various options to maximize shareholder’s returns on this project for the balance of lands. One option under consideration is whether to seek a joint venture partner for the build out of these lands. Management believes that partnering with an experienced commercial developer would give the Corporation access to recurring revenues in respect of these lands.

The improving financial situation that Genesis finds itself in currently is certainly positive but the Corporation continues to cautiously move forward as uncertainty still exists in the global macro- economic environment. Genesis will continue to focus on prudent, conservative growth with the focus on enhancing financial strength and shareholder value.

OTHER

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com