

LIMITED PARTNERSHIP LAND POOL (2007)

Financial Statements for the
Years ended December 31, 2009 and 2008

Management's Report

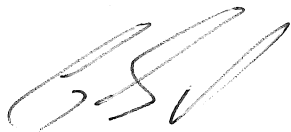
To the Unit Holders of
Limited Partnership Land Pool (2007)

These financial statements are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies in the notes to the financial statements. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

The financial statements have been further examined by the Board of Directors of the Manager and by its Audit Committee which meets regularly with the auditors and management to review the activities of each. The Audit Committee, which is comprised of three independent directors, reports to the Board of Directors.

Meyers Norris Penny LLP, an independent firm of chartered accountants, was engaged to audit the financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditors' opinion.



Gobi Singh
President and Chief Executive Officer of the Manager,
Genesis Land Development Corporation



Simon Fletcher
Chief Financial Officer of the Manager,
Genesis Land Development Corporation

August 31, 2010

Auditors' Report

To the Director of
GP LPLP 2007 Inc., the General Partner of the Limited Partnership Land Pool (2007)

We have audited the balance sheets of Limited Partnership Land Pool (2007) (the "Limited Partnership") as at December 31, 2009 and 2008 and the statements of operations, partners' equity and cash flows for the years then ended. These financial statements are the responsibility of the Limited Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Limited Partnership as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Canada
August 31, 2010


Meyer Norris Penny LLP

Chartered Accountants

Limited Partnership Land Pool (2007)
Balance Sheet
As at December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

	2009 \$	2008 \$
Assets		
Real estate held for future development and sale (note 5)	48,292,015	29,025,336
Cash and cash equivalents	4,760	54,252
Accounts receivable	-	21,316
Note receivable (note 8)	-	7,280,575
Other assets (note 7)	450	11,271,007
	48,297,225	47,652,486
Liabilities		
Accounts payable and accrued liabilities	114,360	317,136
Due to related parties (note 8)	12,400,476	570,785
Financing (note 6)	8,199,835	16,615,336
	20,714,671	17,503,257
Partners' Equity		
Partners' Equity	27,582,554	30,149,229
	48,297,225	47,652,486

Approved by the Director of the General Partner
GP LPLP Pool 2007 Inc.



Gobi Singh, Director

See accompanying notes to the financial statements

Limited Partnership Land Pool (2007)
Statement of Operations
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

	2009 \$	2008 \$
Revenue		
Interest and other income	219,550	301,682
Expenses		
Write down of real estate (note 5)	2,585,984	6,109,414
General and administrative (note 8)	185,946	1,172,775
Interest	349,061	-
Bad debt expense	19,426	15,808
Amortization	192	275
	3,140,609	7,298,272
Net loss and comprehensive loss	2,921,059	6,996,590

See accompanying notes to the financial statements

Limited Partnership Land Pool (2007)
Statement of Partners' Equity
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

	Limited Partners		General Partner		Total	
	Units	Amount	Units	Amount	Units	Amount
		\$		\$		\$
Balance, December 31, 2007	26,531,245	21,581,065	10,000	(662)	26,541,245	21,580,403
Contributions from unit holders	16,918,776	16,790,503	-	-	16,918,776	16,790,503
Issuance costs	-	(1,225,087)	-	-	-	(1,225,087)
Net loss for the period	-	(6,995,191)	-	(1,399)	-	(6,996,590)
Balance, December 31, 2008	43,450,021	30,151,290	10,000	(2,061)	43,460,021	30,149,229
Contributions from unit holders	390,400	397,801	-	-	390,400	397,801
Issuance costs	-	(43,417)	-	-	-	(43,417)
Net loss for the period	-	(2,920,475)	-	(584)	-	(2,921,059)
Balance, December 31, 2009	43,840,421	27,585,199	10,000	(2,645)	43,850,421	27,582,554

See accompanying notes to the financial statements

Limited Partnership Land Pool (2007)
Statement of Cash Flow
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

	2009 \$	2008 \$
Cash and cash equivalents from (used for):		
Operating activities		
Net loss	(2,921,059)	(6,996,590)
Write down of real estate	2,585,984	6,109,414
Amortization	192	275
	(334,883)	(886,901)
Increase in real estate held for future development and sale	(22,718,799)	(2,223,402)
Decrease (increase) in deposits and other assets	12,231,000	(4,015,000)
Decrease (increase) in accounts receivable	21,316	83,801
Increase (decrease) in accounts payable and accrued liabilities	(202,776)	175,612
Decrease (increase) in note receivable	7,280,575	(7,280,575)
	(3,723,567)	(14,146,465)
Financing activities		
Advances from (repayments to) related parties	11,829,691	(301,023)
Repayments of financings	(8,510,000)	(2,000,000)
Advances applied to equity issued	-	(2,088,359)
Issuance of units	397,801	16,790,503
Unit issuance costs	(43,417)	(1,225,087)
	3,674,075	11,176,034
Increase (decrease) in cash and cash equivalents	(49,492)	(2,970,431)
Cash and cash equivalents, start of period	54,252	3,024,683
Cash and cash equivalents, end of period	4,760	54,252
Supplemental cash flow information		
Interest paid	1,431,131	1,756,048

See accompanying notes to the financial statements

Limited Partnership Land Pool (2007)
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

1. DESCRIPTION OF BUSINESS

Limited Partnership Land Pool (2007) (the "Partnership" or "LPLP-2007") is a limited partnership formed under the laws of the Province of Alberta on June 29, 2007 pursuant to the Partnership Act (Alberta). It commenced operations on that date through the raising of funds from the sale of limited partnership units (the "initial offering"). The initial offering has closed as of February 28, 2009.

The affairs of the Partnership are managed by Genesis Land Development Corp. ("Genesis", or the "Manager") through its wholly owned subsidiary, GP LPLP 2007 Inc. ("the General Partner"). Genesis controls the Partnership.

The Partnership was established to acquire raw (primarily agricultural) land (the "Properties") and generate capital appreciation by obtaining various levels of municipal approvals leading eventually towards the re-designation of land use (rezoning) of the Properties to commercial, industrial, residential, recreational, or any combination thereof.

The Partnership reports its activities as a single business segment operating in one geographic area.

2. FUTURE OPERATIONS

These financial statements have been prepared by the Partnership on the basis of accounting principles applicable to a going concern, which assumes that the Partnership will continue to operate for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

	2009	2008
	\$	\$
Current Liabilities	20,714,671	17,503,257
Less Current Assets:		
Cash and cash equivalents	4,760	54,252
Accounts receivable	-	21,316
Note receivable	-	7,280,575
Total Current Assets	4,760	7,356,143
Current Liabilities in excess of Current Assets	20,709,911	10,147,114

Limited Partnership Land Pool (2007)
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

2. FUTURE OPERATIONS (Continued)

At December 31, 2009, the Partnership had current liabilities in excess of current assets of \$20,709,911 (2008 - \$10,147,114). During the period from January 1, 2009 to December 31, 2009, the Partnership had a net loss of \$2,921,059 (2008 - \$6,996,590).

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption were not appropriate for these financial statements, adjustments might be necessary to the carrying value of assets and liabilities and the reported operations.

3. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses during the reporting period. Actual results could differ from these estimates. Such estimates include the amounts relating to the determination of liabilities and accruals and the potential impairment of amounts receivable and real estate for development and sale. By their nature these amounts are subject to measurement uncertainty and changes in such estimates may affect the financial statements in future years.

(a) Real estate held for future development and sale

Land held for future development is recorded at the lower of cost and estimated net realizable value. The Partnership applies a recoverability test on its real estate and an impairment loss is recognized to the extent that the carrying value of the project exceeds the net realizable value. Costs include land acquisition costs, other direct costs of pre-development, property taxes, capitalized interest, and legal costs.

No general and administrative costs are capitalized to real estate held for development and sale.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks and lawyers' trust accounts.

(c) Equipment

Computer equipment is stated at cost less accumulated amortization. Amortization is calculated on a declining balance basis at 30% per annum.

(d) Revenue recognition

Land sales are recognized when an agreement is signed and all proceeds are received or collection is reasonably assured. Deposits received from customers upon signing of contracts for purchase of lands upon which revenue recognition criteria is not yet met are recorded as customer deposits. Interest revenue is recognized on an accrual basis as it is earned.

Limited Partnership Land Pool (2007)
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

3. BASIS OF PRESENTATION (Continued)

(e) Allocation of expenses

Upon completion of the initial offering, the Partnership and the Manager will be equally responsible for all costs of the Partnership, including all expenses incurred by the Manager in connection with the operations of the Partnership, such as third party transaction costs, litigation and indemnification expenses, and all expenses reasonably incurred in connection with the organization and funding of the Partnership and the General Partner.

Any general and administrative expenses charged directly by the Manager, and not by a third party retained by the General Partner or Manager, will be limited to \$150,000 per year upon completion of the offering.

Except for the General Partner, the liability of the partners is restricted to their investment in the Partnership.

(f) Distributions and Allocation of profit

At the sole discretion of the General Partner, the Properties, or a portion of the Properties, may be sold individually or in aggregate to third parties at fair market value. The Partnership shall receive the higher of 50% of the sale price of the properties and the minimum purchase amount as defined in note 9. The Manager would receive an amount equal to the remainder of the sale price.

(g) Financial Instruments

All financial instruments are classified into one of the following five categories: held-to-maturity, loans and receivables, and other financial liabilities, available-for-sale financial assets, and held-for-trading. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.
- Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.
- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period in which they relate. As at December 31, 2009, the Partnership does not have any derivative financial instruments.

Limited Partnership Land Pool (2007)
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

3. BASIS OF PRESENTATION (Continued)

Cash and cash equivalents are designated as "held for trading" and are measured at carrying value which approximates fair value due to the short-term nature of these instruments. Accounts and notes receivable and deposits are designated as "loans and receivables". Accounts payable financing and due to related parties are designated as "other financial liabilities".

(h) Income Taxes

The Partnership is not subject to income taxes. The income or loss for income tax purposes is allocated to the Partners based upon their proportionate share of the Partnership units.

These financial statements include only the assets, liabilities and operations of the Partnership and do not include other assets, liabilities, including income taxes, of the Limited Partners.

4. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Partnership adopted the CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaced the existing Goodwill and Other Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard did not have a material impact on the Partnership's financial statements.

Effective January 1, 2009, the Partnership retrospectively adopted the recommendations of Emerging Issues Committee Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities," which was issued in January 2009, without restatement of prior periods. The abstract requires that an entity's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial assets and liabilities, including derivative instruments, for presentation and disclosure purposes. The adoption of the abstract did not significantly impact the Partnership's financial statements.

CICA revised standards under Handbook Section 3855, Financial Instruments – Recognition and Measurement. The changes bring greater consistency between Canadian GAAP and IFRS regarding the timing of impairment recognition for debt instruments. The amendments allow more debt instruments to be classified as loans and receivables. In addition, the amendments require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances and require that loans and receivables that an entity intends to sell immediately or in the near term be classified as held for trading. The transitional provisions are complex and are accompanied by disclosure requirements to explain any reclassifications made on adopting the amendments. The amendments did not have a material impact on the Partnership's financial statements.

CICA revised standards under Handbook Section 3862, Financial Instruments – Disclosures. The amendments require improved and consistent disclosures about fair value measurements of financial instruments and liquidity risk. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. In that first fiscal year of application, an entity need not provide comparative information for the disclosures required by the amendments.

Limited Partnership Land Pool (2007)
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

4. CHANGES IN ACCOUNTING POLICIES (Continued)

Effective January 1, 2008, the Partnership adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1535, Capital Disclosures, prospectively. Also effective January 1, 2008 the Partnership adopted Section 3031, Inventories, retroactively without restatement. Management has determined that the adoption of these standards had no material impact on the Partnership's financial statements.

- (a) Financial Instruments – Disclosures, CICA Handbook Section 3862, describes the disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. This section complements the principles of recognition, measurement and presentation of financial instruments of CICA handbook Section 3855, Financial Instruments – Recognition and Measurement;
- (b) Financial Instruments – Presentation, CICA Handbook Section 3863, establishes standards for the presentation of financial instruments and non-financial derivatives. The new presentation standard carries forward the former presentation requirements of CICA Handbook Section 3861;
- (c) Capital Disclosures, CICA Handbook Section 1535, establishes standards for disclosing information about the entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital (see note 11); and
- (d) Inventories, CICA Handbook Section 3031, provides guidance in determining the cost of inventory and its subsequent recognition as an expense. The standard was effective for the Partnership on January 1, 2008 and did not require retroactive adjustments to prior period financial statements.

Canadian publicly accountable entities will be required to prepare their financial statements in accordance with IFRS as issued by the International Accounting Standards Board, for the financial years beginning on or after January 1, 2011. Effective January 1, 2011, LPLP 2007 will adopt IFRS as the basis for preparing its financial statements. Financial results for the first reporting period in 2011 will be prepared on an IFRS basis, with comparative data on an IFRS basis, including an opening balance sheet, as at January 1, 2010. Management has not fully determined the financial impact of adopting IFRS on the Partnership's financial statements; however, it should be noted that the current financial statements may be significantly different if presented in accordance with IFRS.

5. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	2009	2008
	\$	\$
Real estate held for future development and sale	56,987,412	34,174,115
Less write down	(8,695,397)	(5,148,779)
	48,292,015	29,025,336

Limited Partnership Land Pool (2007)
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

5. REAL ESTATE HELD FOR DEVELOPMENT AND SALE (Continued)

On October 15, 2007, the Partnership purchased 617 acres of residential land in Delacour in the Municipal District of Rocky View, northeast of Calgary, for \$31,385,500. The General Partner holds title to the land and has assigned all rights, title, interest and obligations to the Limited Partnership Land Pool. A write down of \$5,148,779 was recognized at December 31, 2008 relating to impairment of land carrying costs.

For the period from January 1, 2009 to December 31, 2009, interest of \$1,660,630 (2008 – \$1,808,834), no legal costs (2008 - \$47,685), predevelopment planning costs of \$137,359 (2008 – \$146,648) and property taxes of \$11,758 (2008 - \$5,572) were capitalized to real estate held for future development and sale.

During the year ended December 31, 2009, the Partnership closed the \$20,733,050 purchase of 319 acres of residential land at Airdrie. The Partnership had made non-refundable deposits totalling \$12,200,000 which were transferred from other assets to real estate held for future development and sale upon closing. Additional costs of \$270,500 were incurred upon closing. A write-down of \$960,635 recognized at December 31, 2008 relating to impairment of land carrying costs was increased by \$672,366 during the year ended December 31, 2009 as a result of the closing of this purchase. Additionally, a further write-down of \$1,913,618 was recorded during the year ended December 31, 2009 based on an updated land appraisal. To complete the purchase, the Manager secured a loan for \$5,100,000 for which the Manager provided its corporate guarantee and a charge against the lands (see note 8, Related Party Transactions).

In determining if there is an impairment of real estate assets, the carrying values are compared to the estimated net realizable value on a project by project basis. Net realizable value is determined using the expected selling price of comparative properties sold in the normal course of business less closing costs. Given the uncertainty of the current economic environment, these estimates of market price may change materially in the future.

6. FINANCING

	2009 \$	2008 \$
Land loan maturing May 1, 2011, repayable in monthly principal installments of \$520,000 (2008 – \$500,000), bearing interest at a rate being the greater of 10.5% (2008 – 10.25%) or prime plus 3.5% per annum, secured by the Delacour land (see note 5) with a carrying value of \$30,925,180.	8,320,000	16,830,000
Deferred financing fees	(120,165)	(214,664)
	8,199,835	16,615,336

Through the General Partner, the Partnership received third party financing totaling \$18,830,000 in 2007 bearing interest at a rate being the greater of 9.5% or prime plus 3% per annum. The loan was renewed effective November 1, 2009 in the amount of \$9,360,000.00 and is to be repaid by May 1, 2011.

Limited Partnership Land Pool (2007)
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

7. OTHER ASSETS

	2009	2008
	\$	\$
Deposits on acquisition of land held for future development and sale	-	12,200,000
Computer Equipment, net of depreciation	450	642
Contribution receivable	-	31,000
	450	12,231,642
Less write down of deposits	-	(960,635)
	450	11,271,007

On May 29, 2007, the General Partner on behalf of the Partnership, entered into an agreement to purchase 319 acres of land directly west of Airdrie for \$20,733,050. As at December 31, 2008, the Partnership had paid a non-refundable deposit of \$12,200,000 (2007 - \$8,200,000). The final closing balance of \$8,533,050 was extended to April 2, 2009 with applicable interest charges accrued at the rate of 8% per annum. On April 2, 2009, the partnership extended the closing date to April 9, 2009 and retained the previously agreed to terms. On April 9, 2009, the final payment of \$8,533,050 was paid on closing.

Equipment is comprised of computer equipment purchased for \$1,079 (2008 - \$1,079), net of accumulated depreciation of \$629 (2008 - \$437).

8. RELATED PARTY TRANSACTIONS

To complete the purchase of the Airdrie lands (Note 5 above), the Manager obtained financing in the amount of \$5,100,000 which was provided by a syndicate with which one of the Manager's directors is affiliated. The financing was provided prior to the director joining the Manager's board of directors. The loan is secured by the corporate guarantee of the Manager and a charge against the Airdrie lands (Note 5.) It was bearing interest at the rate of 14.5% until May of 2010 when it was reduced to 9.9%.

For the period from inception on June 29, 2007 to December 31, 2009, the Manager and General Partner have advanced \$12,132,034 to the Partnership to cover start-up costs and other expenses. There are no fixed terms of repayment and the advances bear interest at a rate of prime plus 3%. The Manager and General Partner have waived interest from inception to December 31, 2007.

During the year ended December 31, 2009, costs of \$39,608 (2008 - \$115,353) were allocated by the Manager and recorded as general and administrative costs. These transactions were recorded at their exchange amount being the amount agreed to by the Partnership and Genesis, in its role as the Manager or General Partner.

On July 31, 2008, the Partnership loaned \$7,000,000 to the Manager in exchange for a promissory note. On April 9, 2009, the principal loan amount and accrued interest of \$460,870 was repaid by virtue of Genesis funding \$8,533,000 to complete a land acquisition closing on behalf of LPLP 2007. The loan was unsecured, repayable on demand and bore interest at the greater of the bank prime rate plus 3% or 9.5% per annum. Management believes these terms were representative of arm's length transactions in the market place at the time.

Limited Partnership Land Pool (2007)
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

9. SIGNIFICANT AGREEMENTS

(a) Right of Manager to purchase properties

Once Land Use Approvals have been obtained for the Properties, the Manager will have the right, but not the obligation, to acquire the Properties at the higher of $\frac{1}{2}$ of the fair market value of the property or the minimum purchase price.

The minimum purchase price is calculated by dividing the purchase price of a property by the purchase price of all the Properties in the Partnership, multiplied by the difference between the total offering amount and the remaining funds in the Soft Costs of the Partnership and Liquidity Pool, and then multiplied by 1.5 (or 150%).

Liquidity Pool means an amount no more than 10% of the Initial Contributions, net of issuance costs, set aside for possible redemption of units once the Properties have been acquired.

Soft Costs of the Partnership refer to costs of the Partnership, after completion of the Initial Offering, equal to 5% of the net contributions which have been attributed towards any and all costs related to the operation of the Partnership and the process of implementing the value added concept, including, but not limited to, obtaining Area Structure Plan approvals, land use re-designation, subdivision approval, negotiation of development agreement approval and administration of the Partnership.

The purchase right is applicable for each property or portion of a property within the Partnership as Land Use Approval and securities regulatory approval has been obtained on all or a portion of each property within the Partnership.

(b) Right of First Refusal

In the event the Partnership receives a third party offer, which in the opinion of the General Partner is within 10% of the fair market value of the Property as would be obtained through an independent appraisal, the Partnership shall give written notice of the offer, and its terms, including the minimum purchase price for such properties, to the Manager. The Manager will then have a period of 30 days after receipt of the notice to provide a matching offer under the same terms and conditions.

(c) Liquidity Pool

The Offering Memorandum of the partnership allowed for up to 10% of the net contributions raised to be set aside for possible redemption of units once the Properties have been acquired. As the partnership was unable to raise sufficient funds to complete the purchase of the properties, the liquidity pool was not formed.

Limited Partnership Land Pool (2007)
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

10. FINANCIAL INSTRUMENTS

(a) Risks associated with financial instruments

The Partnership has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

The General Partner has overall responsibility for the establishment and oversight of the Partnership's risk management framework. The General Partner has implemented and monitors compliance with risk management policies.

(i) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Partnership's exposure to credit risk associated with the non- performance of future purchasers of land held for future development and sale can be directly impacted by a decline in economic conditions, which would impair these purchasers' ability to satisfy their obligations to the Partnership. To reduce this economic risk, the Partnership retains title to the properties in question until all terms of the contract have been satisfied. At December 31, 2009, the Partnership is not exposed to any significant amounts of credit risk.

The carrying value of amounts receivable and cash represents the maximum credit exposure.

(ii) Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they are due. The Partnership's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Partnership.

(iii) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, and interest rates, will affect the Partnership's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

The Partnership is exposed to market risk in terms of its reliance on the strength of the local economies in which it operates. The majority of real estate assets the Partnership holds are within the Calgary Metropolitan Area and therefore are subject to the economic conditions of this region.

The Partnership continually monitors economic indicators to position itself in the market place to ensure it can meet its financial obligations, both short term and long term.

Limited Partnership Land Pool (2007)
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008
Please refer to Note 2, "Future Operations"

10. Financial Instruments (Continued)

(iv) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Partnership is exposed to interest rate cash flows risk to the extent that agreements receivable and certain financings are at a floating rate of interest. The Partnership capitalizes all interest incurred on project loans. A 1% change in interest rates would result in a change in interest incurred of approximately \$112,000 on year end flexible rate loans existing at December 31, 2009. This would have no impact on net earnings as the interest is capitalized on project loans.

(b) Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity. The fair value of the Partnership's financings approximate their carrying values as the terms and conditions are comparable to current market conditions or are due in a relatively short period of time, or bear floating rates of interest.

The fair value of the Partnership's related party balances as at December 31, 2009 and 2008 were considered indeterminable due to the inability to apply a valuation method or obtain market prices.

11. CAPITAL MANAGEMENT/ECONOMIC DEPENDENCE

The Partnership's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Partnership considers its capital structure to include partners' equity, financings and working capital.

As the Partnership did not raise sufficient funds to complete the purchase of the lands, and currently does not have operating cash flows, in order to maintain or adjust its capital structure, the Partnership is wholly dependent on the Manager to manage and service current debt levels, and to provide resources to complete the projects.

12. SUBSEQUENT EVENT

On August 18, 2010, the Partnership entered into a renewal agreement with the lender holding the land loan (Note 6) by increasing the loan amount to \$10,100,000 and extending the due date to two years from the interest adjustment date with the renewed loan requiring \$250,000 monthly principal repayments until the due date bearing interest at the greater of 9.75% or prime + 5% per annum while substantially retaining all other terms of the original agreement. The funds were used to repay the Manager's loan secured by the Airdrie lands (Note 8.)