



**GENESIS LAND DEVELOPMENT CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three months ended March 31, 2011**

May 18, 2011

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**GENESIS LAND DEVELOPMENT CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**For the three months ended March 31, 2011**

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

Dated May 18, 2011

*The following management's discussion and analysis (MD&A) of the financial condition and results of operations of Genesis Land Development Corp. ("Genesis" or the "Corporation") should be read in conjunction with the un-audited consolidated financial statements and the notes thereto for the three months ended March 31, 2011 prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should also be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended December 31, 2010 prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). These financial statements have been reviewed by the Corporation's Audit Committee, consisting of three independent 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](http://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 Corporation, the estimated after tax net asset value of the Corporation 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](http://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.*

## **NON-IFRS MEASURES**

This MD&A refers to certain financial measurements that do not have any standardized meaning within International Financial Reporting Standards (“IFRS”) and therefore may not be comparable to similar measures provided by other companies. These measures are provided as they are considered informative for the management, shareholders and analysts. These measures include funds from operations (“FFO”), estimated net asset value (“NAV”), estimated NAV per share and gross margin.

## **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**

On January 1, 2011, Genesis transitioned to IFRS from Canadian GAAP with the first quarter of 2010 being the first comparative period under IFRS.

The Corporation achieved net earnings of \$0.08 per share for the three months ended March 31, 2011 compared to \$0.01 per share for the three months ended March 31, 2010. The increase is attributable to an increase in sales of residential lots in the recently completed phases 1 and 2 of the Calgary community of Sage Meadows and the sale of a commercial land parcel in the Calgary community of Taralake. The increase was partially offset by a decline in sales of single- and multi-family homes, mainly driven by seasonal factors. The multi-family project, The Breeze, is nearly sold out, with only 2 units remaining in inventory as at March 31, 2011.

The Corporation’s debt increased marginally by \$4,611 during the three months ended March 31, 2011 to finance development work in the active projects.

The land portfolio of the Corporation was 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 NAV at March 31, 2011 at \$8.13 (December 31, 2010 - \$8.01) per outstanding share, a marginal increase from December 31, 2010 driven mainly by a favourable tax rate as at March 31, 2011.

Subsequent to the end of the quarter, the Corporation received a proposal to acquire all of its issued and outstanding common shares and shares issuable on exercise of current outstanding options at \$5.80 per share. The transaction is subject to the satisfaction of various conditions including entering into a definitive agreement by June 7, 2011. The acquisition is intended to close on or before August 12, 2011.

## OUTLOOK

After a record year for earnings in 2010, Genesis has had a productive winter preparing and positioning itself for 2011. While the long winter experienced in Calgary and recent wet weather has caused numerous delays in both the land and home building divisions, servicing has been completed in the initial phases of the community of Sage Meadows and in Bayside 7, and the energization of Saddlestone is being finalized with development of phases 3 and 4 expected to commence this summer. GBG has completed two new show homes in the community of Bayside in Airdrie and a single new show home in Sage Meadows in NW Calgary. GBG is also nearing completion on two new show homes in the community of Saddlestone in NE Calgary and another single show home in Evansridge in NW Calgary, where GBG has agreed to purchase 68 single-family lots from another developer. The Kinwood joint venture (“JV”), in which Genesis has a 50% interest, located a quarter section immediately north of the Genesis community of Sherwood in NW Calgary, is also set to commence development in 2011.

Genesis is also planning construction of a +/-160 unit multi-family rental project in its community of Saddlestone. The project will focus on two-bedroom units that are less than 1,000 square feet with the average target rental revenue of one-thousand-dollar per unit range. Designs are being finalized with construction expected to commence in 2011. Once construction is complete, the Corporation intends to retain it as revenue producing property.

As expected, the new mortgage qualification rules have meant home buyers are now more sensitive to pricing and margins have decreased. Genesis has adjusted its costs and designs to reflect the new market realities and expects to offset lower margins with increased volume. The rest of the new show homes, which are expected to be fully open by the end of May, should increase sales traffic to the same extent enjoyed in the new show homes in Bayside and Sage Meadows, which were officially opened in April of 2011. However, any sales contracts for new homes generated after May 2011 may not close until 2012.

Genesis currently has two multi-family parcels of land under conditional sale to a multi-family builder for approximately \$10,000 or \$911 per acre on a weighted average basis. These sites, located in Taralake (4.7 acres) and Saddlestone (6.3 acres), are expected to close in the second and third quarter of 2011, respectively.

The conditional sale to RioCan Real Estate Investment Trust (“RioCan”) has now been amended to include an additional +/- 6 acres for \$1,025 per acre, all under the same conditions. The total sale is now for +/- 33.5 acres and \$31,600. While management is confident that the sale will go unconditional, RioCan has exercised its first 60 day extension option, and it is believed that RioCan will exercise its second extension option under the agreement before going unconditional in September 2011. Servicing will commence once the deal is unconditional. The deal will close on the completion of servicing. Given the expected timing of the commencement of servicing, Genesis will likely complete the servicing in early 2012.

The recent federal election, and the resulting stable majority government, suggests that there will be more certainty when it comes to the impact of federal government policies on Alberta, which may result in positive natural resources policies and a continually stable Alberta economy. The City of Calgary has increased the levies on new developments by a 100%. Certain of Genesis’ lands were grandfathered and are not affected by the increase, which would result in the Corporation sustaining historical margins on these lands.

The margin for lot sales declined in the first quarter of 2011 due to sales mix, which mostly included lots in the community of Sage Meadows, which has higher cost per saleable square foot due to infrastructure requirements set out by the City of Calgary for that community; the Corporation however expects to sustain the historical margins from the existing land base.

## KEY FINANCIAL PERFORMANCE INDICATORS

The Key Financial Performance Indicators (“KPIs”) that the management of Genesis use to measure the performance of the Corporation are as follows:

1. Funds From Operations is an earnings measure.
2. Funds From Operations per share is an earnings measure.
3. Earnings Per Share is an earnings measure.
4. Debt to Gross Book Value is a leverage measure.
5. Debt to Equity ratio is a leverage measure.
6. Estimated NAV per share is a measure of asset value.
7. Return on Equity is a measure of return on shareholders’ capital at risk.
8. Return on Assets is a measure of return on asset value.

Some of the Key Performance Indicators calculated are as follows:

	<b>Three months ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
Funds From Operations	6,359	77
Funds From Operations per share	0.14	-
Earnings Per Share	0.08	0.01

	<b>For the twelve months ended</b>	
	<b>March 31,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>
Return on Equity	23.9%	23.9%
Return on Assets	10.1%	10.3%

	<b>March 31,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>
Debt to equity ratio	0.58	0.54
After-tax estimated NAV per outstanding share	8.13	8.01
Debt to Gross Book Value	23.7%	23.5%

For the calculation of debt to equity ratio, refer to the ‘Liquidity and Capital Resources’ section.

Funds from operations were calculated as follows:

	<b>Three months ended March 31,</b>			
<b>(\$'s)</b>	<b>2011</b>	<b>2010</b>	<b>Change</b>	<b>%</b>
Cash provided (used) by operating activities (IFRS)	1,889	9,873	(7,984)	(81%)
Changes in non-cash working capital	4,470	(9,796)	14,266	146%
Funds from operations	6,359	77	6,282	8,158%

The Corporation saw a strong increase in the FFO for the three months ended March 31, 2011 compared to the same period in 2010. The increase was mainly driven by sales of residential lots and development land parcels in the Corporation’s recently developed phases, partially off-set by a decline in sales of single- and multi-family homes.

Estimated NAV is calculated as follows:

(\$'s)	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>Appraised values (see note 1 and 2 below)</b>		
Serviced single-family lot inventory	73,438	84,950
Serviced multi-family sites	45,958	47,133
Fully approved commercial/industrial Sites - Calgary, Airdrie & Edmonton	79,240	80,385
Fully approved developable lands - Calgary & Airdrie	167,032	167,032
Other raw and partially approved lands	95,245	95,245
Total pre-tax land value	<u>460,913</u>	<u>474,745</u>
Other balance sheet assets (see note 3 below)	78,449	54,302
Balance sheet liabilities (see note 4 below)	(134,759)	(123,455)
Add amount due from non-controlling interest ("NCI")	23,879	23,436
Pre-tax estimated NAV	<u>428,482</u>	<u>429,028</u>
Estimated tax	(67,046)	(73,431)
After-tax estimated NAV	<u>361,436</u>	<u>355,597</u>
Total shares outstanding	44,463	44,379
After-tax estimated NAV per outstanding share	<u>8.13</u>	<u>8.01</u>

**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 value 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 estimated NAV calculation include the following:

(\$'s)	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
<b>Assets</b>		
Property and equipment	525	544
Housing projects under development excluding land value	10,056	8,470
Amounts receivable	42,249	27,021
Other operating assets	15,617	15,812
Deferred income taxes	1,638	-
Cash	8,364	2,455
	<u>78,449</u>	<u>54,302</u>
<b>Liabilities</b>		
Financings	85,931	81,320
Customer deposits	10,520	8,388
Accounts payable and accrued liabilities	10,981	13,025
Income taxes payable	13,324	6,988
Deferred Income taxes	-	3,387
Land development service costs	14,003	10,347
	<u>134,759</u>	<u>123,455</u>

4. Genesis has used a 2011 Corporate Tax Rate of 26.5% (2010 – 28%) to calculate taxes in determining its estimated NAV.

The increase in estimated NAV is mainly attributable to the use of a lower tax rate as at March 31, 2011 compared to December 31, 2010, partially offset by 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 three months ended March 31, 2011.

The estimated NAV was calculated using the Cushman Total Pre-Tax Land Value as of December 31, 2010 adjusted for lands sold plus additional balance sheet assets less balance sheet liabilities and a 26.5% corporate tax rate as at March 31, 2011 (December 31, 2010 – 28%). The book value of all remaining assets and liabilities as set forth in the consolidated financial statements of the Corporation 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 estimated NAV as if all properties were sold at the respective balance sheet dates to determine estimated NAV. The appraisal has not been updated as at March 31, 2011, as management believes it to be valid for the purpose of calculating estimated NAV.

Debt to Gross book value is calculated as follows:

(\$'s)	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>Debt</b>		
Financings excluding deferred financing fees	87,353	82,963
Debt	<u>87,353</u>	<u>82,963</u>
<b>Gross Book Value</b>		
Real estate held for development and sale	297,312	304,634
Property and equipment	2,024	2,004
Other assets	67,868	45,288
Deferred financing fees	1,422	1,643
Gross Book Value	<u>368,626</u>	<u>353,569</u>
Debt to Gross Book Value	<u>23.7%</u>	<u>23.5%</u>

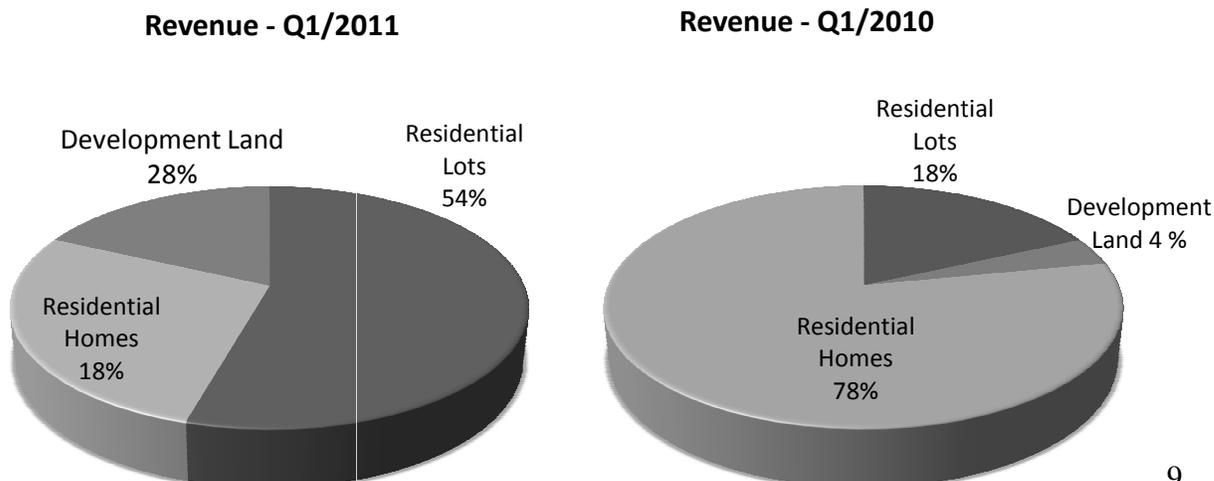
Gross book value means the book value of the assets of the Corporation and its consolidated subsidiaries plus accumulated depreciation in respect of property and equipment, and deferred financing fees. Other assets include amounts receivable, other operating assets, deferred income taxes and cash and cash equivalents.

## RESULTS OF OPERATIONS

(\$'s)	<b>Three months ended March 31,</b>			
	<b>2011</b>	<b>2010</b>	<b>Change</b>	<b>%</b>
Net earnings attributable to equity holders of the parent	3,523	537	2,986	556%
Basic and diluted net earnings per share	<u>0.08</u>	<u>0.01</u>	<u>0.07</u>	<u>700%</u>

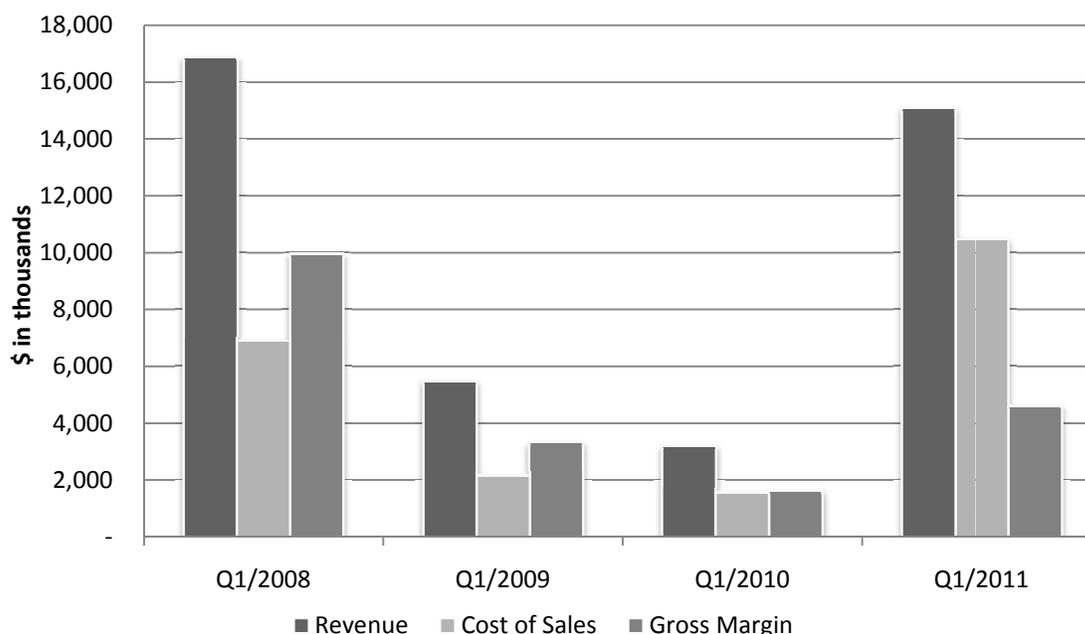
### Revenue, Cost of Sales and Gross Margin

The revenue mix for the three months ended March 31, 2011 and 2010 is as follows:



## Residential Lots

**Revenue, Cost of Sales and Gross Margin - Residential Lots**



(\$'s)	<b>Three months ended March 31,</b>			
	<b>2011</b>	<b>2010</b>	<b>Change</b>	<b>%</b>
Residential lot revenue	15,091	3,205	11,886	371%
Cost of sales	(10,471)	(1,571)	(8,900)	567%
Gross margin	4,620	1,634	2,986	183%
Gross margin %	31%	51%		
Number of lots sold	82	17	65	382%
Average revenue per lot	184	189	(5)	(3%)
Average cost of sales per lot	128	92	36	39%

Residential lot revenue increased during the three months ended March 31, 2011 compared to the same period in 2010 mainly due to a higher number of lots sold in the recently completed phases 1 and 2 of the Calgary community of Sage Meadows. The cost of sales per lot was higher for the first quarter of 2011 compared to the same period in 2010 and consequently the gross margin has also decreased, mainly due to the sales mix in the first quarter of 2011, which was primarily comprised of lots sold in the community of Sage Meadows. The Sage Meadows community has a higher cost base per saleable square foot due to the infrastructure requirements as follows:

- The Sage Meadows community has a lower saleable area as a large portion of the lands are considered environmentally significant by the City of Calgary and there is a further requirement to allocate more land to school sites and a neighborhood park, thus increasing the cost for each saleable square foot;
- The Corporation also incurred additional costs due to the location of the Sage Meadows lands by providing incremental resources for storm water management, thus increasing the land cost base.

The margins going forward are expected to be maintained at historical levels as sales of lots in other communities enter into the sales mix.

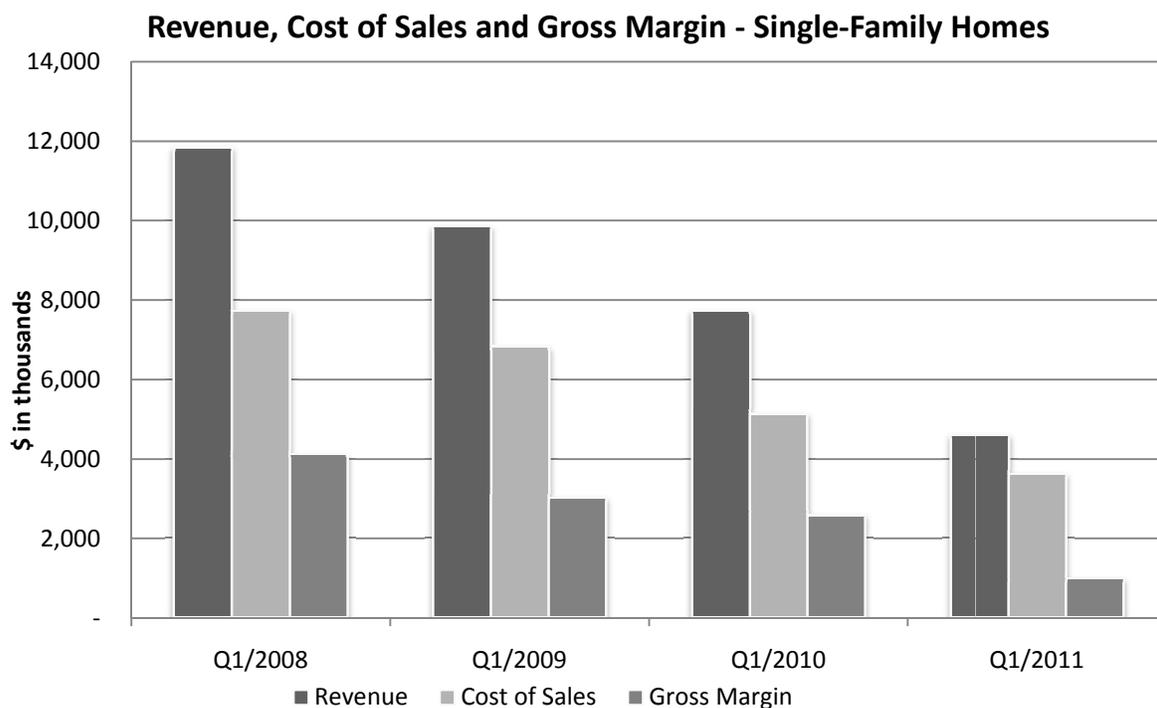
## Development Land

(\$'s)	Three months ended March 31,			
	2011	2010	Change	%
Development land revenue	7,644	650	6,994	1076%
Cost of sales	(4,657)	(440)	4,217	958%
Gross margin	2,987	210	2,777	1322%
Gross margin %	39%	32%		

The increase in the development land sales for the three months ended March 31, 2011 compared to the same period in 2010 was primarily driven by the sale of a commercial land parcel in the city of Calgary, Alberta for \$6,308 relating to land holdings of Genesis Limited Partnership #6.

## Residential Home Building

### Single-family



(\$'s)	Three months ended March 31,			
	2011	2010	Change	%
Single-family revenue	4,611	7,728	(3,117)	(40%)
Cost of sales	(3,622)	(5,141)	(1,519)	(30%)
Gross margin	989	2,587	(1,598)	(62%)
Gross margin %	21%	33%		
Number of homes sold	9	18	(9)	(50%)
Average revenue per home	512	429	83	19%
Average cost of sales per home	402	286	116	41%

The decrease in the number of single-family homes sold during the three months ended March 31, 2011 compared to the same period in 2010 was a result of wet weather conditions, which delayed the availability of lots to commence construction work. The average price per home increased due to one custom home. The average selling price excluding the custom home was \$455 per home which is comparable to the same period in 2010 (\$429 per home).

The increase in cost of sales per home is due to lower margins on two show homes, which were priced to sell in the communities of Taralake and Sherwood. Additionally, the margin on the custom home was lower, which impacted the overall gross margin. The margins are lower in general as the Corporation is adjusting to the new mortgage qualification rules.

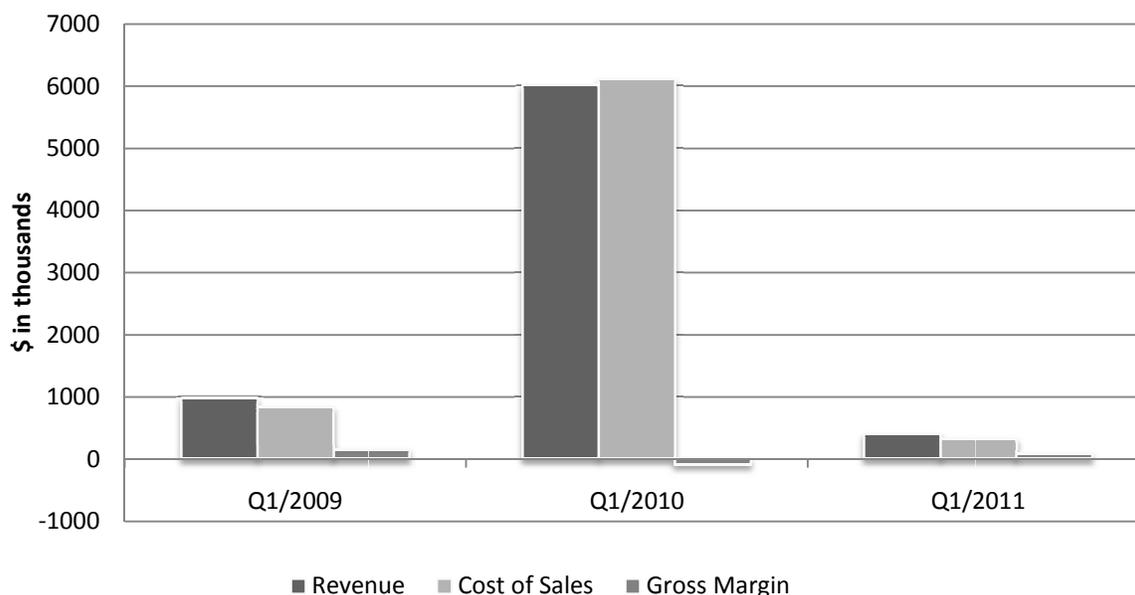
The number of home sales closed by community during the three months ended March 31, 2011 and 2010 in Calgary and Airdrie are as follows:

Community	Three months ended March 31,			
	# of single-family homes closed		Average amount per home (\$'s)	
	2011	2010	2011	2010
<u>Calgary</u>				
Kincora*	-	7	-	369
Sherwood	2	3	522	568
Sage Meadows	1	-	438	-
Taralake	1	2	461	507
<u>Airdrie</u>				
Bayside	5	6	534	404
Total	9	18	512	429

\*sold out in 2010

#### Multi-family

#### Revenue, Cost of Sales and Gross Margin - Multi-Family Homes



\*There were no multi-family projects in 2008

(\$'s)	Three months ended March 31,			
	2011	2010	Change	%
Multi-family revenue	397	6,014	(5,617)	(93%)
Cost of sales	(318)	(6,105)	(5,787)	(95%)
Gross margin	79	(91)	170	187%
Gross margin %	20%	(2%)		
Number of homes sold	2	23	(21)	(91%)
Average revenue per home	199	261	(62)	(24%)
Average cost of sales per home	159	265	(106)	(40%)

The Corporation currently has one multi-family project, The Breeze, a 125-unit condominium project in Airdrie, which is a joint venture with Genesis Limited Partnership #6 (“LP6”). The project is nearly sold out with a total of 2 units in inventory as at March 31, 2011.

During the three months ended March 31, 2011, Genesis has commenced design work on a multi-family project with approximately 160 units in the Calgary community of Saddlestone. The Corporation is further evaluating the feasibility of converting this project to a rental property.

The Corporation currently has an additional eight 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.

### General and Administrative Expense

(\$'s)	Three months ended March 31,			
	2011	2010	Change	%
Corporate administration	583	651	(68)	(10%)
Compensation and benefits	1,303	1,046	257	25%
Professional services	430	598	(168)	(28%)
Advertising and marketing	280	267	13	5%
	2,596	2,562	34	1%

The general and administrative expense for the three months ended March 31, 2011 compared to the same period last year has remained consistent. Compensation and benefits expense increased mainly due to an increase in the number of employees from 48 as at March 31, 2010 to 57 as at March 31, 2011, or an increase of 19%. The professional services expense has decreased due to lower legal costs incurred in the three months ended March 31, 2011 compared to the same period last year.

### Finance Expense

(\$'s)	Three months ended March 31,			
	2011	2010	Change	%
Interest expensed	1,681	2,825	(1,144)	(40%)
Financing fees accretion	351	555	(204)	(37%)
Interest and financing fees capitalized	(759)	(669)	90	13%
	1,273	2,711	(1,258)	(46%)

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

The decrease in interest expense for the three months ended March 31, 2011 compared to the same period last year was mainly due to lower average outstanding loan balances and financing fees paid on new and renewed loans. The Corporation also repaid certain financings bearing interest higher than the Corporation's average during 2010, which contributed to a decrease in interest expense.

### Income Tax Expense

(\$'s)	Three months ended March 31,			%
	2011	2010	Change	
Income tax expense	1,311	226	1,085	480%

Income tax expense increased for the three months ended March 31, 2011 compared to the same period last year primarily due to higher taxable earnings driven by residential lot sales in the newly completed phases 1 and 2 of Sage Meadows, and the sale of a commercial land parcel during the three months ended March 31, 2011.

## FINANCIAL POSITION

### ASSETS

(\$'s)	March 31,		December 31,	
	2011	%	2010	%
Real estate held for development and sale	297,312	82%	304,634	86%
Property and equipment	525	-	544	-
Amounts receivable	42,249	12%	27,021	8%
Other operating assets	15,617	4%	15,812	5%
Deferred income taxes	1,638	-	-	-
Cash and cash equivalents	8,364	2%	2,455	1%
	365,705	100%	350,466	100%

### Real Estate Held for Development and Sale

(\$'s)	March 31,		December 31,	
	2011	2010	Change	%
Real estate held for development and sale	307,684	315,006	(7,322)	(2%)
Provision for write-down	(10,372)	(10,372)	-	-%
	297,312	304,634	(7,322)	(2%)

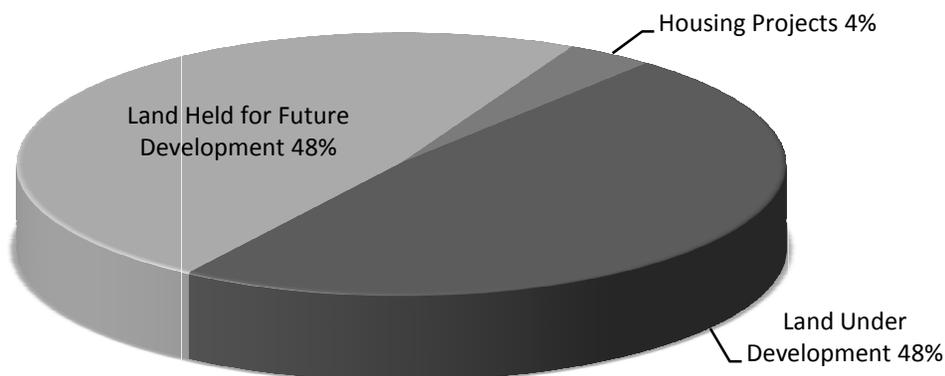
During the three months ended March 31, 2011, carrying value of real estate held for development and sale decreased primarily as a result of sales of residential lots, development land parcels and housing inventory. The decrease is offset by on-going residential land development and home construction expenditures relating to the Calgary communities of Sage Meadows and Saddlestone.

Real estate held for development and sale changed during the three months ended March 31, 2011 as follows:

(\$'s)	<u>Land Under Development</u>	<u>Land Held for Future Development</u>	<u>Housing Projects</u>	<u>Intersegment elimination</u>	<u>Total</u>
December 31, 2010	156,149	139,486	8,999	-	304,634
Acquisitions & Transfers	(1,097)	3,183	1,496	(3,582)	-
Development	1,606	357	5,203	3,582	10,748
Sold	(13,417)	-	(4,653)	-	(18,070)
March 31, 2011	<u>143,241</u>	<u>143,026</u>	<u>11,045</u>	<u>-</u>	<u>297,312</u>

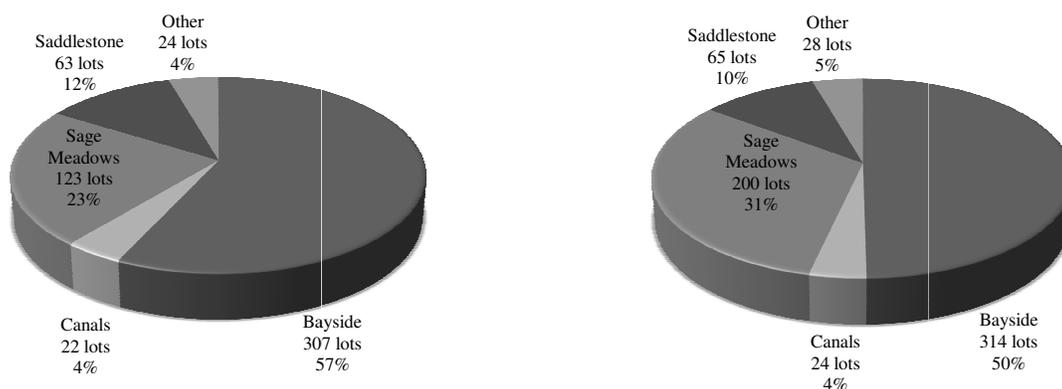
The Corporation holds more than 7,000 acres of land. The inventory mix based on the book value was as follows:

### Inventory Holding Mix - Book Value



The Corporation had 539 single-family lots in inventory as at March 31, 2011 (December 31, 2010 – 631). The lot inventory by community was as follows:

### Total number of single-family lots in inventory by community



## Amounts Receivable

(\$'s)	March 31,	December 31,	Change	%
	2011	2010		
Amounts receivable	42,249	27,021	15,228	56%

Amounts receivable increased at March 31, 2011 compared to December 31, 2010 mainly due to an increase in lot sales achieved for phases 1 and 2 of the Calgary community of Sage Meadows, making up 78% of the increase in the receivable balance, and a VTB mortgage issued for the sale of a commercial land parcel in the Calgary community of Taralake. There are no receivables for which an allowance for doubtful accounts is required.

The Corporation generally retains title to lots and homes until full payment is received, in order to mitigate credit exposure.

## LIABILITIES AND EQUITY

(\$'s)	March 31,		December 31,	
	2011	%	2010	%
Financings	85,931	23%	81,320	23%
Customer deposits	10,520	3%	8,388	2%
Accounts payable and accrued liabilities	10,981	3%	13,025	4%
Income taxes payable	13,324	4%	6,988	2%
Deferred income taxes	-	-	3,387	1%
Land development service costs	14,003	4%	10,347	3%
Non-controlling interest	58,965	16%	58,922	17%
Shareholders' equity	171,981	47%	168,089	48%
	365,705	100%	350,466	100%

Financings from lending institutions, excluding deferred financing fees, at March 31, 2011 totaled \$87,353 of which \$44,011 or 50% 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 three months ended March 31, 2011, Genesis received \$13,958 of financing proceeds and made repayments of \$9,576.

## Land Development Service Costs

(\$'s)	March 31,	December 31,	Change	%
	2011	2010		
Land development service costs	14,003	10,347	3,656	35%

Accrued land development service costs increased at March 31, 2011 compared to December 31, 2010 mainly due to lot sales in the Calgary community of Sage Meadows, and sales of development lands in the City of Calgary. The increase is also attributable to increases in the development levies and surface maintenance costs for certain properties. The overall increase was partially off-set by performance of planned service work, thus incurring previously accrued completion costs.

## Shareholders' Equity

As at May 18, 2011, the Corporation had 44,464,624 common shares issued and outstanding. In addition, there were options to acquire 2,042,509 common shares of the Corporation issued under the Corporation's stock option plan.

## LIQUIDITY AND CAPITAL RESOURCES

During the three months ended March 31, 2011, the Corporation generated net earnings of \$3,523, and \$6,359 for funding its operating activities. At March 31, 2011, the consolidated cash balance was \$8,364 as compared to \$2,455 as at December 31, 2010.

The short-term liabilities and commitments include:

(\$'s)	March 31, 2011	December 31, 2010
Financings, excluding deferred financing fees	44,011	45,006
Customer deposits	10,520	8,388
Accounts payable and accrued liabilities	10,981	13,025
Total short-term liabilities	65,512	66,419
Commitments	4,992	4,977
	70,504	71,396

At March 31, 2011, Genesis has obligations due within the next 12 months of \$70,504. 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 as at March 31, 2011 and as at the end of the previous four quarters:

Financings	First Quarter 2011	Fourth Quarter 2010	Third Quarter 2010	Second Quarter 2010	First Quarter 2010
(\$'s)					
Land & land project loans	86,686	81,862	65,169	84,993	106,435
Home building operations	-	442	-	1,617	4,943
Other	667	659	714	705	688
	87,353	82,963	65,883	87,315	112,066
Deferred financing fees	(1,422)	(1,643)	(1,445)	(1,570)	(1,863)
	85,931	81,320	64,438	85,745	110,203

The movement in the Corporation's financings was as follows:

(\$'s)	<b>Three months ended March 31, 2011</b>	<b>Twelve months ended December 31, 2010</b>
Balance, beginning of period	81,320	115,210
Advances	13,958	125,850
Repayments	(9,576)	(162,057)
Finance expense	1,273	7,631
Interest and financing fees paid and capitalized	(1,044)	(5,314)
Balance, end of period	<u>85,931</u>	<u>81,320</u>

The increase in financings is due to drawdown of existing facilities; the Corporation also obtained two new loans in the amount of \$9,000 secured by existing land inventory and repaid financings amounting to \$9,576 during the three months ended March 31, 2011. The following table shows the debt to equity ratio calculated as total liabilities divided by total equity.

(\$'s)	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Total liabilities	134,759	123,455
Total Equity	230,946	227,011
Debt to equity ratio	<u>0.58</u>	<u>0.54</u>

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

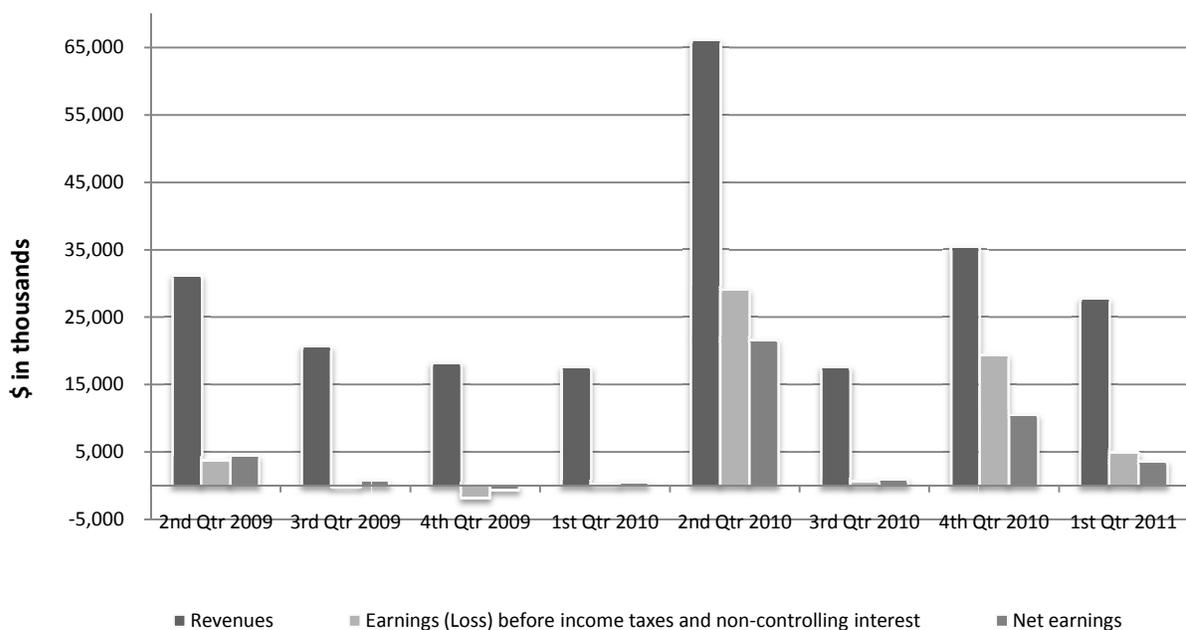
The Corporation's contractual obligations, other than accounts payable, income taxes payable, customer deposits and land development service costs, stated as of March 31, 2011, are as follows:

(\$'s)	<b>Financings</b>				<b>Total</b>
	<b>(excl. deferred financing fees)</b>	<b>Purchase of Land</b>	<b>Naming Rights</b>	<b>Lease Obligations</b>	
Current	44,011	4,216	200	576	49,003
Years 2 and 3	43,342	4,217	400	217	48,176
Years 4 and 5	-	-	400	47	447
Thereafter	-	-	400	-	400
	<b>87,353</b>	<b>8,433</b>	<b>1,400</b>	<b>840</b>	<b>98,026</b>

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)	First Quarter 2011	Fourth Quarter 2010	Third Quarter 2010	Second Quarter 2010	First Quarter 2010	<i>Fourth Quarter 2009</i>	<i>Third Quarter 2009</i>	<i>Second Quarter 2009</i>
						<i>Prepared under Canadian GAAP</i>		
<b>Revenues</b>	27,743	35,464	17,548	66,042	17,596	18,219	20,621	31,119
<b>Earnings (loss) before income taxes and non- controlling interest</b>	4,877	19,326	579	29,014	282	(1,868)	(239)	3,792
<b>Net earnings (loss)</b>	3,523	10,454	917	21,606	537	(714)	721	4,387
<b>Net earnings (loss) per share:</b>								
<b>Basic</b>	0.08	0.24	0.02	0.49	0.01	(0.02)	0.02	0.10
<b>Diluted</b>	0.08	0.24	0.02	0.49	0.01	(0.02)	0.02	0.10

## 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 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 March 31, 2011, these letters of credit totaling approximately \$15,129, 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 March 31, 2011.

## RELATED PARTY TRANSACTIONS

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 for the three months ended March 31, 2011 were \$44 (2010 - \$44). 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. The transaction closed on March 16, 2011. Additionally, at March 31, 2011, amounts receivable included \$36 (December 31, 2010 - \$21) from the Former Officer. The Corporation also engaged an entity under control of the Former Officer's spouse to provide interior design services for its home building division.

## **CRITICAL ACCOUNTING ESTIMATES**

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.

## **TRANSITION TO IFRS**

This MD&A reflects the adoption of IFRS effective January 1, 2010, with information for 2010 being restated from what was previously issued under Canadian GAAP. Periods prior to January 1, 2010 have not been restated.

Note 3 of the consolidated financial statements for the three months ended March 31, 2011 provides a description of the Corporation's transition to IFRS and the detailed impact on the previously reported Canadian GAAP financial information for 2010.

The most significant impacts of the change in accounting standards on the quarterly information are:

### **Borrowing Costs**

On transition to IFRS, in accordance with IAS 23, “Borrowing Costs”, the Corporation recognized the borrowing costs related to projects that were not considered in the development stage to the statement of comprehensive income. The costs were capitalized only to those properties relating to which the Corporation incurred expenditures, incurred borrowing costs and carried out development work to prepare an underlying asset for its intended use or sale. In the case of extended delays in development, borrowing costs were not capitalized to a project. The general funds used for obtaining qualifying assets were capitalized using a rate that was calculated as the weighted average of the borrowing costs applicable to the borrowings that were outstanding for the period.

In 2010, certain properties stated at net realizable value (“NRV”) were reduced to an amount below NRV after borrowing costs capitalized under Canadian GAAP were charged to the statement of comprehensive income on transition to IFRS. An adjustment was made to reverse the write-down taken on the real estate inventory in previous years in order to state the value of the inventory at NRV.

### **Share Based Payments**

The Corporation elected to use the exemption provided by IFRS 1, First-time adoption of IFRS, and accordingly IFRS 2 Share-based Payments was not applied to equity settled transactions to equity instruments granted after November 7, 2002 that have been vested before January 1, 2010.

## **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. The markets started to gradually stabilize in 2010 from the general downturn of 2008 and 2009 in the national and local economies, and the modest, but positive, trend continued into 2011. However, concerns still exist as to the sustainability of the recovery, as government and consumer debt levels continue to rise. Genesis continues to pursue a strategy of 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.

#### **Specific Risks:**

**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 labour;

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 are generally financed with equity and development costs are 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 March 31, 2011 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 IFRS.

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 March 31, 2011 and concluded that the design and operating effectiveness of these internal controls over financial reporting are effective.

There were no changes in the Corporation’s internal controls over financial reporting during the three months ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect the Corporation’s internal controls over financial reporting. The conversion to IFRS from Canadian GAAP impacts the presentation of financial results and accompanying disclosures. The Corporation evaluated the impact of the conversion on financial reporting systems, processes, and controls and determined that no material changes were required to its internal control and disclosure control environment.

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 records. In addition, the Audit Committee reviews the financial statements and key risks of the Corporation on a quarterly basis and queries management about significant transactions, and there is daily oversight by the senior management of the Corporation.

## **SUBSEQUENT EVENTS**

The Corporation entered into a Letter Agreement (the "Letter Agreement"), dated April 5, 2011 with Jupiter Acquisition Ltd. ("Jupiter") whereby Jupiter proposed to acquire all of the issued and outstanding common shares of Genesis and all common shares issuable upon the exercise of currently outstanding stock options at a price of \$5.80 per common share (the "Proposed Transaction"). The Proposed Transaction is subject to a number of conditions, including but not limited to, Jupiter arranging for satisfactory financing to complete the transaction, Jupiter's due diligence review, negotiation of a definitive agreement and the receipt of all applicable regulatory approvals. Subject to satisfying various conditions and entering into a definitive agreement before June 7, 2011, the parties intend to close the Proposed Transaction on or before August 12, 2011.

The Corporation has been named as a co-defendant in a statement of claim filed on May 10, 2011 in the province of Ontario. The plaintiff asserts that they contributed funds to a third party entity (one of the co-defendants), and through that entity, have an interest in LPLP 2007. The plaintiff is seeking \$10,700 plus punitive damages relating to the ownership interests of LPLP 2007. The Corporation recognizes LPLP 2007's non-controlling interest in these consolidated financial statements. The amount of additional liability, if any, that exceeds the non-controlling interest is currently indeterminate.

## **OTHER**

Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com)