GENESIS LAND DEVELOPMENT CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month period and year ended December 31, 2010

March 3, 2011

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS *3*
THE CORPORATION *4*
EXECUTIVE SUMMARY *4*
KEY FINANCIAL PERFORMANCE INDICATORS *4*
NON-GAAP MEASURES *7*
RESULTS OF OPERATIONS *8*
FINANCIAL POSITION *13*
ASSETS 13
LIABILITIES, NON-CONTROLLING INTEREST & SHAREHOLDERS' EQUITY 16
LIQUIDITY AND CAPITAL RESOURCES *17*
SUMMARY OF QUARTERLY RESULTS *19*
JOINT VENTURE *20*
OFF BALANCE SHEET ARRANGEMENTS *20*
RELATED PARTY *20*
CRITICAL ACCOUNTING ESTIMATES AND POLICIES *21*
INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") *21*
RISKS AND UNCERTAINTIES *25*
DISCLOSURE CONTROLS AND PROCEDURES *27*
INTERNAL CONTROLS OVER FINANCIAL REPORTING *27*
OUTLOOK *29*
OTHER *29*

GENESIS LAND DEVELOPMENT CORP.

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

For the three-month period and year ended December 31, 2010

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

Dated March 3, 2011

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 audited consolidated financial statements and the notes thereto for the years ended December 31, 2010 and 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

This MD&A contains certain statements which constitute forward-looking statements or information ("forward-looking statements") within the meaning of applicable securities legislation concerning the business, operations and financial performance and condition of Genesis. Forward-looking statements include, but are not limited to, statements with respect to the estimated pre-tax net asset value of the Company, the estimated after tax net asset value of the Company and estimated corporate tax rate and the number of dwelling sites that Genesis will actually develop and sell. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Although Genesis believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements because they involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Genesis to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Accordingly, Genesis cannot give any assurance that its expectations will in fact occur and cautions that actual results may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to Genesis' properties; timely leasing of newly-developed properties and re-leasing of occupied square footage upon expiration; dependence on tenants' financial condition; the uncertainties of real estate development and acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; the impact of newly-adopted accounting principles on Genesis' accounting policies and on period-to-period comparisons of financial results; economic conditions in Western Canada, not realizing on the anticipated benefits from the transaction or not realizing on such anticipated benefits within the expected time frame and other risks and factors described from time to time in the documents filed by Genesis with the securities regulators in Canada available at www.sedar.com., including this MD&A under the heading "Risks and Uncertainties" and the Annual Information Form under the heading "Risk Factors". Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and, except as required by applicable law, Genesis does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise.

Caution should be exercised in the evaluation and use of the appraisal results. The appraisal is an estimate of market value at specific dates and not a precise measure of value, being based on subjective comparison of related activity taking place in the real estate market. The appraisal is based on various assumptions of future expectations and while the appraiser's assumptions are considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

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 ("FFO") 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 CORPORATION

Genesis is a Calgary-based real estate development corporation focusing primarily on the development and sale of residential, commercial and light industrial properties. The Corporation's vertically integrated operations include:

- the acquisition of raw land held for future development, including the planning, servicing and marketing of urban communities and resort destinations in Western Canada;
- the construction and sale of single- and multi-family homes through Genesis Builders Group ("GBG"), a wholly-owned subsidiary of the Corporation; and
- the development of commercial, industrial and office properties.

The Corporation owns development lands primarily in and around the City of Calgary, the City of Edmonton, the City of Airdrie and the Town of Cochrane in Alberta, and also has land holdings within the City of Prince George as well as the Kamloops and Radium areas in the Province of British Columbia.

The Corporation is listed for trading on the Toronto Stock Exchange (the "Exchange" or "TSX") under the symbol "GDC".

EXECUTIVE SUMMARY

The year ended December 31, 2010 has been the most profitable year in Genesis' history with a net profit of $0.82 per share compared to $0.15 per share for the year ended December 31, 2009.

The record earnings were a result of the sale of residential development land parcels in the city of Calgary, Alberta for a combined total of $42,512. The Corporation also sold 184 lots for $35,569 and 150 single and multi-family units for $58,569. Total revenue for the year ended December 31, 2010 was $137,900.

A key focus of the Corporation has been to reduce the debt levels. The Corporation reduced its debt by $33,890 during the year ended December 31, 2010. This included loan repayments of $162,057 and additional financing of $128,167.

The land portfolio of the Corporation was independently appraised as of December 31, 2010 by an independent valuation and advisory services firm, Cushman & Wakefield Ltd. ("Cushman"). Based on the valuation the Corporation estimates the after-tax net assets value ("NAV") at December 31, 2010 at $8.01 per outstanding share compared to $8.25 per outstanding share as at December 31, 2009.

As of December 31, 2010 Genesis had 65 employees.

KEY FINANCIAL PERFORMANCE INDICATORS

The Key Financial Performance Indicators that management of Genesis uses to measure performance of the Corporation are as follows:

1. Funds From Operations, and Funds From Operations per share, Earnings Per Share and Price Earnings ratio are earnings measures.
2. Weighted Average Cost of Debt and Debt to Equity ratio are leverage measures.
3. Net Assets Value per share is a measure of assets value.
4. Return on Equity is measure of return on shareholders' capital at risk.
5. Return on Assets is measure of return on assets value.

Some of the Key Performance Indicators calculated for the three-month period and year ended December 31, 2010 are as follows:

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
Funds From Operations	14,067	1,582	44,136	8,451
Funds From Operations per share	0.32	0.04	0.99	0.19
Earnings Per Share	0.24	(0.02)	0.82	0.15
Price Earnings ratio			4.09	13.20
Weighted Average Cost of Debt			8.2%	9.7%
Debt to equity ratio			0.54	0.76
Net Assets Value per share			8.01	8.25
Return on Equity	7.0%	(0.6%)	23.9%	5.2%
Return on Assets	3.0%	(0.2%)	10.3%	2.0%

The price earnings ratio is based on closing stock price as of December 31, 2010 of $3.35 per share (December 31, 2009 – $1.98 per share)

The decrease in NAV is mainly attributable to a decrease in real estate held for development and sale resulting from sales of residential lots and development land parcels, coupled with payments of interest on financings, taxes and other general and administrative expenses during the year ended December 31, 2010, while partially offset by an increase in the valuation of the remaining lands.

The estimated NAV was calculated using the Cushman Total Pre-Tax Land Value plus additional balance sheet assets less balance sheet liabilities and a 28% corporate tax rate as at December 31, 2010. The book value of all remaining assets and liabilities as set forth in the audited consolidated financial statements of the Corporation for the year ended December 31, 2010 has been added to the Total Pre-Tax Land Value to calculate the Pre-Tax "Net" Asset Value. Estimated taxes have been deducted from the Pre-Tax Net Asset Value as if all properties were sold at their December 31, 2010 market values to determine NAV.

Net Asset Value Calculation

($'s)	2010
Appraised values (see note 1 and 2 below)	
Serviced Single-family lot Inventory	84,950
Serviced Multi-family sites	47,133
Fully approved Commercial/Industrial Sites - Calgary, Airdrie & Edmonton	80,385
Fully approved developable lands - Calgary & Airdrie	167,032
Other raw and partially approved links	95,245
Total pre-tax land value	474,745
Other balance sheet assets (see note 3 below)	54,302
Balance sheet liabilities (see note 4 below)	(124,776)
Add amount due from Non-Controlling Interest ("NCI")	23,436
Pre-tax NAV	427,707
Estimated tax	(72,199)
After tax NAV	355,508
Total shares outstanding as at December 31, 2010	44,379
After-Tax NAV per share outstanding	8.01

Assumptions:

1. Appraised values represent 100% Genesis owned lands. Limited partnership lands owned by other limited partnership investors (and the corresponding NCI liability) are excluded from the calculation.

2. Cushman's appraised values of lands represents market value based on comparative figures of similar market transactions, except for single-family lots currently under development, which are valued as if serviced and subdivided with adjustment for estimated future costs to complete. Lot inventory has been valued on a per lot basis, multi-family sites have been valued on a per door basis and all other lands were valued on a per acre basis.

3. Other balance sheet assets and liabilities in the NAV Calculation includes the following:

($'s)	2010
Assets	
Housing projects under development excluding land value	8,470
Accounts receivable	27,021
Other operations assets	16,356
Cash	2,455
Total	54,302
Liabilities	
Financings	81,320
Customer deposits	8,388
Accounts payable and accrued liabilities	13,024
Income taxes payable	8,310
Future Income taxes	3,387
Land development service costs	10,347
Total	124,776

4. Genesis has used a 2010 Corporate Tax Rate of 28% to calculate taxes in determining its NAV.

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 ("FFO") 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:

	Three months ended December 31,				Year ended December 31,			
($'s)	2010	2009	Change	%	2010	2009	Change	%
Cash provided (used) by operating activities (GAAP)	(16,771)	282	(17,053)	(6,047%)	36,541	21,881	14,660	67%
Changes in non-cash working capital	30,838	(1,300)	32,138	2,472%	7,595	(13,430)	21,025	157%
Funds from operations	14,067	(1,018)	15,085	1,482%	44,136	8,451	35,685	422%

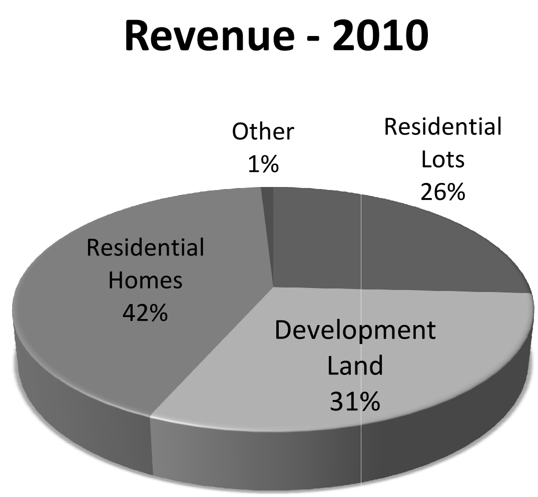
The Corporation saw a strong increase in the FFO for 2010 compared to 2009. The increase has mainly been driven by sales of development land parcels and lots in the Corporation's recently developed phases, off-set by decline in sales of single-family and multi-family homes.

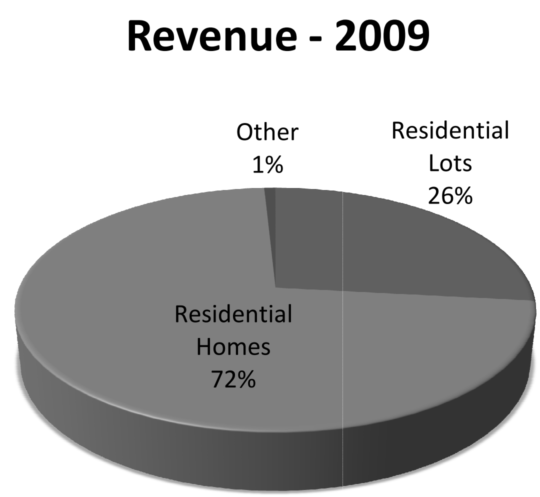
RESULTS OF OPERATIONS

($'s)	Three months ended December 31, 2010	2009	Change	%	Year ended December 31, 2010	2009	Change	%
Net earnings after tax and non-controlling interest	10,624	(714)	11,338	1,588%	36,404	6,756	29,648	439%
Basic net earnings per share	0.24	(0.02)	0.26	1,300%	0.82	0.15	0.67	447%

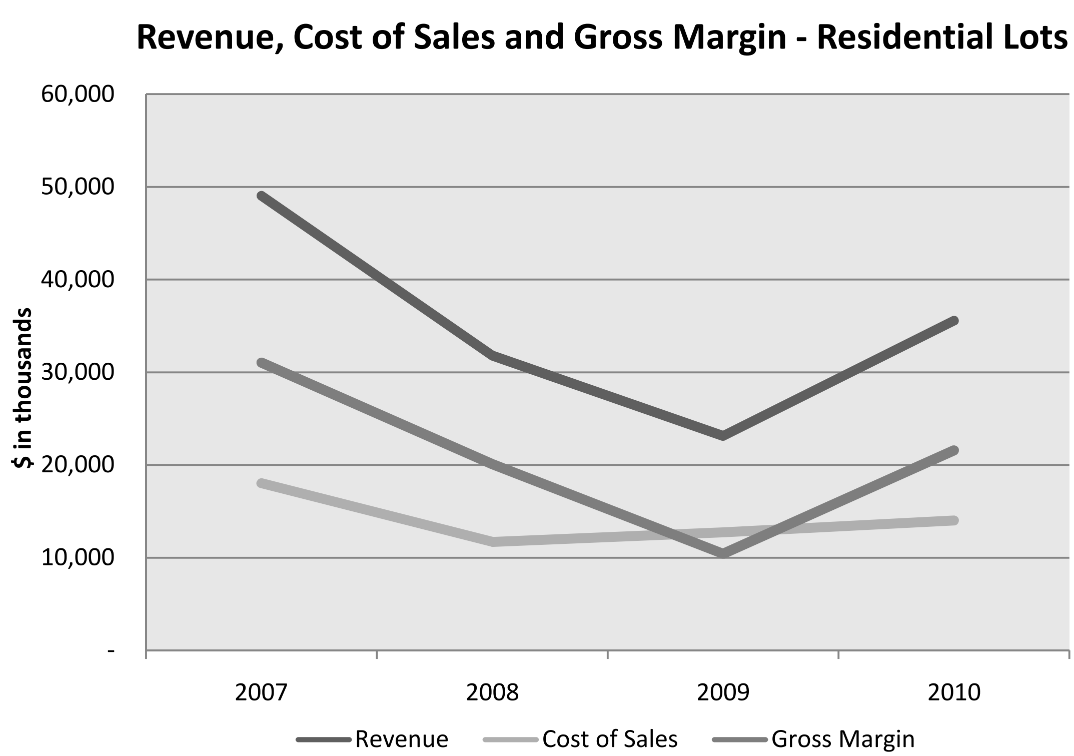
Revenue, Cost of Sales and Gross Margin

The revenue mix for the years ended December 31, 2010 and 2009 is as follows:





Residential Lots



	Three months ended December 31,				Year ended December 31,			
($'s)	2010	2009	Change	%	2010	2009	Change	%
Residential lot revenue	24,955	3,974	20,981	528%	35,569	23,138	12,431	54%
Cost of sales	(10,251)	(4,034)	(6,217)	154%	(14,001)	(12,729)	(1,272)	10%
Gross margin	14,704	(60)	14,764	24,607%	21,568	10,409	11,159	107%
Gross margin %	59%	(2%)			61%	45%		
Number of lots sold	128	23	105	457%	184	124	60	48%
Average revenue per lot	195	173	22	13%	193	187	6	3%
Average cost of sales per lot	80	175	(95)	(54%)	76	103	(27)	(26%)

Revenues from residential lots for the year ended December 31, 2010 were higher than for the year ended December 31, 2009 due to higher number of lots sold in the current year and higher lot pricing due to improving economic conditions.

The negative gross margin for the three months ended December 31, 2009 is due to a one-time true-up of the cost to complete, booked in the three-month period ended December 31, 2009 in respect of entire year 2009.

While cost of sales increased primarily due to higher sales volume driven by sales in the community of Saddlestone, the average cost per lot sold decreased for 2010, compared to last year mainly 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 contributed to the increase in gross margins in 2010 compared to last year.

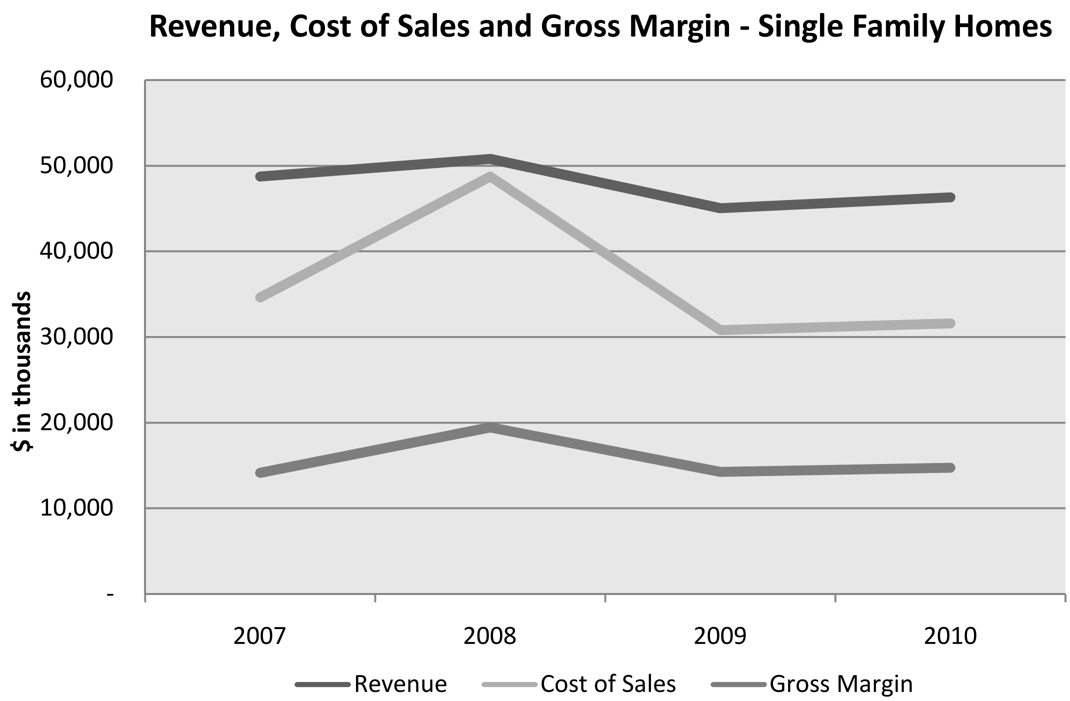
Development Land

	Three months ended December 31,				Year ended December 31,			
($'s)	2010	2009	Change	%	2010	2009	Change	%
Development land revenue	2,800	-	2,800	100%	42,512	-	42,512	100%
Cost of sales	(1,060)	-	(1,060)	100%	(14,860)	-	(14,860)	100%
Gross margin	1,740	-	1,740	100%	27,652	-	27,652	100%
Gross margin %	62%	-			65%	-		

For the year ended December 31, 2010, the sale of development land included two residential development land parcels in the city of Calgary, Alberta for $39,062, a land for fire hall for $2,800, as well as a commercial land parcel (through one of its limited partnerships) in the city of Airdrie, Alberta for $650.

Residential Home Building

Single-family



	Three months ended December 31,				Year ended December 31,			
($'s)	2010	2009	Change	%	2010	2009	Change	%
Single-family revenue	6,897	10,089	(3,192)	(32%)	46,297	45,025	1,272	3%
Cost of sales	(4,803)	(5,823)	1,020	(18%)	(31,561)	(30,778)	(783)	3%
Gross margin	2,094	4,266	(2,172)	(51%)	14,736	14,247	489	3%
Gross margin %	30%	42%			32%	32%		
Number of homes sold	15	24	(9)	(38%)	101	118	(17)	(14%)
Average revenue per home	460	420	40	10%	458	382	76	20%
Average cost of sales per home	320	243	77	32%	312	261	51	20%

The average selling price per home has increased over last year as a result of the sales mix favoring the Communities of Kincora and Sherwood, which are typically mid-range homes. The margins however did not increase proportionately due to pressure on selling prices. Management believes the housing market has stabilized in Calgary and Airdrie for the near term, which should help maintain margins at current levels. The drop in new homes sales in 2010 compared to 2009 was due to wet weather conditions which delayed the availability of lots to commence construction work.

Home sales recorded for the three months and year ended December 31, 2010 in Calgary and Airdrie are as follows:

	Three months ended December 31, 2010				Year ended December 31, 2010			
	# of single-family homes sold		Average amount per home ($'s)		# of single-family homes sold		Average amount per home ($'s)	
Community	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Calgary								
Kincora	-	7	-	416	33	8	441	413
Sherwood	6	3	617	546	25	7	590	541
Taralake	-	8	-	461	3	63	519	412
Airdrie								
Bayside	9	4	355	309	40	13	386	314
Canals	-	2	-	308	-	27	-	292
Total	15	24	460	420	101	118	458	382

Sales for the last four quarters were as follows:

QUARTER ENDED	**# of Homes Closed/Sold**	
	2010	**2009**
December 31	15	24
September 30	29	34
June 30	39	34
March 31	18	25
Total	101	118

Multi-family

	Three months ended December 31,				Year ended December 31,			
($'s)	**2010**	**2009**	**Change**	**%**	**2010**	**2009**	**Change**	**%**
Multi-family revenue	812	3,943	(3,131)	(79%)	12,272	17,687	(5,415)	(31%)
Cost of sales	(762)	(3,874)	3,112	(80%)	(11,703)	(17,767)	6,064	(34%)
Gross margin	50	69	(19)	(28%)	569	(80)	649	811%
Gross margin %	6%	2%			5%	0%		
Number of homes sold	4	16	(12)	(75%)	49	72	(23)	(32%)
Average revenue per home	203	246	(43)	(17%)	250	246	4	2%
Average cost of sales per home	191	242	(51)	(21%)	239	247	(8)	(3%)

The Corporation currently has only 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"). During the year ended December 31, 2010 a total of 49 units have closed (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 margins are low because the carrying value of the project has been written down to an estimate of net realizable value. The project financing was repaid from unit sales in September 2010, any additional units sold will be split with LP 6 approximately 3:1 in favor of LP6.

The Corporation currently has an additional nine multi-family projects which have undergone planning and approvals but have not commenced construction. Management is currently evaluating the opportunities to develop or divest itself of certain of these project sites.

Other Revenue

	Three months ended December 31,				Year ended December 31,			
($'s)	2010	2009	Change	%	2010	2009	Change	%
Interest and other income	145	211	(66)	(31%)	1,250	711	539	76%

Increase in interest and other income for the year ended December 31, 2010 compared to 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

	Three months ended December 31,				Year ended December 31,			
($'s)	2010	2009	Change	%	2010	2009	Change	%
General and administrative expense - gross	3,223	2,603	620	24%	12,263	10,946	1,317	12%
Limited partnership allocations	(264)	369	(633)	(172%)	(1,513)	(711)	(802)	113%
General and administrative expense - net	2,959	2,972	(13)	(0%)	10,750	10,235	515	5%

Increase in general and administrative expense, net of the limited partnership allocations, for the year ended December 31, 2010 compared to last year was mainly driven by higher fees incurred for professional services and by higher salaries and benefits driven by an increase in the number of employees reflecting management's efforts to strengthen Corporation's internal controls environment. The positive allocation for the three months ended December 31, 2009 is due to reversals related to the VIE.

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

	Three months ended December 31,				Year ended December 31,			
($'s)	2010	2009	Change	%	2010	2009	Change	%
Write-down (recovery) of real estate held for development and sale and other	(3,860)	3,489	(7,349)	(211%)	(1,284)	7,643	(8,927)	(117%)

The improvement in economic conditions during 2010 resulted in an increase in the appraised values of properties. As at December 31, 2010, the value of certain previously written down properties recovered compared to the last valuation and write-downs amounting to $4,855 were reversed. The reversal combined with write-down of $3,571 booked during the year resulted in net recovery of $1,284. The reversals were the result of independent appraisal of all the properties held by the Corporation as at December 31, 2010.

Interest Expense

($'s)	Three months ended December 31, 2010	2009	Change	%	Year ended December 31, 2010	2009	Change	%
Interest capitalized	1,320	2,126	(806)	(38%)	7,172	7,035	137	2%
Interest expensed	59	26	33	127%	804	1,470	(666)	(45%)
Total interest incurred	1,379	2,152	(773)	(36%)	7,976	8,505	(529)	(6%)

Interest expense relates to single-family home building operations and certain operating loans secured by land.

The decrease in interest expense for the year ended December 31, 2010 compared to 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 December 31, 2010	2009	Change	%	Year ended December 31, 2010	2009	Change	%
Income tax expense	4,160	31	4,129	13,319%	14,166	3,579	10,587	296%

Income tax expense increased for the year ended December 31, 2010 compared to year primarily due to higher taxable earnings driven by residential development and commercial land parcel sales recognized during 2010.

FINANCIAL POSITION

ASSETS

As of December 31, ($'s)	2010	%	2009	%
Real estate held for development and sale	309,034	87%	302,598	88%
Amounts receivable	27,021	8%	15,384	4%
Cash and cash equivalents	2,455	1%	4,578	1%
Future income taxes	-	-	2,213	1%
Other operating assets	16,356	4%	17,568	6%
	354,866	100%	342,341	100%

Real Estate Held for Development and Sale

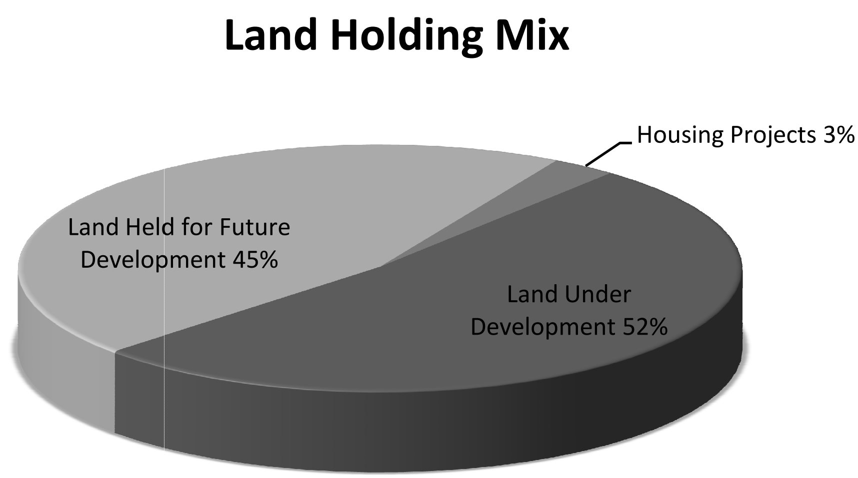
As of December 31, ($'s)	2010	2009	Change	%
Real estate held for development and sale	309,034	302,598	6,436	2%

During the year ended December 31, 2010, carrying value of real estate held for development and sale increased primarily as a result of on-going residential land development and home construction expenditures relating to first two phases in the Calgary communities of Sage Meadows and Saddlestone where Genesis substantially completed servicing in 2010, while offset by sales of development land parcels and housing inventory, reflecting real estate market's stabilization in 2010. The increase is also attributable to partial reversals of previous write-downs amounting to $4,855 as a result of independent appraisal of Corporation's land portfolio.

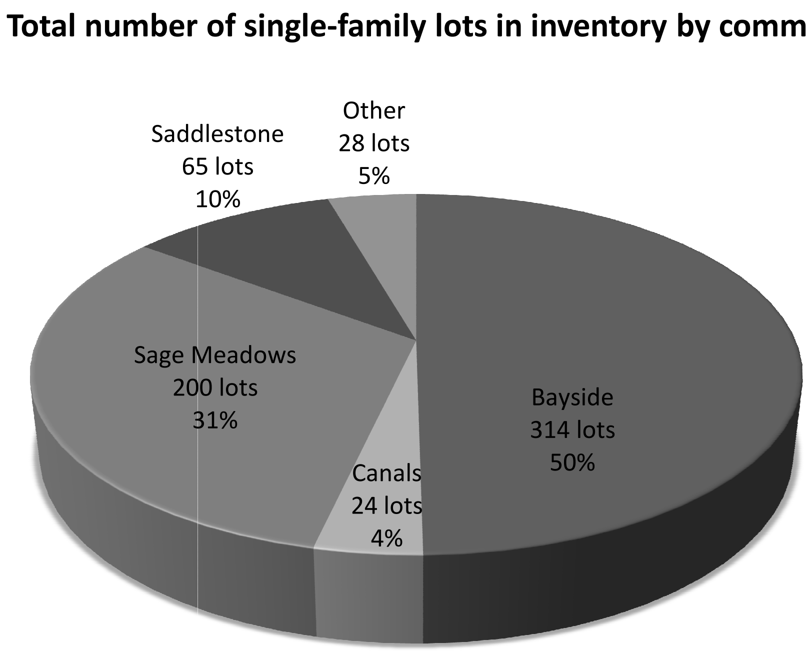
Real estate held for development and sale changed during the year ended December 31, 2010 as follows:

($'s)	Land Under Development	Land Held for Future Development	Housing Projects	Intersegment elimination	Total
December 31, 2009	128,304	156,557	17,737	-	302,598
Acquisitions & Transfers	24,649	(23,351)	18,229	(19,527)	-
Development	29,665	2,770	26,057	19,527	78,019
Sold	(20,654)	-	(52,684)	-	(73,338)
Recovery (Write-down)	(1,415)	3,510	(340)	-	1,755
December 31, 2010	160,549	139,486	8,999	-	309,034

The Corporation's land holding mix was as follows:



The Corporation had 631 single-family lots in inventory as at December 31, 2010. The lot inventory by community was as follows:



In Airdrie, Genesis is completing servicing of 150, primarily, entry-level lots in phase 7 of its Bayside Community. Management believes that price point 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.

The Corporation has contracts for the sale of 75 lots in Sage Meadows for approximately $13,971. The sales under these contracts are expected to be recognized in 2011.

Amounts Receivable

As of December 31, ($'s)	**2010**	**2009**	**Change**	**%**
Amounts receivable	27,021	28,275	(1,254)	(4%)
Allowance for doubtful accounts	-	(12,891)	12,891	(100%)
	27,021	15,384	11,637	76%

Amounts receivable, net of allowance for doubtful accounts, increased at December 31, 2010 compared to December 31, 2009 mainly due to increase in lot sales achieved for the Saddlestone community making up 60% of the receivable balance, VTB mortgage issued for the sale of a land parcel and partially offset by decrease in miscellaneous receivables. The allowance for doubtful receivables amounting to $12,891 as of December 31, 2009 decreased to $Nil balance in 2010 mainly due to reclaiming lots back into the inventory relating to doubtful receivables of insolvent customers.

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

As of December 31, ($'s)	2010	%	2009	%
Financings	81,320	23%	115,210	34%
Customer deposits	8,388	2%	4,985	1%
Accounts payable and accrued liabilities	13,024	4%	8,350	2%
Income taxes payable	8,310	2%	11,139	3%
Future income taxes	3,387	1%	-	-
Land development service costs	10,347	3%	8,301	2%
Non-controlling interest	58,920	17%	61,084	18%
Shareholders' equity	171,170	48%	133,272	40%
	354,866	100%	342,341	100%

Financings from lending institutions, excluding deferred financing fees, at December 31, 2010 totaled $82,963 of which $45,006 or 54% 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 year ended December 31, 2010, Genesis received $128,167 of financing proceeds and made repayments of $162,057. The multi-family division has financed $Nil of construction costs at December 31, 2010 as compared to $10,253 at December 31, 2009, which represented repayments of the financing for the Breeze project 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

As of December 31, ($'s)	2010	2009	Change	%
Land development service costs	10,347	8,301	2,046	25%

Accrued land development service costs increased at December 31, 2010 compared to December 31, 2009 mainly due to increased lot sales in the communities of Saddlestone, Sherwood and Bayside, sale of land for fire hall in the community of Sage Meadows, increase in estimated budgets for certain properties, while off-set by performing planned service work thus incurring previously budgeted completion costs.

Non-Controlling Interest

As of December 31, ($'s)	2010	2009	Change	%
Non-controlling interest liability	58,920	61,084	(2,164)	(4%)

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

Shareholders' Equity

As at March 3, 2011, the Corporation had 44,418,511 common shares issued and outstanding. In addition, there were options to acquire 2,162,871 common shares of the Corporation issued under the Corporation's stock option plan.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 31, 2010, the Corporation generated net earnings of $36,404 and generated $44,136 for funding its operating activities. At December 31, 2010, the consolidated cash balance was $2,455 as compared to $4,578 as at December 31, 2009.

The current liabilities include:

	Year ended December 31,	
($'s)	**2010**	**2009**
Financings, excluding deferred financing fee	45,006	101,802
Customer deposits	8,388	4,985
Accounts payable and accrued liabilities	13,024	8,350
Income taxes payable	8,310	11,139
Total current liabilities	74,728	126,276
Commitments	4,977	741
	79,705	127,017

At December 31, 2010, Genesis has obligations due within the next 12 months of $79,705. If Genesis is unable to generate sufficient sales and renew existing credit facilities or secure additional financing, it will impact the Corporation's ability to meet its obligations as they become due. Based on Genesis' operating history, its relationship with its lenders and committed sales contracts, management believes that the Corporation has the ability to continue to renew or repay its financial obligations as they come due.

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

Financings ($'s)	**Fourth Quarter 2010**	**Third Quarter 2010**	**Second Quarter 2010**	**First Quarter 2010**	**Fourth Quarter 2009**
Land & land project loans	81,862	65,169	84,993	106,435	106,547
Home building operations	442	-	1,617	4,943	10,253
Other	659	714	705	688	839
	82,963	65,883	87,315	112,066	117,639
Deferred financing fees	(1,643)	(1,445)	(1,570)	(1,863)	(2,429)
	81,320	64,438	85,745	110,203	115,210

The movement in Corporation's financing was as follows:

($'s)	Year ended December 31, 2010	2009
Balance, beginning of year	115,120	132,704
Advances	128,167	84,828
Repayments	(162,057)	(102,322)
Balance, end of year	81,230	115,210

Through strategic sales of assets as well as ongoing principal repayments, the Corporation's financings have decreased to $81,320 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. The following table shows the debt to equity ratio calculated as total debt excluding non-controlling interest divided by total equity including non-controlling interest.

($'s)	Year ended December 31, 2010	2009
Total liabilities (excluding non-controlling interest)	124,776	147,985
Total Equity (including non-controlling interest)	230,090	194,356
Debt to equity ratio	0.54	0.76

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. If this occurs, management believes that the Corporation may 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.

The Corporation uses a combination of project specific credit facilities and limited partnership capital 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 + 1.5% to 10%. 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

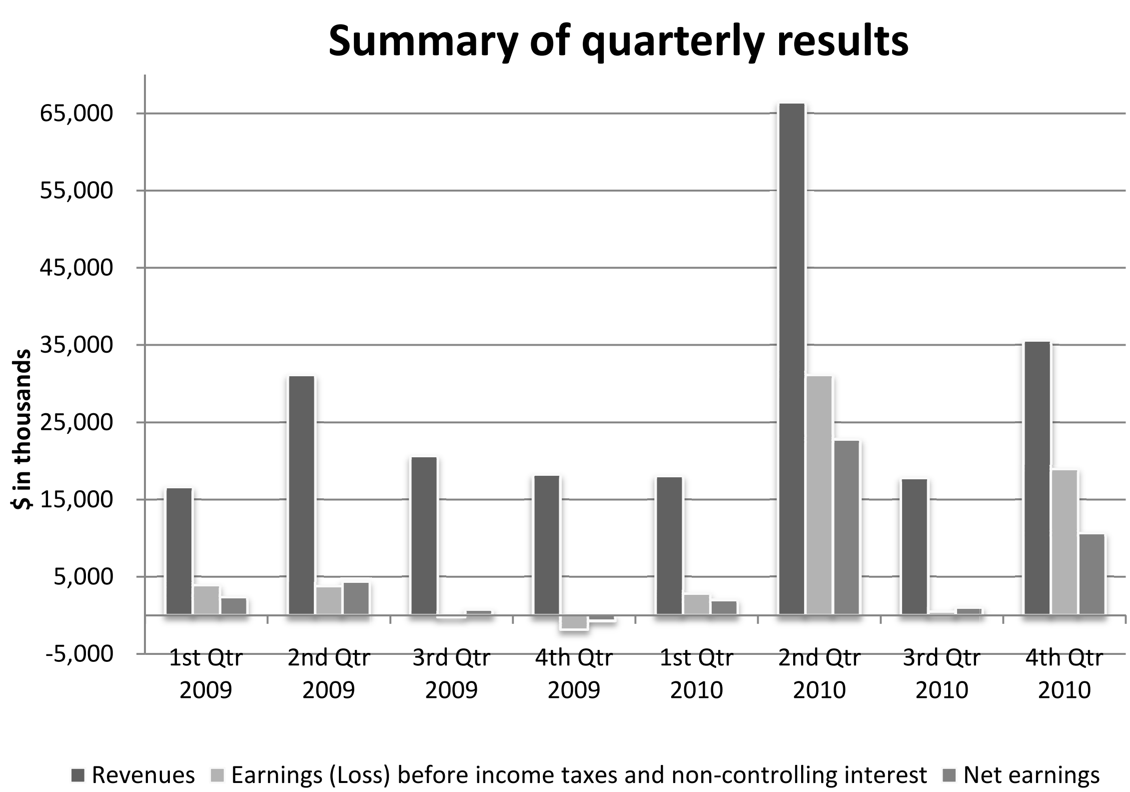
The Corporation's contractual obligations, other than accounts payable, income taxes payable, customer deposits and land development service costs, stated as of December 31, 2010 are as follows:

($'s)	Financings (excl. deferred financing fees)	Purchase of Land	Naming Rights	Lease Obligations	Total
Current	45,006	4,216	200	561	49,983
Years 2 and 3	37,957	4,217	400	354	42,928
Years 4 and 5	-	-	400	57	457
Thereafter	-	-	400	-	400
	82,963	8,433	1,400	972	93,768

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.

SUMMARY OF QUARTERLY RESULTS



($'s)	Fourth Quarter 2010	Third Quarter 2010	Second Quarter 2010	First Quarter 2010	Fourth Quarter 2009	Third Quarter 2009	Second Quarter 2009	First Quarter 2009
Revenues	35,609	17,793	66,440	18,058	18,219	20,621	31,119	16,603
Earnings (loss) before income taxes and non-controlling interest	18,970	488	31,119	2,835	(1,868)	(239)	3,792	3,920
Net earnings (loss)	10,624	994	22,802	1,984	(714)	721	4,387	2,362
Net earnings (loss) per share:								
Basic	0.24	0.02	0.52	0.04	(0.02)	0.02	0.10	0.05
Diluted	0.24	0.02	0.52	0.04	(0.02)	0.02	0.10	0.05

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 ("JV") 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 is expected to commence in 2011.

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 December 31, 2010, these letters of credit totaling approximately $15,343, 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 December 31, 2010.

RELATED PARTY

The Corporation engaged a former officer ("Former Officer") of the Corporation as a Senior Financial Advisor. The amount of payments made to the Former Officer in 2010 were $202 (December 31, 2009 – $91). The Former Officer was granted 70,000 stock options on December 10, 2009. On October 2, 2009, the Corporation entered into a contract to construct a single-family home ("Residential Property") for the Former Officer at a cost-plus agreed percentage basis, for the total value of the Residential Property of $970 representing terms offered to employees and measured at the exchange amount. As of March 3, 2011, the transaction has not closed.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Certain estimates are necessary until amounts are finalized pursuant to transactional or legal proceedings. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods could differ significantly from those estimates.

General Litigation

The Corporation is subject to various legal proceedings and claims that arise in the ordinary course of business operations. The Corporation periodically reviews these claims to determine if amounts should be accrued in the financial statements or if specific disclosure is warranted.

Valuation of Land

Land under development, land held for future development and housing projects under development are recorded at the lower of cost and estimated net realizable value on a project specific basis. An impairment loss is recognized to the extent that the carrying value of a project exceeds the fair value of that project. Cost includes land acquisition costs, other direct costs of development and construction, interest on debt used to finance specific projects, property taxes and legal costs. Land acquisition costs are prorated to a phase of a project on an acreage basis.

Costs to Complete

Genesis' most significant estimates relate to future development costs for lot sales which are recognized prior to all costs being committed or known. The future development costs liability represents the construction costs remaining to be incurred for each project phase currently under development to the extent that revenue has been recognized. The liability to complete lots sold is recognized when the first revenue is recognized in the phase. The liability includes all direct construction costs and indirect costs including interest and property taxes expected to be incurred during the remainder of the construction period.

Changes in the estimated future development cost directly impact the amount recorded for the future development liability, cost of sales, gross margin and in some cases, the value of real estate under development and held for sale. This liability is subject to significant measurement uncertainty as it is based on estimated budgeted numbers prepared by independent consultants. Recent market conditions in Alberta have been volatile thereby increasing the risk of estimation errors.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Accounting Standards Board ("AcSB") requires publicly accountable enterprises 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 and substantially completed 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. 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. For the second phase the Corporation's IFRS advisor has completed drafting and finalizing IFRS position papers, decision on optional exemptions have been made, and draft analysis of impact has been calculated. The Corporation is currently preparing IFRS compliant consolidated financial statements and drafting the first set of IFRS financial statements. The implementation phase will commence upon completion of the detailed analysis 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. The Corporation has elected to use the historical cost bases under Canadian GAAP as deemed cost at the transition date;
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. The Corporation has elected to apply IFRS 2 to equity instruments granted after November 7, 2002 that have been vested as of January 1, 2010 and all liabilities arising from the share-base payment transactions that existed at January 1, 2010; 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. The Corporation has elected to apply IAS 23 prospectively.

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 has elected under the optional exemption provided by IFRS 1 to apply IAS 23, Borrowing Costs, prospectively, consequently there is no impact on opening statement of financial position as of January 1, 2010.

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.

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.

The Corporation’s fixed assets are mainly composed of office equipment, computer equipment, automobiles, furniture, software and landscaping equipment. The net book value of these assets as of December 31, 2010 is $544. The management does not anticipate any material change to this balance for the opening statement of financial position as of January 1, 2010.

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 may 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 Shareholders' Equity

Based on detailed analysis in second phase of the IFRS conversion, the following tables present the identified differences between Canadian GAAP and IFRS and their impact on shareholders' equity as of January 1, 2010 and 2011. This un-audited information reflects our most recent views, assumptions and expectations. The identified differences are intended to highlight most significant areas and should not be regarded as complete or final.

The summary of expected changes that we believe will be most significant when the Corporation transitions to IFRS as of January 1, 2010 are as noted in the following table:

(Un-audited) **Description**	**Financial Statement Line Item Impacted**	**Increase / (Decrease) in shareholders' equity**
Share based payments - IFRS 2	Contributed capital	595
Total impact before taxes		595
Net after-tax impact on shareholders' equity at January 1, 2010		595

The expected change to the shareholders' equity as at January 1, 2011 based on detailed analysis is expected to be as summarized in the following table:

(Un-audited) **Description**	**Financial Statement Line Item Impacted**	**Increase / (Decrease) in shareholders' equity**
Borrowing cost - IAS 23	Real estate held for development and sale	(6,830)
Borrowing cost - IAS 23	Non-controlling interst	1,512
Share based payments - IFRS 2	Contributed capital	786
Total impact before taxes		(4,532)
Net after-tax impact on shareholders' equity at January 1, 2011		(2,936)

Financial Statements

The disclosure requirements under IFRS are more extensive than Canadian GAAP. The Corporation is in the process of completing draft financial statements which will be reviewed with the Audit Committee in March 2011. The Corporation has retained its auditors to audit the opening statement of financial position as at January 1, 2010 included in these financial statements.

Impact on Systems and Controls

The changeover to IFRS has minimal impact on the accounting system. Operational processes around the system have been updated to capture information for IFRS reporting purposes and to allow for comparative reporting in 2011. As part of the implementation stage, the management plans to adjust general ledger with the IFRS adjustment balances at the conversion date.

The Corporation has reviewed impact of IFRS on certain agreements, such as debt agreements, compensation agreements, other matters such a capital requirements and debt covenants. The review has been completed and we have not identified any material issues arising due to conversion to IFRS.

The impact on internal control over financial reporting and disclosure controls and procedures and has been assessed. The changes identified are not material and have been documented and all policies and procedures have been updated.

The Corporation has completed the assessment of the impact to investor relations and external communication plans and does not anticipate any changes due to conversion to IFRS.

Next Steps

The Corporation plans to complete following steps as part of phase 2 and 3 of its IFRS conversion plan in order to issue its first IFRS compliant financial statements:

- Preparation of draft IFRS compliant financial statements and review with audit committee;
- Completion of an audit of opening statement of financial position as at January 1, 2010; and
- Adjust general ledger with IFRS adjustments at the conversion date.

RISKS AND UNCERTAINTIES

In the normal course of business, the Corporation is exposed to certain risks and uncertainties inherent in the real estate development industry. Real estate development is a cyclical business; as a result, the profitability of the Corporation could be adversely affected by external factors beyond the control of management. Currently, the Corporation is seeing gradual market stabilization from the general downturn of 2008 and 2009 in the national and local economies. Although Genesis had experienced a slowdown in lot sales, it is using this economic correction to strongly position itself when the market turns around. With a diversified land base, the Corporation is well positioned to focus on the real estate projects offering the best return in the market place going forward.

The risks identified below are not an exhaustive listing of all possible risks faced by the Corporation. There may be additional risks that management may need to consider as circumstances require.

Genesis is exposed to a number of risks including:

General Economic Risks:

Real Estate Industry Risk: Real estate investments are generally subject to varying degrees of risk, depending on the nature of the property. These risks include (i) changes in general economic conditions, (ii) changes in local conditions (such as an oversupply of land or a reduction in demand for real estate in the area), (iii) changes to government regulations (such as new or revised building codes) and (iv) competition from other developers or builders. Raw land is relatively illiquid. Such illiquidity will tend to limit Genesis' ability to rebalance its portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other developers and landowners, resulting in distress sales, may depress real estate values in the markets in which the Corporation operates.

Environmental Risk: As an owner of real estate, Genesis is subject to federal, provincial and municipal environmental regulations. These regulations may require the Corporation to fund the costs of removal and remediation of certain hazardous substances on its properties or releases from its properties. The failure to remediate such properties, if any, could adversely affect the Corporation's ability to borrow using the property as collateral or sell the real estate. Genesis is not aware of any material noncompliance with environmental laws at any of its properties. The Corporation has made, and will continue to make, the necessary capital expenditures to comply with environmental laws and regulations. Environmental laws and regulations can change rapidly, and the Corporation may become subject to more stringent environmental laws and regulations in the future.

Competition Risk: Each segment of the real estate business is competitive. Numerous other residential developers and builders compete for potential customers. Although it is Genesis' strategy to be the premier land developer or builder in the marketplaces in which it operates, some of the Corporation's competitors may provide a better product or may be better located or better capitalized. The existence of alternative lots, housing or commercial properties could have a material adverse effect on Genesis' ability to sell lots, single and multi-family homes or commercial properties and thus could adversely affect Genesis' revenues and ability to meet its obligations.

General Uninsured Losses: Genesis carries comprehensive insurance with policy specifications, limits and deductibles customarily carried for similar companies. There are, however, certain types of risks (generally of a catastrophic nature) that are either uninsurable or not economically insurable.

<u>Specific Risks</u>:

Credit Risk: This arises from the possibility that builders that acquire lots from Genesis may experience financial difficulty and be unable to fulfill their lot payout commitments. The corporation does sell to a variety of builders to alleviate this risk. As well, thorough credit assessments are conducted with respect to all new builders and the Corporation also obtains a non-refundable deposit and maintains title to lots that are sold until payment is received in full.

Interest Risk: This is the combined risk that the Corporation would experience a loss as the result of its exposure to a higher interest rate environment (Interest Rate Risk) and the possibility that at the time of maturity of a mortgage the Corporation would be unable to renew the maturing debt either with the existing lender or with a new lender (Renewal Risk). The Corporation structures its debt so as to stagger the maturity dates, thus reducing exposure to any short-term fluctuations in rates. To mitigate against renewal risk, the Corporation has established relationships with a number of different lenders. The Corporation has historically been successful in obtaining refinancing on maturing debt where it has sought it. In addition, Genesis has been able to finance at loan-to-fair values of 50% to 60%, as applicable.

Management Risk: Relates to the continuity of management. The success of Corporation is largely dependent on the quality of its management and personnel. Loss of such personnel or the inability to attract personnel of equivalent ability could materially affect the operations and prospects of the Corporation. The Corporation continuously provides coaching, training and educational opportunities to its employees, as well as periodically evaluates a need to attract human resources of high professional quality and appropriate experience.

Other factors which effect Genesis' ability to operate successfully include:

- Shifts in population patterns;
- Delays in regulatory approvals;
- Availability of land; and
- Availability of labor;

To generally mitigate risks, Genesis has taken the following steps:

- Constant monitoring of market trends and conditions.
- Substantial pre-sales are in place before commencing a project where prudent to do so.
- Raw land acquisitions generally financed with equity and development costs funded with short-term financing. All regulatory requirements are met on time.
- Adequate financing is established prior to commencement of project development.
- Strategic planning of current and future land development projects.

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 as of December 31, 2010 the design and operating effectiveness of these disclosure controls and procedures are 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and 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 as of December 31, 2010 and concluded that the design and operating effectiveness of these internal controls over financial reporting are effective

Material changes to Internal Controls over Financial Reporting and Disclosure Control and Procedures for the year ended December 31, 2010

During the nine months period ended September 30, 2010, management of the Corporation with the participation of CEO and CFO, concluded that as of September 30, 2010 Corporation's disclosure control and procedures and internal controls over financial reporting were not effective. The management of the Corporation under the supervision of CEO and CFO has remediated the material weaknesses identified as part of the evaluation according to the remediation plan designed by the management:

- 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. Subsequent to these actions, the Board of Directors have implemented 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.

During the nine month period ending September 30, 2010, Management, with the participation of CEO and CFO, concluded that the internal controls over financial reporting were not operating effectively. During the evaluation 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 has taken the following measures and remediated the material weaknesses in internal controls over financial reporting:

- Management has amended 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 has put in place a segregation of duties matrix and updated the 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 has added new employees at management and non-management level 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 Genesis' CEO and CFO believe that the Corporation's internal controls and procedures provide a reasonable level of assurance that such controls and procedures are reliable, an internal control system cannot prevent all errors and fraud. It is management's belief that any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

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.

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.

OUTLOOK

In 2010, Genesis set new records for revenues and earnings, and also paid down its financings by nearly $34,000. In 2011, Genesis will look to build on these results. Reductions in non-project debt, optimizing current operations and exploring recurring revenue streams will be the focus of management in 2011.

The land division brought on two new projects in 2010, the communities of Saddlestone and Sage Meadows, both in Calgary. For 2011, Genesis expects to continue to bring on additional phases and lots in these areas by the end of the year. Additionally, now that the NW Calgary communities of Kincora and Sherwood communities are nearing the final stages of completion, Genesis and its JV partner, will commence the development of the first phase of its Kinwood community, which is located just north of Genesis' existing Sherwood project.

In 2011, new mortgage qualification rules, increased interest rates, and significant increases to development levies within the city of Calgary will likely put downward pressures on the margins of the land development division as well as the home building division. It is expected the amended qualification rules will impact first-time home buyers most of all, and act as a barrier to entry. In response, Genesis will have to adjust its lot production within the city of Calgary to focus on smaller, more affordable lots and new home models for its entry level product.

As the impact of these changes filter through the Calgary market, it should also increase the demand for housing within Calgary's outlying areas, such as Genesis' Airdrie communities of Bayside and the Canals.

The increasing costs for single family home sales and lots could also have a positive impact on the demand for multi-family homes as they have a lower entry point for consumers. Genesis currently has a number of approved multi-family sites and will investigate the potential for additional land sales or the feasibility of the construction and sale of a multi-family project in its existing communities. Increased costs for home purchasers may also increase demand for rental units within the city of Calgary. Genesis is examining the feasibility of pursuing this side of the multi-family market as well.

On January 5, 2011, Genesis announced a pending commercial land sale to RioCan Real Estate Investment Trust ("RioCan") for +/-27 acres of land within its Sage Hill crossing site. If RioCan's due diligence condition is waived or satisfied, Genesis then has up to 720 days to complete the servicing of the site. A firm sale, pending completion of servicing, would be an important first to step to unlocking the potential for this site. Otherwise, Genesis has +9 acre mixed-use site within its Sage Meadows community which it is currently evaluating for development or sale.

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