

# ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2014

MARCH 26, 2015

**GENESIS**

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**DEFINITIONS**

In this Annual Information Form, the capitalized terms set forth below have the following meanings:

“**ABCA**” means the *Business Corporations Act*, R.S.A. (Alberta) 2000, c. B-9, as the context requires, together with any amendments thereto and all regulations promulgated thereunder;

“**AIF**” means this Annual Information Form;

“**Area Structure Plan**” means a statutory plan that outlines land uses and establishes the general planning framework for turning undeveloped areas into new subdivisions and usually has several land owners within it;

“**Board**” means the Board of Directors of the Corporation;

“**Breeze**” means The Breeze Inc.;

“**Common Shares**” means the common shares in the share capital of Genesis;

“**Corporation**” or “**Genesis**” or means Genesis Land Development Corp. and the subsidiaries through which it conducts all of its land development and home building operations;

“**GBG**” means Genesis Builders Group Inc.;

“**Generations**” means Generations Group of Companies Inc.;

“**GLP#4**” means Genesis Limited Partnership #4;

“**GLP#5**” means Genesis Limited Partnership #5;

“**GLP#6**” means Genesis Limited Partnership #6;

“**GLP#7**” means Genesis Limited Partnership #7;

“**GLP#8**” means Genesis Limited Partnership #8;

“**GLP#9**” means Genesis Limited Partnership #9;

“**GSMP**” means Genesis Sage Meadows Partnership;

“**ICFR**” means internal controls over financial reporting;

“**IFRS**” means International Financial Reporting Standards;

“**JV**” means joint venture;

“**Kinwood**” means Kinwood Communities Inc.;

“**LPLP 2007**” means Limited Partnership Land Pool 2007;

“**Management**” means the executive officers and other high level managers of the Corporation

“**NI 51-102**” means Canadian Securities Administrators’ National Instrument 51-102 – *Continuous Disclosure Obligations*;

“**NI 52-109**” means Canadian Securities Administrators’ National Instrument 52-109 – *Certification of Disclosure in Issuers Annual and Interim Filings*;

“**NI 52-110**” means Canadian Securities Administrators’ National Instrument 52-110 – *Audit Committees*;

“**Outline Plan**” means a plan for a portion of the Area Structure Plan that provides additional details such as zoning for lots, street types, school sites etc.;

“**PHT**” means Polar Hedge Enhanced Income Trust;

“**Preferred Shares**” means preferred shares in the share capital of Genesis;

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“SEDAR” means the computer system for the transmission, receipt, acceptance, review and dissemination of information filed in electronic format known as the System for Electronic Document and Retrieval maintained by CDS Inc. and available at [www.sedar.com](http://www.sedar.com); and

“TSX” means the Toronto Stock Exchange.

## CURRENCY

All dollar amounts are expressed in Canadian dollars, except per share amounts or unless otherwise indicated.

## FORWARD-LOOKING STATEMENTS

This Annual Information Form contains certain statements which constitute forward-looking statements or information (“**forward-looking statements**”) within the meaning of applicable securities legislation, including Canadian Securities Administrators’ National Instrument 51-102 - *Continuous Disclosure Obligation*, 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 nature of development lands held and the anticipated inventory and development potential of such lands, ability to bring new developments to market, anticipated positive general economic and business conditions in 2015 and beyond, including low unemployment and interest rates, low stable inflation rates, positive net migration, petroleum commodity prices and above average earnings in Alberta and the anticipated impact on Genesis’ development and home building activities, Genesis’ business strategy, including the geographic focus of its activities in 2015 and beyond, the constraint on margins, profitability and the pace of activity in Calgary’s home building industry throughout 2015 and possibly 2016, the expected capital contribution of future earnings and cash flow from land holdings in the Calgary Metropolitan Area, the ability to close the book of homes with firm sales contracts, the ability to meet the objective to increase the closing of home builds in 2015 as compared to 2014, including the ability to significantly increase home builds per year without a substantial addition to costs to the Corporation’s production team or to infrastructure so as to increase the effect on net margin, net asset value and profitability, the timing and operation of new accounting and operating software, the ability to execute on our strategic plan (including completion of our multi-family housing strategy by the end of 2015) and the ability of Management to close the gap between net asset value and share price. 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 many of which are beyond the Corporation’s control, 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:

- the impact or unanticipated impact of general economic and business conditions in Alberta, Canada, the United States and globally;
- local real estate conditions, including the development of properties in close proximity to Genesis’ properties;
- the ability of Management to execute its business strategy and plan;
- competitive conditions in the home building industry, including product and pricing pressures;
- current and expected future expense levels being higher than what is forecast;

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- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;
- risks inherent in marketing operations, including credit risk;
- the possibility that government policies or laws, including laws and regulations related to the environment, may change or governmental approvals may be delayed or withheld;
- failure to obtain industry partner and other third party consents and approvals, as and when required;
- stock market volatility and market valuations;
- mortgage rate and availability changes;
- the uncertainties of real estate development and acquisition activity, including the availability of suitable undeveloped land at acceptable prices;
- availability of labour or materials;
- confidence levels of consumers;
- ability to raise capital on favourable terms;
- the Corporation's debt and leverage;
- adverse weather conditions and natural disasters;
- relations with the residents of the Corporation's communities;
- risks associated with increased insurance costs or unavailability of adequate coverage;
- ability to obtain surety bonds;
- the impact of contractual arrangements and incurred obligations on future operations and liquidity; ability to retain the Corporation's executive officers; and
- other risks and factors considered under "Risk Factors" in this AIF and others described from time to time in the documents filed by Genesis with Canadian securities authorities, available at [www.sedar.com](http://www.sedar.com).

Forward-looking statements contained in this AIF are based on key assumptions. The reader is cautioned that such information, although considered reasonable by the Corporation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the forward-looking statements provided in this AIF as a result of numerous known and unknown risks and uncertainties and other factors. With respect to forward-looking statements contained in this AIF, Genesis has made assumptions regarding: the impact of increasing competition; the general stability of the economic and political environment in which the Corporation operates; the timely receipt of any required regulatory approvals; the ability of the Corporation to obtain qualified staff and services in a timely and cost efficient manner; the ability of the Corporation to obtain financing on acceptable terms; interest rates; and the ability of the Corporation to successfully market its projects. Readers are cautioned that this information may not be appropriate for other purposes.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement. Furthermore, these forward-looking statements are made as of the date of this AIF 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. An 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. An 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.

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**CORPORATE STRUCTURE**

Genesis was incorporated as "Genesis Capital Corp." under the ABCA on December 2, 1997. The Corporation amended its Articles of Incorporation by Certificate of Amendment dated January 30, 1998 to remove the private company restrictions. The articles were further amended by a Certificate of Amendment dated October 29, 1998, whereby the name of the Corporation was changed from "Genesis Capital Corp." to "Genesis Land Development Corp." On January 2, 2002, the Corporation and its then wholly owned subsidiary, Genesis Land Developers Ltd., amalgamated pursuant to the ABCA and continued under the name "Genesis Land Development Corp."

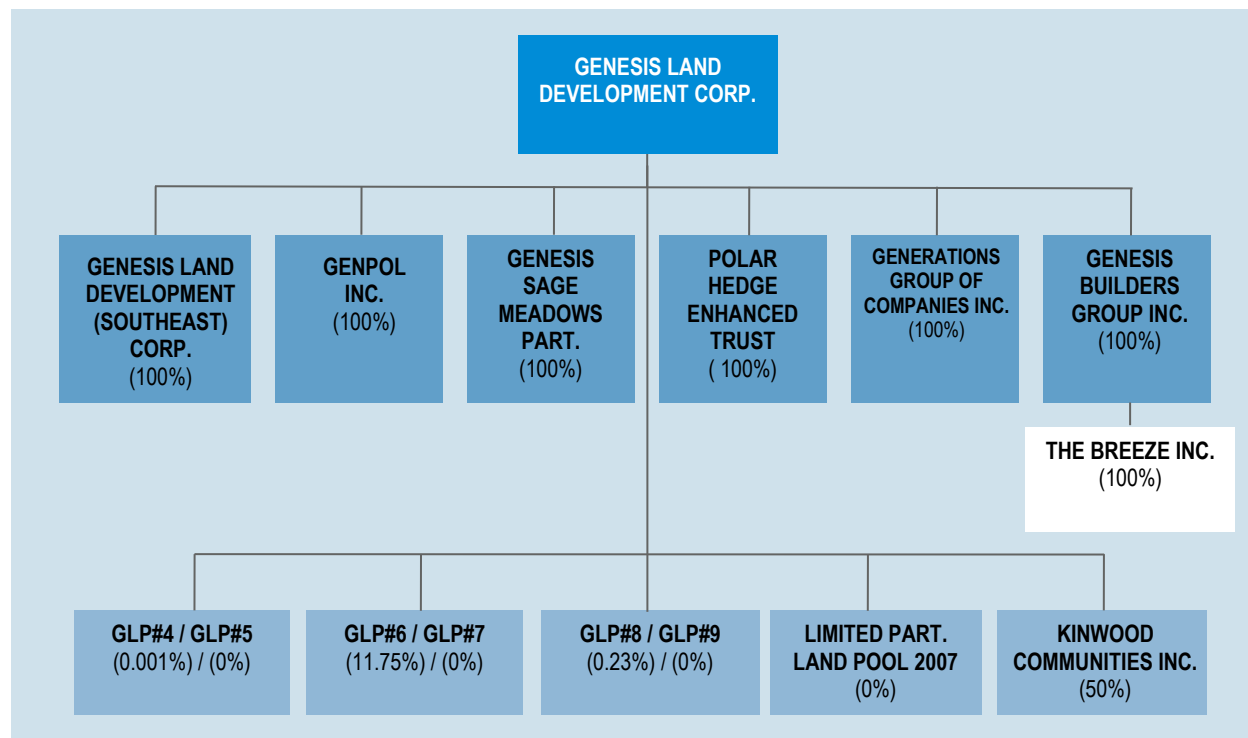
Genesis is a reporting issuer under the applicable securities legislation in the provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Nova Scotia and Prince Edward Island. The Common Shares are listed and posted on the TSX under the trading symbol "GDC".

The head office, registered and records office of the Corporation is located at 7315 - 8th Street N.E., Calgary, Alberta, T2E 8A2.

**INTERCORPORATE RELATIONSHIPS**

The percentage of votes attached to all voting securities of the Corporation's material subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by Genesis, as well as the jurisdiction where the material subsidiary was incorporated, continued, formed or organized, as the case may be, is set forth below.

All subsidiaries listed below are incorporated in the province of Alberta.



- 1) Genesis Land Development (Southeast) Corp. was formed on November 28, 2014. The company was created to hold the approximately 350 acre parcel of land located in southeast ("SE") Calgary, and is 100% owned by Genesis.
- 2) Genpol was formed on August 3, 2004 to hold and develop certain lands in northeast ("NE") Calgary transferred from the Corporation. Genesis subscribed for 19.88% of the shares in Genpol with PHT obtaining the remaining 80.12%. PHT was acquired in order to gain access to substantial non-capital losses that had accumulated in PHT. Genpol was formed to make efficient use of these losses from an income tax perspective.

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- 3) GSMP is a registered partnership that was formed on March 31, 2010. The partnership was created to hold the Evansridge/Sage Meadows land parcel in Symons Valley, and is 100% beneficially owned by Genesis.
- 4) PHT was wholly acquired by Genesis on October 9, 2003 for an aggregate consideration of \$6.6 million. PHT was an income trust that provided us with tax losses, and is currently inactive. PHT will terminate on April 30, 2015.
- 5) GLP#4 and GLP#5 were formed in 2005 to acquire the North Conrich Lands, comprised of 610 acres of land adjacent to the eastern boundary of the City of Calgary. GLP#4 and GLP#5 collectively raised a total of \$9.0 million and acquired a 48.8% interest in North Conrich. Genesis retained a 51.2% ownership of the NE Calgary Lands, which it continues to retain.
- 6) Genesis formed GLP#6 on December 29, 2005 and GLP#7 on April 6, 2006 to obtain further cash liquidity on seven zoned and developed properties already owned by the Corporation and valued at approximately \$27.5 million. Combined, GLP #6 and GLP #7 raised \$25.0 million in cash with the intention to conduct joint ventures to construct multi-family dwellings, single-family homes, and commercial centres on these seven properties. Genesis retains an interest of 11.75% in GLP#6.
- 7) On December 20, 2006, Genesis formed GLP#8 and GLP#9 to raise capital for the purchase of 1,140 acres of land near Radium, British Columbia. These limited partnerships raised \$10.7 million in 2007 to complete the land purchase.
- 8) On June 29, 2007, Genesis formed LPLP 2007 to raise capital for the purchase of 319 acres of land adjacent to the city of Airdrie, Alberta, and 618 acres of land near the hamlet of Delacour (10 minutes east of the Calgary International Airport). The goal was to raise \$100.0 million to complete the land purchases. LPLP RRSP #1 and LPLP RRSP #2 were formed on July 25, 2007 and January 15, 2008, respectively, to enable RRSP investors to indirectly acquire units of LPLP 2007. Combined LPLP 2007 and LPLP RRSP #1 and #2 have raised approximately \$44.0 million.
- 9) Kinwood was formed on April 30, 2010. Genesis and another real estate development corporation formed a joint venture corporation for the purpose of conducting residential development of certain real estate holdings. Genesis contributed 75 acres (net of JV interests) and has a 50% interest in Kinwood.
- 10) The single-family home building division of Genesis was started in 2005 as Reliant Homes Inc. Genesis purchased the assets of Point Grey Homes Ltd. in June 2006, and created GBG as a result of the purchase. It is focused on single-family home building. The home building division is composed of five subsidiaries: The Breeze Inc., Generations, Life at Solana Inc., Life at Waterstone Inc., and Montura Inc.

For a complete list of subsidiaries, please refer to note 20 of the consolidated financial statements for the year ended December 31, 2014, which can be found on SEDAR and on the Corporation's website at [www.genesisland.com](http://www.genesisland.com).

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three-Year History

Significant events that occurred during the last three financial years and to the date of this AIF are described below.

#### 2012

General economic conditions were positive in 2012 in Canada and in the land development/housing industry, resulting in an improved market over 2011. Genesis realized an increase in revenues to \$129.5 million in 2012, largely due to the Sage Hill Crossing property sale (\$32.5 million), and higher lot and residential home sales.

On February 21, 2012, Management and the Board announced that it had concluded the strategic alternatives process that was commenced on June 20, 2011, as the process did not result in a transaction adequately reflecting value. Genesis concluded the consulting arrangement entered into with its former Chief Executive Officer, Gobi Singh, on March 31, 2012, as he was retained to provide support during the strategic review process.

On March 24, 2012, 319 acres of raw land held by LPLP 2007, originally purchased for \$20.7 million, were annexed into the City of Airdrie. Annexation into the City of Airdrie enhances the likelihood that these lands can be developed in the future. Pursuant to

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a management agreement dated June 29, 2007, and assuming a minimum return to LPLP investors, Genesis can either acquire these lands or participate in the profits if sold.

During 2012, Genesis completed servicing and released lots for sale in Phase 6 of the Calgary community of Saddlestone and Phase 6 of the Airdrie community of Canals, which contain 153 lots and 148 lots, respectively. In addition, Kinwood completed servicing of 126 lots in Phase 2 of the Calgary community of Kinwood.

On June 8, 2012, the ASC dismissed all allegations it made against the Corporation's then Chief Financial Officer, Simon Fletcher. The allegations arose from a restatement of Genesis' September 30, 2008 interim financial statements when Mr. Fletcher was the Corporation's Controller. On September 21, 2012, Mr. Fletcher resigned from the Corporation.

On October 30, 2012, Genesis entered into a commitment letter in the amount of \$71.5 million to receive development financing for the Sage Hill Crossing commercial project. The financing was used to repay loans amounting to \$16.7 million and to complete servicing of the Sage Hill Crossing commercial project.

During 2012, Messrs. Michael Brodsky, Sandy Poklar, Mark Scott and William Pringle were appointed to the Board with Mr. Michael Brodsky appointed as Chairman. Messrs. Elias Foscolos, Doug N. Baker, and Akhil Manro resigned from the Board.

### 2013

The positive trend in general economic conditions and the industry continued throughout 2013, providing solid economic fundamentals and a healthy business environment for the Corporation's core development and home building activities. Combined with initiatives to enhance performance throughout the business, Genesis realized positive cash flows from operating activities, improved operating efficiencies and profitability in the home building business segment in 2013. Home building gross margin increased slightly year-over-year despite lower overall revenues, representing better operational efficiencies and fiscal discipline. The number of homes sold increased to 164 from 91 in 2012, resulting in higher revenues, gross margins and earnings for the business segment.

In January, Genesis received proceeds from the 2012 sale in the Sage Hill Crossing property to Riocan Real Estate Investment Trust. The proceeds from the sale were used to repay credit facilities subsequent to year end, reducing the balance of loans and credit facilities. At December 31, 2013, the Corporation's debt decreased significantly to \$50.4 million from \$97.2 million at December 31, 2012.

On February 8, 2013, Mr. Jeff Blair was terminated as Chief Executive Officer for the Corporation and Mr. Mark Scott resigned from the Board. The Corporation appointed Mr. Bruce Rudichuk as the new President and Chief Executive Officer and Mr. Mark Scott as the new Executive Vice President and Chief Financial Officer on February 11, 2013.

On July 26, 2013, Smoothwater Capital Corporation ("**Smoothwater**") announced that it would propose a slate of seven nominees for election to the Board. Subsequently, it filed a dissident proxy circular, resulting in a proxy contest between Genesis and Smoothwater. On August 19, 2013, Genesis announced that it had arrived at a settlement in respect of Smoothwater's proposal. Pursuant to settlement agreement (the "Settlement Agreement"), Genesis entered into a standstill agreement on August 28, 2013, whereby the Corporation agreed, subject to certain assumptions and the coverage of reasonable costs related to the proxy contest, to certain standstill provisions including the support of Board nominees for election through to the close of the 2015 annual meeting of shareholders.

During 2013, Messrs. Stephen Griggs, Loudon Owen and Iain Stewart were appointed to the Board. Mr. Griggs was also appointed as the Chairman of the Board. Mr. Sandy Poklar resigned from the Board effective September 4, 2013.

Over the course of 2013, Management and the Board developed a comprehensive strategic plan to focus and accelerate the profitable operations of Genesis. Genesis made substantial progress on the main areas of emphasis in 2013, which are as follows:

- Build a sustainable and highly profitable home building business;
- Grow land development operations;



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- Sell non-core assets;
- Simplify and streamline the organization;
- Focus on financing strategies;
- Create liquidity for shareholders; and
- Capitalize on new opportunities.

#### 2014

Alberta's general economic conditions were strong throughout the majority of 2014, based on continuing low unemployment and interest rates, low and stable inflation rates, positive net migration to Alberta and above average earnings by Albertans. The Corporation's current financial strength is a direct result of the execution of Management's strategic plan which, among other things, has a focus on reducing debt to enable Genesis to withstand market disruptions, consider shareholder distributions and pursue opportunistic investments.

Genesis realized an overall increase in revenue from \$96.1 million in 2013 to \$134.2 million in 2014, while significantly reducing debt from \$50.4 million at December 31, 2013 to \$23.9 million at December 31, 2014. Of key significance, Genesis achieved a turnaround in the home building business with home closings rising to 220 in 2014 from 164 in 2013, while reducing cost of sales and increasing gross margin percentages. Of the 220 closings, 13 units were multi-family, including 12 that were part of the Saffron project.

As a result of its strong financial position during the year, Genesis issued a special dividend of \$0.12 per common share for a total of \$5.4 million for the first time in the Corporation's history.

On February 28, 2014, Genesis closed the sale of the non-core 121.91 acre industrial Acheson site for gross proceeds of \$14.0 million. The net proceeds from the sale were used to retire approximately \$6.5 million of related property debt, with the remainder to be used for general working capital purposes.

The Corporation entered into a firm purchase and sale agreement on October 14, 2014, for the acquisition of approximately 350 acres of land located in SE Calgary for \$52.5 million, payable over five years at 0% interest rate. The land is in a rapidly growing area within the city of Calgary and is expected to include nearly 2,100 homes, parkland and supporting community commercial development with construction forecasted to begin in 2021.

On October 22, 2014, Genesis announced that it is seeking a development partner or purchaser for a major mixed-use development site in northwest ("NW") Calgary. The "Sage Hill Town Centre" is a prime, in-fill site that encompasses 22.4 acres and is proposed to be developed with up to 450,000 square feet of retail area and 720,000 square feet of multi-family residential.

#### 2015 Market Overview and Focus

In the second half of 2014 and into 2015, Alberta saw a softening of economic fundamentals, primarily due to a significant drop in crude oil and natural gas prices that began in the middle of 2014. These factors have resulted in a more competitive and challenging market in 2015, which is expected to constrain margins, profitability and the pace of activity in Calgary's home building industry throughout 2015 and possibly into 2016. How long this softening continues and the depth of any potential impact will be highly dependent on changes to the economy, and more specifically to the oil and gas industry in Alberta, in the second half of 2015.

Entering 2015, Genesis had 137 homes with firm sales contracts that are expected to close in 2015. The Corporation's core businesses are running more efficiently, supported by a large portfolio of entitled residential and mixed-use land, which is well positioned and will benefit significantly from a rebound and strengthening of the Alberta economy. These various factors, along with more cash on hand than outstanding loans and significant unutilized debt capacity, provide Management with the flexibility to adjust to a variety of changes in the economic environment.

Throughout 2015, Management will continue to execute on its strategic plan while applying strategic principles in order to build the Corporation's existing land development and home building businesses to maximize shareholder value and position the

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platform for future growth. Management is targeting the completion of the multi-family housing strategy by the end of 2015 so that the Corporation can maximize the value of all multi-family land over the next few years.

## **DESCRIPTION OF THE BUSINESS**

### **General Description**

Genesis is an integrated, award-winning land developer and residential homebuilder creating innovative and successful communities in the Calgary Metropolitan Area. Genesis is committed to supporting its communities through partnerships like the Genesis Centre of Community Wellness, and Genesis Place Recreational Centre.

The Corporation reports its activities under two business segments: land development and home building. Land development involves the acquisition of land held for future development, and the planning, servicing and marketing of residential, commercial, industrial and urban communities. Home building includes the acquisition of lots, and the construction and sale of single- and multi-family homes.

### **Specialized Skills and Knowledge**

Genesis attracts and employs management and administrative personnel with the required skills to manage its business. For home building and land development Genesis relies on the use of third party contractors with specialized skills (such as engineering, architecture, planning and design). Genesis has been successful in acquiring the services of these persons in the past and believes they will be able to continue to in the future as needed.

### **Corporate Objective and Strategy**

In 2013, Management and the Board developed a comprehensive strategic plan focused towards building Corporation's existing land development and home building businesses to maximize shareholder value and position the platform for future growth. The successful execution of the strategic plan drove solid performance across the Corporation since its implementation. In 2014, Genesis made substantial progress on the plan as highlighted in the following areas.

#### ***Build a Sustainable and Highly Profitable Home Building Business***

- Genesis achieved a turnaround in the home building business with home closing rising to 220 in 2014 from 164 in 2013.
- Improvements in both gross and net margins were achieved as a result of more efficient use of the home building platform and the strong economic environment.
- Entering 2015, Genesis had 137 homes with firm sales contracts that Management expects to close in 2015.

#### ***Grow Land Development Operations.***

- Residential lot sales grew by 4% to 271 lots in 2014 from 260 lots in 2013.
- Genesis holds a valuable bank of residential land in its three primary communities in Airdrie, Calgary NE, and Calgary NW in Alberta.
- The addition of the 350 acres in Calgary SE provides an addition to Corporation's long-term supply of single and multi-family home sites in a rapidly growing community.
- Genesis is completing project plans for prime mixed-use land holdings at Sage Hill Crossing and North Conrich. These development lands represent some of the best located and developable mixed-use land in the Calgary Metropolitan Area.

#### ***Focus on Financing Strategies***

- Genesis strengthened its balance sheet in 2014 by further reducing debt to \$23.9 million (2013 - \$50.4 million) and interest costs to prime +2.5% for its highest interest loan (excluding limited partnerships).
- Management utilizes a comprehensive financing approach to ensure the optimal allocation and use of the Corporation's capital resources, and achieve a prudent capital structure and long-term returns.
- Going forward, Management's objective is to better match the term of financing with the underlying land asset.

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#### ***Sell Non-core Assets***

- Seven non-core properties were identified in 2013 that were either outside the Calgary Metropolitan Area or did not have development characteristics that fit within the Corporation's core business.
- By the end of 2014, Genesis has 96% of its real estate assets within the Calgary Metropolitan Area.
- The balance of the non-core properties are being actively marketed for sale.

#### ***Capitalize on New Opportunities***

Management actively identifies and evaluates potential, and appropriate, land acquisitions to sustain and grow the Corporation's land development and home building business in the Calgary Metropolitan Area. Genesis is in a strong financial and operational position to weather the current softer economic market, be opportunistic to prospects created by such a market, and benefit from improvements to the Alberta economy.

Management plans to complete the strategy to enter the multi-family home building business by the end of 2015 in order to benefit from Corporation's large multi-family land base. In addition, Corporation's multi-use development projects present potentially significant opportunities to extend its development capability and enter into joint venture arrangements in order to capitalize on potentially profitable commercial opportunities.

Genesis has adopted the following strategic principles:

- Genesis is a sustainable long-term business;
- Genesis focuses its assets on residential lands;
- Genesis is operated and structured to withstand and profit from the volatility in the Calgary market;
- Genesis will maintain an opportunistic mindset to keep liquidity options open and evaluate prospects as they appear.

In order to successfully achieve these strategies, Genesis will continue to improve upon the following:

- Maintain a strong sales and marketing team;
- Promote employee teamwork in a respectful environment, and increase employee satisfaction, engagement and commitment while ensuring alignment with the corporate goals and strategic plan;
- Develop a solid corporate identity in its targeted market areas by producing consistent results of the highest quality standards while providing exceptional customer service; and

To generally mitigate risks to its business, Management has taken the following steps:

- Constant monitoring of market trends and conditions;
- Establishing substantial pre-sales before commencing a project, where prudent to do so;
- Matching the terms of financing with the underlying land asset;
- Monitoring the costs of services and materials, securing long-term commitments for prices wherever possible;
- When, selling to third-party builders, Genesis:
  - Conducts thorough credit assessments with respect to all new builders;
  - Obtains a non-refundable deposit; and
  - Maintains title to lots that are sold until payment is received in full;
- Planning its financial affairs so that Genesis has sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risk to the Corporation;
- Establishing relationships with a number of different lenders to mitigate against renewal risk;
- Meeting all regulatory requirements and debt covenants;
- Providing coaching, training and educational opportunities to employees, as well as periodically evaluating the need to attract additional high quality professionals with appropriate experience;

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- Establishing adequate financing prior to commencement of project development;
- Undertaking strategic planning of current and future land development projects; and
- Making the necessary capital expenditures to comply with environmental laws and regulations.

### Operations

Genesis reports its activities under two business segments: land development and residential home building. Land development involves the acquisition of land held for future development, and the planning, servicing and marketing of residential, commercial, industrial and urban communities. Home building includes the acquisition of lots, and the construction and sale of single- and multi-family homes.

In 2014, total revenues, excluding interest and other income, were as follows:

	Year ended December 31	
	2014	2013
Residential lot sales	23,754,000	25,577,000
Development land sales	14,000,000	6,668,000
Residential home building segment	95,913,000	63,543,000
	<b>133,667,000</b>	<b>95,788,000</b>

### LAND DEVELOPMENT

The land development business segment principally develops residential lots in the cities of Calgary and Airdrie, Alberta. The market started gaining positive momentum in 2010, which continued to build through to late 2014. In Calgary, a total of 12,568 residential building permits were issued along with 1,122 permits in Airdrie. These numbers are down from 2013 (Calgary: 13,608 and Airdrie: 1,194 permits) and reflect a softening of the Alberta market in the latter portion of 2014 due to lower oil prices. Canada Mortgage and Housing Corp. ("CMHC") has recently revised its 2015 forecast for building starts from 14,400 to 13,600 in the Calgary Metropolitan Area.

Going forward, the land development business segment will continue to pursue subdivision opportunities in its core development area of Calgary and surrounding communities. With a diversified and substantial land base, the Corporation is well positioned to focus on developing those projects that offer the best return in the market.

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The following is a brief summary of the land projects (developed and undeveloped) that Genesis owned as at December 31, 2014. Detailed descriptions of currently being developed projects follow the table below.

#### Development Projects

	Location	Land under development		Land held for future development	Total		Scheduled start date	Scheduled completion date
		Acres	Lots	Acres	Acres	Lots		
<b>Residential</b>								
<b>Airdrie</b>								
Canals/Bayside	Airdrie	213	166	90	303	166	1997	2022
<b>Calgary NW</b>								
Sage Meadows	Calgary	44	27	-	44	27	2002	2019
<b>Calgary NE</b>								
Saddlestone	Calgary	4	184	46	50	184	2010	2017
		<b>261</b>	<b>377</b>	<b>136</b>	<b>397</b>	<b>377</b>		
<b>Mixed Use</b>								
Sage Hill Crossing	Calgary	71	-	-	71	-	2002	(1)
Delacour	County of Rockyview	-	-	1,476	1,476	-	(1)	(1)
North Conrich	County of Rockyview	-	-	312	312	-	(1)	(1)
		<b>71</b>	<b>-</b>	<b>1,788</b>	<b>1,859</b>	<b>-</b>		
<b>Other assets</b>								
Prince George (Woodlands)	Prince George, BC	114	-	-	114	-	(2)	(2)
Beuna Vista	Kamloops, BC	-	-	1,653	1,653	-	(2)	(2)
Mitford Crossing	Cochrane, AB	-	-	156	156	-	(2)	(1)
Dawson Creek	Dawson Creek, AB	-	-	4	4	-	(2)	(2)
Mountain View Village	Calgary East	-	-	144	144	-	(1)	(1)
Brooks	Brooks, AB	-	14	-	-	14	(2)	(2)
Spur Valley	Radium, BC	-	-	33	33	-	(2)	(2)
		<b>114</b>	<b>14</b>	<b>1,990</b>	<b>2,104</b>	<b>14</b>		
<b>Total Genesis</b>		<b>446</b>	<b>391</b>	<b>3,914</b>	<b>4,360</b>	<b>391</b>		
<b>Limited Partnerships</b>								
Delacour (LPLP2007)	County of Rockyview	-	-	617	617	-	(1)	(1)
Fowler (LPLP2007)	Airdrie	-	-	319	319	-	2023	(1)
North Conrich (LP4/5)	County of Rockyview	-	-	298	298	-	(1)	(1)
Solana (LP6/7)	Airdrie	14	-	-	14	-	(2)	(2)
Spur Valley (LP8/9)	Radium, BC	-	-	1,139	1,139	-	(2)	(2)
Total Limited Partnerships		<b>14</b>	<b>-</b>	<b>2,373</b>	<b>2,387</b>	<b>-</b>		
<b>Total</b>		<b>460</b>	<b>386</b>	<b>6,287</b>	<b>6,747</b>	<b>391</b>		

(1) Not scheduled yet

(2) Identified for sale

#### Current Projects

Genesis specializes in the development of various residential subdivisions primarily in and around the cities of Calgary and Airdrie. A brief description of key properties follows.

#### AIRDRIE

In 1997, Genesis commenced development of this 720-acre parcel located in the City of Airdrie, located 25 minutes north of downtown Calgary. All lands within the 720 acres have approved land use. The concept plan for this property provides for a linear park system running parallel to a unique canal system, consisting of two lakes and a canal system that provides year round recreation facilities such as canoeing and ice skating. The concept plan also provides for more multi-family and commercial sites within the property along with an additional school site.

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*The Canals* - Consists of nine phases, all of which are fully developed and seven fully sold out. Servicing of Canals Phase 6, the final phase in the community, was completed in 2012. Canals Phase 6 consisted of 148 single-family lots and a 3.50-acre multi-family site. There are 18 unsold single-family lots and one multi-family site in Canals Phase 6, and one multi-family site in Phase 5A.

*Bayside* - Consists of 15 phases. Nine phases have been developed and an additional six phases are available for the future. Bayside Phases 1 to 4 and Phases 6 and 7 are completely developed and sold out. There are 10 lots remaining in Bayside 9. Serviced in 2013, Bayside Phases 5 and 11 have 22 lots remaining unsold out of 122 lots, and 116 lots unsold out of 149 lots, respectively. Bayside Phase 8 contains 128 lots and is expected to be serviced in 2015.

*Bayview* – Located to the west of the existing Bayside and Canals communities, Bayview consists of 10 phases. Construction approvals are currently being acquired for Phase 10 with servicing expected in 2015 subject to market conditions. Phase 10 consists of 114 lots and one multi-family site.

#### CALGARY NW

Genesis commenced development of a 775-acre parcel in the Symons Valley area in NW Calgary in the fall of 2002. The entire project comprises a maximum 4,200 lots, plus multi-family parcels, mixed-use sites and a 136-acre regional commercial lot. The area consists of the communities of Sherwood, Kincora, Sage Meadows and Evansridge along with the Sage Hill Crossing commercial site.

This development has several topographical features including West Nose Creek, valley escarpments, ravines and coulees, including Symons Valley's system of natural areas and parks connected to Nose Hill Regional Park to the south. This project has been designed to include an interconnected pedestrian pathway system, which will provide walking, jogging and cycling facilities, surrounded by scenic views of the natural topography. The area is directly north of the Stoney Trail ring road, which greatly improves access to the area. The Symons Valley Community Plan (Area Structure Plan) received the approval of Calgary's City Council in April 2001, paving the way for submission of detailed development and rezoning plans. Outline plan and land use approval has been completed on all the Corporation's lands in Symons Valley.

*Sage Meadows* - The community of Sage Meadows consists of six phases adjacent to Symons Valley Road and West Nose Creek. This project takes advantage of the excellent access off Symons Valley Road and the natural area amenity along West Nose Creek. Development is complete on the first two residential phases with 173 of the 200 lots sold as of December 31, 2014. Construction approvals have been applied for Phase 3, a 9.58-acre mixed-use site (residential/retail) along with 16 single-family lots. Design has started on the concept plan for the mixed-use site. Servicing is underway on Phase 4 (74 lots) and scheduled for completion in 2015.

*Sherwood* – The community of Sherwood consists of seven phases, all of which were completely developed and sold out in 2014.

*Kinwood* – The community of Kinwood consists of approximately 150 acres of land, including 26.9 acres of multi-family parcels. Genesis is involved in a JV arrangement in this community and is entitled to 50% of all lots and multi-family parcels as per the agreement with its partner. Servicing of Phases 1, 2, 3/4 and Phase 5 is complete and contains 429 lots and five multi-family sites. All Phases are sold out except for one site in Phase 6.

*Sage Hill Crossing* – In 2010 and 2012, Genesis sold a total of 34.35 acres to Riocan Real Estate Investment Trust for \$32.5 million. Genesis has a 71-acre mixed-use/regional commercial project under the area structure plan called 'Sage Hill Crossing', which commenced development in 2007. A re-visioning of sites 5 to 7 will commence in 2015 in order to achieve the highest value zonings for those parcels. Sites 3 and 4 are currently being marketed by RBC Capital Markets Real Estate Group as retail/mixed-use sites.

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#### **CALGARY NE**

*Saddlestone* - This project is a comprehensive community package of affordable housing, adult and senior living with convenient amenities, located approximately 20 minutes from downtown Calgary. The development comprises a variety of single-family houses with prices ranging from \$250,000 to in excess of \$800,000, and an interconnected parks system, three storm water retention lakes, and an 8-acre shopping centre along with several school and multi-family sites.

Saddlestone consists of 166 acres, which has received outline plan and land use approval. This project is being developed in 11 phases. Development is complete on Phases 1 to 6 and Phase 12 with 457 single-family lots, six multi-family sites and one commercial site. At December 31, 2014, there were 55 lots and two multi-family sites that remained unsold. Servicing for Phase 7 was completed in December 2014, consisting of 129 lots. All the lots are expected to be contracted to GBG over the next two years. Construction approvals have been applied for Phase 8, consisting of 84 lots, which is expected to be serviced in 2015.

*Mountain View Village* – is a 144-acre parcel, located four minutes east of Calgary city limits on Glenmore Trail. However, due to recent recommendations of the Calgary Regional Plan, the site is now being reconsidered for industrial/commercial uses.

*Delacour* - Genesis owns 1,476 acres of raw land that is adjacent to the hamlet of Delacour, while the Delacour LPLP 2007 owns 617 acres.

#### **HOME BUILDING**

##### ***Single-Family Home Building***

The Single-Family Home Building division was started in 2005. The vision of the Single-Family Home Building division has evolved since its inception, which builds product for homeowners entering the market for the first time as well as those moving up to larger homes.

Dedicated to continuously providing innovative products, home sales from this division help accelerate lot sales in all of the Corporation's communities. With customer satisfaction as the ultimate goal, Genesis builds exceptional homes through solid relationships with its homeowners, trades and suppliers.

Genesis sold 220, 164 and 91 homes in 2014, 2013 and 2012, respectively. The Corporation is active in six communities in NE and NW Calgary and Airdrie. Genesis currently has four professionally designed and staged show homes, and will have seven fully constructed show homes by the end of 2015.

Genesis has submitted development permit applications for over 200 townhouse units in four sites in Calgary and Airdrie. In addition, Genesis will be working on three multi-family sites, totaling about 300 units, which are currently in the concept and rezoning stage.

#### **OTHER PROJECTS**

*North Conrich* – This 610-acre parcel of raw land borders the Calgary city limits in northeast Calgary (80th Ave. and 84th St.) within the county of Rocky View. Genesis raised \$9.0 million via limited partnerships to finance the land acquisition and retains a 51.2% (312 acres) undivided interest in the lands. The planning process has begun and Management is evaluating various development opportunities for this site, including mixed-use commercial and industrial. The completed east leg of the Stoney Trail ring road, located adjacent to this property, provides exceptional access and exposure. Genesis is considering developing a commercial/industrial park and has initiated the process required to rezone these lands.

*South Acheson Industrial* – The Acheson Industrial Area is located west of the City of Edmonton in Parkland County between Edmonton and Spruce Grove. Genesis sold this property on February 28, 2014 for \$14.0 million.

*Calgary South East* – In October 2014, the Corporation entered into a firm purchase and sales agreement for this 350-acre property, which closed on January 6, 2015. The property is located overlooking the Bow River Valley with views of the Rocky Mountains, and just two minutes south of the recently opened Calgary South Health Campus/Regional Hospital. The community is expected to include nearly 2,100 homes, parkland and supporting community commercial development.

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## **Competitive Conditions**

The market in which Genesis operates in is very competitive with a number of well financed companies operating in the same markets. The Corporation's main business and assets are concentrated around the cities of Calgary and Airdrie.

## **Seasonality**

Seasonality affects the land development and home building industry in Canada due to weather conditions during winter operations. As a result, Genesis will typically realize higher home building revenues in the summer and fall months when home building activity is at its maximum. Revenues can be impacted by the timing of lot sales, which is less weather dependent.

## **Environmental Protection Requirements**

The Corporation's development activities are subject to laws and regulations concerning the protection of the environment. Environmental laws or local bylaws may apply to a development site based on its environmental condition, present and former uses, and its adjoining properties. Environmental laws and conditions may result in delays, cause us to incur significant compliance and other costs, and can severely restrict or prevent development in environmentally sensitive regions or areas. Genesis employs a due diligence process prior to the acquisition of any raw land, development site to mitigate its exposure to these potential issues.

Environmental protection requirements did not have a significant financial or operational effect on Genesis capital expenditures, earnings or competitive position during 2014 and Management does not expect significant effects in future years.

## **Employees**

The Corporation had 81 employees as at December 31, 2014, all of whom are located in Calgary, Alberta.

## **Code of Conduct**

The Corporation has a Code of Conduct (the "**Code**") that sets out the expected conduct of its directors, officers, and employees, contractors, consultants, representatives and agents and its subsidiaries. The Code is intended to assist the Board and all company personnel in understanding their responsibilities to uphold the goals and values to which the Corporation aspires and to conduct business in accordance with applicable laws and regulations.

The Board approved the Code as at March 26, 2015, which can be found on SEDAR.

## **RISK FACTORS**

### **General**

In the normal course of business, Genesis 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 could be adversely affected by external factors beyond the control of Management

### **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 and environmental regulations (such as new or revised building codes) and (iv) competition from other developers or builders. Real estate assets are relatively illiquid in depressed markets. Such illiquidity will tend to limit the Corporation's 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.



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### **Competition**

Each segment of the real estate business is competitive. Numerous residential developers and builders compete for potential customers. Although it is the Management's goal to be the leading land developer or builder in the marketplaces in which Genesis 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 can have a material adverse effect on the Corporation's ability to sell lots, single and multi-family homes, or commercial properties and can adversely affect the Corporation's revenues and ability to meet its obligations.

### **Supply and Demand**

The Corporation's performance could be affected by the supply and demand for land, single-family housing, multi-family housing and commercial properties in its geographic areas of ownership. Key drivers of demand include employment levels, population growth, demographic trends and consumer confidence. The potential for reduced sales revenue exists in the event that demand diminishes or supply becomes over abundant, thereby driving down prices for the Corporation's properties or impacting the availability of land for purchase. There can be no assurance that Genesis will be able to access available opportunities and acquire additional properties, or do so on favourable terms.

### **Geographic Risk**

The Corporation's business activities are conducted in Western Canada, with active development primarily in and around the cities of Calgary and Airdrie in Alberta. As a result, the market value of the Corporation's assets, its ability to generate cash flow and its performance are particularly sensitive to changes in the real estate markets in Alberta and economic conditions in Alberta generally. The factors impacting the real estate markets in Alberta and the Alberta economy in general may differ from those affecting other regions of Canada.

Adverse changes in the economic conditions in Alberta may have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations.

### **Development and Construction Costs**

Genesis may experience loss due to higher prices of labor and consulting fees, and costs of materials. Costs of development and building have fluctuated over the past several years and are typically passed on to the customer through higher pricing. Any significant increase that Genesis cannot pass on to the customer may have a negative material impact on profits.

### **Credit and Liquidity Risk**

Credit risk arises from the possibility that builders that acquire lots from Genesis may experience financial difficulty and be unable to fulfill their lot payout commitments. Liquidity risk is the risk that Genesis will not be able to meet its financial obligations as they fall due. 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 the Corporation's operating history, relationship with lenders and committed sales contracts, Management believes that Genesis has the ability to continue to renew or repay its financial obligations as they come due.

### **Finance Risk**

Genesis uses debt and other forms of financing in its business to execute the corporate strategy. Genesis uses project specific credit facilities to fund land development costs and a construction operating line for home construction purposes. It is Management's intention to avoid the use of debt to finance acquisitions of raw lands. Should Genesis be unable to obtain required capital, its ability to achieve these goals could be impacted. In order to reduce finance risk, Genesis endeavors to match the term of financing with the underlying land asset. Management regularly reviews the Corporation's credit facilities and manages the requirements in accordance with project development plans and operating requirements.

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**Interest Risk**

This is the combined risk that Genesis would experience a loss as the result of its exposure to a higher interest rate environment 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. Genesis structures its debt so as to stagger the maturity dates, thus reducing exposure to any short-term fluctuations in interest rates. Management has historically been successful in obtaining refinancing on maturing debt where it has sought it. Should Genesis experience a loss due to this risk, the future development activities of the Corporation could be impacted.

**Management Risk**

The Corporation's success is largely dependent on the quality of management and personnel. Loss of such personnel, a reduced availability of labor, or the inability to attract personnel of equivalent ability could materially affect the operations and prospects of the Corporation.

**Mortgage Rates and Financing**

Virtually all of the Corporation's customers finance their home acquisitions through lenders providing mortgage financing. Increases in mortgage rates or decreases in the availability of mortgage financing could depress the market for new homes because of the increased monthly mortgage costs to potential homebuyers. Even if potential customers do not need financing, changes in mortgage interest rates and mortgage availability could make it harder for them to sell their homes to potential buyers who need financing, which would result in reduced demand for new homes. As a result, rising mortgage rates and reduced mortgage availability could adversely affect the Corporation's ability to sell new homes and the price at which Genesis can sell them.

**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 that are either uninsurable or not economically insurable, such as those of a catastrophic nature. Such uninsured losses could materially affect the Corporation's ability to continue operations or complete specific project development.

**Environmental Risk**

As an owner of real estate, Genesis is subject to federal, provincial and municipal environmental regulations relating to the protection of the environment. These regulations may require us to fund the costs of removal and remediation of certain hazardous substances on the Corporation's 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. Management is not aware of any material noncompliance with environmental laws at any of the Corporation's properties. Environmental laws and regulations can change, and Genesis may become subject to more stringent environmental laws and regulations in the future, which could impact its business, cash flows, financial condition and results of operations.

**Governmental Regulation**

Genesis must comply with extensive and complex regulations affecting the land development and home building process. These regulations impose additional costs and delays, which adversely affects the Corporation's business and results of operations. In particular, Genesis is required to obtain the approval of numerous governmental authorities regulating matters such as permitted land uses, levels of density, the installation of utility services, zoning and building standards. These regulations often provide broad discretion to the administering governmental authorities as to the conditions a project must meet prior to being approved for a particular development or project, if approved at all. Delays in the receipt of regulatory approvals could impact the timing and implementation of the Corporation's project development plans.

In addition, new development projects may be subject to various assessments for schools, parks, streets and highways and other public improvements, the costs of which can be substantial. When made, these assessments can have a negative impact

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on the Corporation's sales by raising the price that homebuyers must pay for their homes. Genesis must also comply with a variety of local, provincial and federal laws and regulations concerning the protection of health and the environment, including with respect to hazardous or toxic substances. These environmental laws sometimes result in delays, causing additional costs, or severely restricting land development and home building activity in environmentally sensitive regions or areas.

## CAPITAL STRUCTURE

Genesis is authorized to issue an unlimited number of Common Shares without nominal or par value, of which, as at the date of this AIF, 44,931,200 Common Shares are issued and outstanding as fully paid and non-assessable. In addition, 2,691,000 Common Shares are reserved for issuance pursuant to options granted to directors, officers and employees of Genesis. Genesis is also authorized to issue an unlimited number of Preferred Shares without nominal or par value. To date, no Preferred Shares have been issued.

### Common Shares

The holders of Common Shares are entitled to dividends as and when declared by the Board, to one vote per share at meetings of shareholders of Genesis and, upon liquidation, to receive such assets of Genesis as are distributable to the holders of the Common Shares.

### Preferred Shares

The Preferred Shares may be issued from time to time in one or more series. The Board may fix the number of Preferred Shares, the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares.

With respect to payment of dividends and distributions of assets in the event of liquidation, dissolution or winding-up of Genesis, whether voluntary, or involuntary, or any other distribution of the assets of Genesis among its shareholders for the purpose of winding-up its affairs, the Preferred Shares of each series shall rank equally with the Preferred Shares of every other series and shall be entitled to preference over the Common Shares, and the shares of any other class ranking junior to the Preferred Shares.

## DIVIDENDS

Dividends on securities of Genesis or its subsidiaries will be paid (or made) solely at the discretion of the Board after taking into account the financial condition of Genesis and the economic environment in which it is operating. On June 10, 2014, Genesis declared a special cash dividend of \$0.12 per share (\$5.4 million) for the first time since incorporation. The special dividend was payable to shareholders of record on June 20, 2014 and paid out on June 30, 2014. Prior to this special dividend, neither Genesis nor any of its subsidiaries had declared any cash dividends or made any distributions on any of their securities other than distributions made to unit holders of certain subsidiary limited partnerships of Genesis, as described below.

The following cash distributions were made to unit holders of the limited partnerships during the years ended December 31, 2014, 2013 and 2012, respectively:

	2014	2013	2012
GLP#6 and GLP#7	-	4,750,000	4,444,000
	-	<b>4,750,000</b>	<b>4,444,000</b>

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**MARKET FOR SECURITIES**

The outstanding Common Shares of the Corporation are listed on the TSX under the symbol 'GDC'. The following table sets out the high and low closing prices and average trading volumes for the Common Shares as reported by the TSX, for the periods indicated.

2014	Price Range (\$)		Monthly Trading Volume
	High	Low	
January	3.54	3.30	298,000
February	3.43	3.30	375,200
March	3.79	3.39	1,001,000
April	4.38	3.77	614,700
May	4.35	4.00	1,024,000
June	4.65	4.17	1,402,900
July	4.50	4.27	1,105,800
August	4.85	4.31	1,126,700
September	5.10	4.64	1,368,700
October	4.92	3.90	1,261,900
November	4.58	4.27	851,000
December	4.30	3.61	903,200

**PRIOR SALES**

The following tables sets forth, for each class of securities of the Corporation that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the period from January 1, 2014 to December 31, 2014 and the number of securities of the class issued at that price and the date on which the securities were issued.

**Regular Options:**

Date of Issue/Grant	Number and Designation of Securities	Issue Price
October 20, 2014	500,000 options	\$4.71

**Performance Options:**

Date of Issue/Grant	Number and Designation of Securities	Issue Price
January 30, 2014	1,272,000 options	\$3.35

For more information regarding the Corporation's Stock Option Plan, please see note 10 of the Consolidated Financial Statements for the years ended December 31, 2014 and 2013, dated March 26, 2015 and filed on SEDAR.

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

As of the date hereof, and to the knowledge of the officers and directors of Genesis, there are no securities that are pooled, subject to escrow, held under a voting trust agreement or other similar agreement or subject to a contractual restriction on transfer.

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**DIRECTORS AND OFFICERS**

The following table sets forth, as at the date hereof, the residence of the directors and executive officers of Genesis, their offices or positions with Genesis, their principal occupations during the past five years and the period during which each director has served as a director. The term of the directors' office expires at the next annual meeting of Shareholders. The Board of Directors has established an Audit Committee, comprised of independent directors. In addition, a Transaction Review Committee, Compensation and Governance Committee, Strategic Planning Committee and Disclosure Committee have been established, composed of a majority of independent directors.

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Director Since</b>	<b>Principal Occupation (preceding five years)</b>
Yazdi J. Bharucha C.A., ICD.D <sup>(1)(2)</sup> Ontario, Canada	Director	November 18, 2010	Chief Financial Officer, Cliffside Capital Ltd. (February 2015 – present). Corporate Director (2010 – present).
Michael Brodsky B.A., J.D., M.B.A. <sup>(3)</sup> Maryland, U.S.A.	Director	July 12, 2012	Managing Partner, Vajra Asset Management, LLC (December 2012 – present); Executive Chairman, Selectica (December 2013 – present); Chairman and Chief Executive Officer, Selectica (August 2013 – December 2013); Board of Directors, Selectica (October 2010 – present).
Stephen Griggs, B.A., J.D. <sup>(3)(4)(5)</sup> Ontario, Canada	Board Chairman	August 28, 2013	Chief Executive Officer, Smoothwater Capital Corporation (2013 – Present); Chief Executive, Underwood Capital Partners Inc. (May 2012 – March 2013); President and Chief Executive Officer, OPTrust (June 2011 – April 2012); Executive Director, Canadian Coalition for Good Governance (November 2007 – June 2011).
Steven J. Glover, M.B.A., FCA <sup>(1)(4)</sup> Alberta, Canada	Director	November 18, 2010	Chief Financial Officer, Clearview Resources Ltd. (2010 – present).
Mark W. Mitchell, B.A., M.B.A. <sup>(2)</sup> Alberta, Canada	Director	June 29, 2010	President, Reliant Capital Limited (2002 – present).
Loudon Owen B.A., J.D., M.B.A. <sup>(3)(4)</sup> Ontario, Canada	Director	March 22, 2013	Managing Partner, McLean Watson Capital Inc. (1996 – present).
William Pringle B. Comm., C.A. <sup>(3)(4)</sup> Alberta, Canada	Director	September 12, 2012	Executive Chair, Bordeaux Properties Inc. (2001 – present).
Iain Stewart B. Comm., C.A. <sup>(1)(2)</sup> Alberta, Canada	Director	September 4, 2013	Corporate Director (2012 – present) Co-Chief Executive Officer and Co-Chair Parkbridge Lifestyle Communities Inc. (1997-2011).
Bruce Rudichuck CA, CIRP Alberta, Canada	Chief Executive Officer	N/A	Chief Executive Officer, Genesis Land Development Corp (February 2013 – present); President & Chief Executive Officer, Board Member, Intracorp Projects Ltd (September 2002 – December 2011).

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<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Director Since</b>	<b>Principal Occupation (preceding five years)</b>
Mark Scott Alberta, Canada	Executive Vice President and Chief Financial Officer	N/A	Executive Vice President and Chief Financial Officer, Genesis Land Development Corp (February 2013 – present); Board Director, Genesis Land Development Corp (August 2012 – February 2013); Board Director, D&M Publishers Inc. (2007 – December 2011).

- (1) Member of the Audit Committee  
(2) Member of the Transaction Review Committee  
(3) Member of the Compensation and Governance Committee  
(4) Member of the Strategic Planning Committee  
(5) Member of the Disclosure Committee

As at the date hereof, the directors and officers of Genesis as a group beneficially owned, controlled or directed, directly or indirectly, 16,163,468 Common Shares or approximately 35.97% of the issued and outstanding Common Shares. Mr. Griggs is the Chief Executive Officer of Smoothwater Capital Corporation which beneficially owns, or controls or directs, directly or indirectly, 9,897,435 Common Shares representing approximately 22.05% of the outstanding Common Shares. Mr. Mitchell beneficially owns, or controls or directs, directly or indirectly, 4,674,533 Common Shares representing approximately 10.4% of the outstanding Common Shares.

**CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES**

Other than as set forth below, to the best of Genesis’s knowledge, no director or executive officer is, or within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any corporation (including the Corporation) that: (a) while that person was acting in that capacity, was subject to a cease trade or similar order or an order that denied such corporation access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days; or (b) was subject to a cease trade or similar order or an order that denied such corporation access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued after that person ceased to act in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

Loudon Owen served as a director of Hanfeng Evergreen Inc. (“**Hanfeng**”) until February 24, 2014. On February 19, 2014, a temporary cease trade order was issued by the Ontario Securities Commission against Hanfeng for failure to file interim financial statements for the six-month period ended December 31, 2013; management’s discussion and analysis relating to the interim financial statements for the six-month period ended December 31, 2013; and certification of the foregoing filings as required by National Instrument 52-109 - *Certification of Disclosure in Issuers’ Annual and Interim Filings*. The temporary cease trade order was replaced by a permanent cease trade order dated March 3, 2014. The securities commissions of each of Quebec and British Columbia also issued permanent cease trade orders against Hanfeng for the same deficiency.

**Bankruptcies**

To the best of Genesis’s knowledge, other than as set forth below, none of the directors or executive officers of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of Genesis Corporation: (a) is, as at the date of this AIF, or has been within the past 10 years, a director or executive officer of any corporation (including the Corporation) that while the person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the past 10 years before the date of this AIF become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

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### For the Year Ended December 31, 2014

Mr. Glover was the Vice President, Finance and Chief Financial Officer of Western Plains Petroleum ("**Western Plains**") until his resignation on February 19, 2014. On August 26, 2013, Western Plains filed a Notice of Intention to make a proposal under subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**Bankruptcy Act**"). Western Plains was deemed bankrupt on February 22, 2014 for failure to file a proposal.

Mr. Brodsky was the Co-Chief Executive Officer of Federated Sports & Gaming Inc. ("**Federated Sports**") until his resignation from Federated Sports effective March 1, 2012. On February 28, 2012, Federated Sports filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Maryland. Mr. Brodsky was the Co-Chief Executive Officer of Federated Heartland, Inc. ("**Federated Heartland**") until his resignation from Federated Heartland effective March 1, 2012. On February 28, 2012, Federated Heartland filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Maryland.

Mr. Owen ceased being a director of the Fight Network Inc. in October 2010, at which time the company filed for bankruptcy proceedings.

Mr. Scott is a director of D&M Publishers Inc. ("**D&M**"). On October 21, 2012, D&M filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act of Canada. No proposal was filed and D&M is inactive.

### Penalties or Sanctions

Other than set forth below, to the best of Genesis's knowledge, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of Genesis, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

### CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Some of the directors and officers of the Corporation are directors and/or officers of other private and public companies and are engaged and will continue to be engaged in other business opportunities on their own behalf and on behalf of other corporations. Situations may arise where such directors and officers will be in competition with the Corporation because of business transactions or banking relationships. Any such conflicts shall be resolved in accordance with the procedures and requirements of the relevant provisions of the ABCA, including the duty of such directors to act honestly and in good faith with a view to the best interests and internal policies of the Corporation.

### LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Corporation, other than set forth below, there are no legal proceedings material to Genesis to which Genesis is or was a party to or of which any of its properties is or was the subject of, during the financial year ended December 31, 2014, nor are there any such proceedings known to the Corporation to be contemplated.

To the knowledge of the Corporation, there were no: (i) penalties or sanctions imposed against Genesis by a court relating to securities legislation or by a securities regulatory authority during the Corporation's last financial year, (ii) penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority during the last financial year.

- The Corporation was named as a co-defendant in a statement of claim filed on May 10, 2011 in the province of Ontario (the "**Action**"). The plaintiff asserted that they contributed funds to a third party entity (one of the co-defendants), and through that entity, has an interest in LPLP 2007. The plaintiff was seeking \$10,700,000 plus punitive damages relating to the ownership interests of LPLP 2007. The Action against the Corporation has been discontinued pursuant to a court order in the Action dated February 12, 2014 and issuance of a signed release from all claims relating to the Action by the plaintiff. A

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cross claim against the Corporation by the third party co-defendant for \$400,000, which remained extant, was settled and a discontinuance of the cross claim against the Corporation was filed on June 9, 2014.

## **AUDIT COMMITTEE**

Under NI 52-110, the Corporation is required to include in its AIF the disclosure required under Form 52-110F1 with respect to its audit committee, including the text of its audit committee charter, the composition of the audit committee and the fees paid to the external auditor. This information is provided in Appendix "A".

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Management of the Corporation is not aware of any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Genesis or a subsidiary of Genesis: (a) a director or executive officer of Genesis; (b) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of the issued and outstanding Common Shares; and (c) an associate or affiliate of any of the persons or companies referred to (a) or (b).

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada. Its principal offices are in Calgary, Alberta at 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8 and Toronto, Ontario at 100 University Avenue, 9th Floor Toronto, Ontario M5J 2Y1.

## **MATERIAL CONTRACTS**

Other than set out below, except for contracts entered into in the ordinary course of business, Genesis has not entered into any material contracts within the most recently completed financial year, or before the most recently completed financial year, that are still in effect.

In 2013, Genesis entered into a standstill agreement whereby it agreed to certain standstill provisions including the support of Board nominees for election through to the close of the 2015 annual meeting of shareholders. The standstill agreement is further described in the "Three Year History – 2013".

## **INTEREST OF EXPERTS**

There is no person or company who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 by Genesis during, or relating to the Corporation's most recently completed financial year, and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company, other than MNP LLP, the independent auditor of Genesis.

MNP LLP, Chartered Accountants, the external auditor of Genesis, prepared an opinion with respect to the consolidated financial statements as at and for the fiscal years ended December 31, 2014 and 2013. MNP LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

As of the date of this AIF, the principals, directors, officers and associates of MNP LLP, as a group, owned, directly or indirectly, less than one percent of the outstanding Common Shares.

## **ADDITIONAL INFORMATION**

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and securities authorized for issuance under equity compensation plans, is contained in the Management Information Circular prepared in connection with the Corporation's most recent annual meeting of Shareholders



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that involved the election of directors. Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2014. Copies of these and other documents relating to Genesis may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.genesisland.com](http://www.genesisland.com).

## APPENDIX "A"

### INFORMATION CONCERNING AUDIT COMMITTEE

#### I. The Audit Committee's Terms of Reference

The following is the text of the Audit Committee's Terms of Reference:

The Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Genesis Land Development Corp. (the "**Corporation**") shall have the oversight responsibility, authority and specific duties as described below.

#### Composition

The Committee will be comprised of three or more directors as determined by the Board, none of whom shall be an officer or employee of the Corporation or any associated entity and whom shall be independent and financially literate as those terms are defined in National Instrument 52-110 audit committees ("**NI 52-110**").

Members of the Committee shall be appointed by the Board. Each member shall serve until his or her successor is appointed, unless such member shall resign, be removed by the Board or otherwise cease to be a director of the Corporation. The Board shall fill any vacancy if the membership of the Committee is less than three directors.

The Chair of the Committee may be designated by the Board or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership.

#### Communication, Authority to Engage Advisors and Expenses

The Committee shall have access to such officers and employees of the Corporation and to such information respecting the Corporation, as it considers necessary or advisable in order to perform its duties and responsibilities.

The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set the compensation for any such counsel and advisors. Any engagement of independent counsel or other advisors is to be at the Corporation's expense.

The Corporation shall be responsible for all expenses of the Committee that are deemed necessary or appropriate by the Committee in carrying out its duties.

#### Operation, Meetings and Record Keeping

Meetings of the Committee shall be conducted as follows:

1. The Committee shall meet at least once quarterly at such times and at such locations as the Chair of the Committee shall determine;
2. A resolution in writing, signed by all of the members of the Committee is as valid as if it had been passed at a meeting of the Committee;
3. The Chair of the Committee shall preside as chair at each Committee meeting and lead Committee discussion on meeting agenda items;
4. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other;
5. If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting;
6. The Chair shall, in consultation with Management, auditors and Committee members, establish the agenda for the meetings and instruct Management to ensure that properly prepared agenda materials are circulated to the Committee with sufficient time for study prior to the meeting;

7. Forty-eight (48) hours' notice is required for meetings, unless Committee members unanimously waive the notice period;
8. Every question at a Committee meeting shall be decided by a majority of the votes cast;
9. The President and Chief Executive Officer and the Chief Financial Officer shall be available to advise the Committee, shall receive notice of all meetings of the Committee and may attend meetings at the invitation of the Chair of the Committee. Other Management representatives may be invited to attend as necessary; and
10. A Committee member, or any other person selected by the Committee, shall be appointed at each meeting to act as secretary for the purpose of recording the minutes of each meeting.

The Committee shall provide the Board with a summary of all meetings together with a copy of the minutes from such meetings. Where minutes have not yet been prepared, the Chair shall provide the Board with oral reports on the activities of the Committee. All information reviewed and discussed by the Committee at any meeting (except for in-camera sessions) shall be referred to in the minutes and made available for examination by the Board upon request to the Chair.

### Responsibilities

The Committee is part of the Board. Its primary function is to meet the regulatory responsibilities prescribed for an Audit Committee and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and audit matters. The regulatory responsibilities include:

1. Providing oversight of the accounting, financial reporting, internal audit and financial risk management functions, and procedures, practices and policies of the Corporation related thereto;
2. Reviewing and recommending to the Board for acceptance, prior to their public release, all material financial information required to be disclosed by the Corporation;
3. Overseeing Management designed and implemented accounting and financial reporting systems and internal controls;
4. Overseeing the appointment and the ongoing relationship with the external auditor to the Corporation.

### Specific Duties

In addition to any tasks assigned by the Board of Directors the Committee shall:

#### 1. External auditors:

- a) Ensure the external auditor reports directly to the Audit Committee;
- b) Recommend to the Board the external auditor to be nominated;
- c) Review and approve the external auditor's compensation and pre approve all audit services;
- d) Evaluate the external auditor's qualifications, performance and independence;
- e) Review and pre-approve any engagements for non-audit services to be provided by the external auditor and its affiliates in light of the estimated fees and impact on the external auditor's independence;
- f) Delegate, as considered appropriate authority to pre-approve any engagements for non-audit services to the Chair of the Audit Committee or any member of the Audit Committee, in which case the pre-approval is reported to the next meeting of the Audit Committee;
- g) Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, including meeting regularly with the external auditor in camera;
- h) Review with the external auditor:
  - i) proposed changes in accounting policies;

- ii) New accounting standards likely to have an impact on the Corporation;
  - iii) The presentation and impact of significant risks and uncertainties; and
  - iv) Key estimates and judgments that may be material to financial reporting.
- i) Resolve disagreements between Management and the external auditor;
  - j) Ensure that the external auditor is answerable to the Committee, as representatives of the shareholders and monitor the rotation of partners on the audit engagement team in accordance with applicable regulations;
  - k) Meet with the external auditor prior to the audit to review and approve the annual audit plan, including the scope and general extent of the annual audit planning and staffing the audit and the factors considered in determining the audit scope, including risk factors;
  - l) Review significant changes to the audit plan, if any, and any disputes or difficulties with Management encountered during the audit, including any disagreements which, if not resolved, would have caused the external auditor to issue a non-standard report on the Corporation's financial statements;
  - m) Monitor the level of co-operation received by the external auditor during its audit including access to all requested records, data and information;
  - n) Review with the internal and external auditors the degree of coordination between the two audit groups to determine the efficiency, effectiveness and completeness of the audit programs and the appropriate reliance on internal controls and systems;
  - o) Review control weaknesses identified by the external auditor, any significant communications to and from regulators, and any incidents of fraud, misstatement or similar incidents and Management's response;
  - p) Review with the external auditor its view of the qualifications and performance of the key financial and accounting executives; and
  - q) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation in compliance with the requirements set out in section 2.4 of NI 52-110.

**2. Financial statements, management discussion and analysis and all external reporting or disclosure of financial statements or information (prior to public disclosure):**

- a) Review annual or quarterly financial statements, including the specific items noted below and develop a recommendation to the Board of Directors regarding the filing of the financial statements:
  - i) financial statements and management discussion and analysis of financial condition and results of operations;
  - ii) significant accounting judgments and reporting principles, practices and procedures applied in preparing the financial statements, including newly adopted accounting policies and the reasons for their adoption;
  - iii) related party transactions, particularly those with current or former officers or officers;
  - iv) officer certifications and any sub-certifications that noted matters of significance;
  - v) issues of its choosing with the external auditor, Management and corporate counsel including but not limited to potential claims, assessments, contingent liabilities, and legal and regulatory matters that may have a material impact on the financial statements of the Corporation; and
  - vi) results of any audit or independent review of the financial statements or internal controls over financial reporting.
- b) Review the financial component of the following documents prior to public release:

- i) prospectuses, take-over bid circular, issuer bid circular, rights offering circular, offering memoranda and other fund raising activities of the Corporation prior to their filing;
- ii) relevant sections of the annual report, annual information form and management information circular containing financial information;
- iii) forecasted financial information and forward looking statements; and
- iv) press releases and other documents in which financial statements, earnings forecasts, results of operations or other financial information is disclosed.

### **3. Accounting systems, disclosure controls and procedures, internal controls and related systems and procedures**

- a) Oversee the management and operations of the finance group to ensure the integrity of accounting and financial reporting and the underlying systems;
- b) Review the process for selection and performance evaluation of the CFO and other key members of the finance group in consultation with the CEO and CFO and make recommendations as appropriate to the CEO, CFO and/or the Board of Directors;
- c) Review whether the disclosure controls and policies and the internal controls over financial reporting (including relevant IT systems), as those terms are defined in NI 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Corporation's accounting policies and GAAP;
- d) Review the Corporation's system for certifications and sub-certifications related to quarterly and annual reporting;
- e) Oversee the Corporation's processes for independent appraisal of real estate property, including the selection and engagement of the independent appraiser, and any public disclosure of the results of the appraisal;
- f) Review and approve the Corporation's policies regarding officer and director expenses and transactions with the Corporation, and may review the expense claims of any officer or director;
- g) Oversee the Corporation's risk management policies and systems related to major financial risks, including litigation matters;
- h) Oversee the Corporation's tax policies and systems related to tax planning, payments, reporting, audits and assessments;
- i) As considered appropriate, direct the external auditor's examinations to particular issues;
- j) Meet separately with Executive Management or Finance personnel as deemed appropriate;
- k) Independently or together with the Board, investigate any identified fraud, illegal acts and conflicts of interest; and
- l) Oversee the procedures for the confidential anonymous submission by employees of the Corporation of concerns or complaints regarding questionable accounting, internal accounting controls or auditing matters, including procedures for the retention (for at least 7 years) of copies of complaints or concerns expressed and evidence of investigations.

### **4. Internal audit**

- a) Maintain direct communications and discuss and review specific issues, as appropriate, with the internal auditor;
- b) Review the audit plans of the internal auditor and the coordination with the external auditor;
- c) Review the quarterly certification and sub-certification process and the internal audit role with respect to the process;
- d) Review the significant findings of the internal audit programs or the sub-certification process, together with Management's response thereto;

- e) As considered appropriate, direct the internal auditor's examinations to particular issues;
- f) Review the adequacy of the resources of the internal auditor and the objectivity and independence of the internal audit function; and
- g) Meet separately with the Internal Auditor as deemed appropriate.

### Review of Terms of Reference

The Committee shall review and reassess the adequacy of these terms of reference at least annually, and otherwise as it deems appropriate and recommend changes to the Board. Such review shall include the evaluation of the performance of the Committee against criteria defined in the Committee and Board terms of reference.

## II. Composition of the Audit Committee

The Audit Committee of the Corporation is composed of the following individuals:

Steven J. Glover	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Yazdi J. Bharucha	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Iain Stewart	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>

Notes:

- (1) A member of an Audit Committee is independent if the member has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

## III. Relevant Education and Experience

The Board assesses overall business experience and financial literacy as they relate to the Corporation's primary business segment, real estate, in its selection of Audit Committee members.

Steven Glover is a Fellow of the Chartered Accountants, currently serving as Chief Financial Officer of Clearview Resources Ltd. He is currently the Vice Chair of the Board of Directors, and former (2009-2014) Chair of the Audit Committee of an Alberta crown corporation, Travel Alberta. Mr. Glover also served as the Executive Director of the Institute of Chartered Accountants of Alberta from 1984 to 2005 and a member of the Board of Directors and Chair of the Audit Committee of the Mutual Fund Dealers Association of Canada.

Yazdi Bharucha is a Chartered Accountant and holds the Institute Certified Director Designation, ICD.D, from the Institute of Corporate Directors. He is a former Chief Financial Officer of Canadian Apartment Properties Real Estate Investment Trust (CAPREIT). Mr. Bharucha's previous experience includes Vice President and Controller of MPI Group Inc., a real estate investment and development company. He has also held the position of Controller of MICC Properties Inc., a real estate investment and development company and was previously responsible for financial planning, accounting, reporting and management of real estate operations.

Iain Stewart holds a Bachelor of Commerce from the University of Alberta, and is a Chartered Accountant. He is the co-founder and former co-CEO of Parkbridge Lifestyle Communities Inc., Canada's pre-eminent land lease community owner and operator. Parkbridge was sold to a major pension fund in 2011 at a value of \$790 million. He has over 25 years of experience in the real estate industry, providing strategic advice in financial and capital markets activities. Prior to forming Parkbridge in 1997, he was Vice President at Rosebridge Capital Corporation, a private real estate advisory and investment company, from 1996 to 1997.

From 1985 to 1996, he held progressively more responsible positions at Trizec Corporation, culminating in Vice President, Financial Services.

He currently serves on the board of directors and audit committee of a private financial services company. In addition, he has completed a number of coaching and leadership programs in North America.

#### IV. Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on any exemption from NI 52-110.

#### V. Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

#### VI. Pre-Approved Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

#### VII. External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years are as follows:

Financial Period Ending December 31	Audit Fees	Audit Related Fees <sup>(1)</sup>	Tax Fees <sup>(2)</sup>	All Other Fees <sup>(3)</sup>
2014	\$185,000	\$66,000	\$12,000	\$42,800
2013	\$195,000	\$75,000	\$21,000	\$36,340

*Notes:*

- (1) *The aggregate fees billed or accrued by the Corporation's external auditor for assurance and related services that are reasonably related to the performance of the quarterly reviews of the Corporation's financial statements that are not reported under 'Audit Fees'.*
- (2) *The aggregate fees billed or accrued by the Corporation's external auditor for professional services rendered for tax compliance, tax advice and tax planning.*
- (3) *The aggregate fees billed or accrued by the Corporation's external auditor for all other services provided such as but not limited to IFRS conversion, procedures relating to ICFR as defined in NI 52-109 and other misc. services.*