

# ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2016

MARCH 21, 2017

**GENESIS**

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*Appendix "A" - Information Concerning Audit Committee*

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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 to it 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;

“**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;

“**GSEC**” means Genesis Land Development (Southeast) Corp.

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

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

“**GLP#5**” means Genesis Limited Partnership #5 and its wholly owned subsidiaries GLP5 NE Calgary Development Inc.;

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

“**GLP#7**” means Genesis Limited Partnership #7 and its wholly owned subsidiaries GLP7 Subco Inc.;

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

“**GLP#9**” means Genesis Limited Partnership #9 and its wholly owned subsidiaries GLP9 Subco Inc.;

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

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

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

“**JV**” means joint venture;

“**Kinwood Lands Joint Venture**” means a joint venture established pursuant to a Joint Venture Agreement among Genesis, Melcor Development Ltd. and Kinwood Communities Inc. for the purpose of development of the Kinwood Lands and the sale of subdivided lots;

“**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;

“**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

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“TSX” means the Toronto Stock Exchange.

## **CURRENCY**

All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

## **FORWARD-LOOKING STATEMENTS**

This Annual Information Form (“AIF”) 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 Obligations’, concerning the business, operations and financial performance and condition of Genesis. 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”.

Forward-looking statements are based on material factors or assumptions made by us with respect to, among other things, opportunities that may or may not be pursued by us; changes in the real estate industry; fluctuations in the Canadian and Alberta economy; changes in the number of lots sold and homes delivered per year; and changes in laws or regulations or the interpretation or application of those laws and regulation.

Forward-looking statements in this Annual Information Form 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, anticipated general economic and business conditions, the anticipated impact on Genesis’ development and home building activities, Genesis’ ongoing review of its business, including cost reductions, expected closings of land sales and listing of townhouse sites including the sale of 1,476 acres of non-core land, the activity levels and operations of the joint venture, the ability to close the book of homes (with lots) subject to firm sale contracts, the bottoming out of the Alberta real estate market, the wind-up of Genesis Limited Partnership #6 and Genesis Limited Partnership #7, Genesis’ business plan for 2017, the Corporation’s cost reductions and operating efficiencies, progress of rezoning projects, the continuing role of GBG in the sale of Genesis lots, the marketing of non-core lands, the closing of a sale of land near Delacour, Alberta, the expected level of anew serviced lot inventory available to builders and the ability of Genesis to sell homes on a quick possession basis and the ability to continue to renew or repay financial obligations and to meet liabilities as they become due. 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 of contractual arrangements and incurred obligations on future operations and liquidity; local real estate conditions, including the development of properties in close proximity to Genesis’ properties; the uncertainties of real estate development and acquisition activity; fluctuations in interest rates; ability to access and raise capital on favourable terms; not realizing on the anticipated benefits from transactions or not realizing on such anticipated benefits within the expected time frame; labour matters, governmental regulations, stock market volatility and other risks and factors described from time to time in the documents filed by Genesis with the securities regulators in Canada available at [www.sedar.com](http://www.sedar.com), including the Management Discussion & Analysis under the heading “Risks and Uncertainties” and this AIF under the heading “Risk Factors”. Furthermore, the forward-looking statements contained in this AIF 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.

## **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

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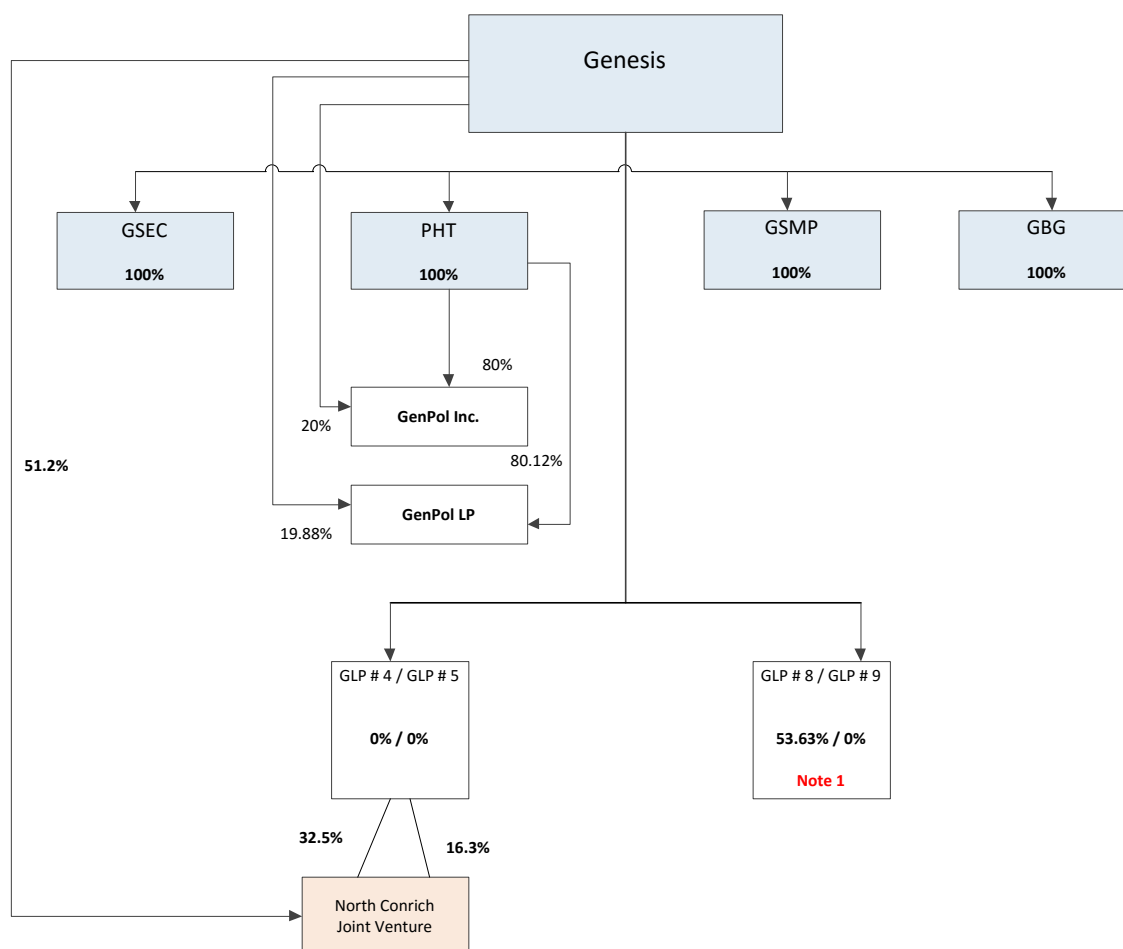
were further amended by a Certificate of Amendment dated October 29, 1998, whereby the name of the Corporation was changed from “Genesis Capital Corp.” to “Genesis Land Development Corp.” On January 2, 2002, the Corporation and its then wholly owned subsidiary, Genesis Land Developers Ltd., amalgamated 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 is set forth below. All subsidiaries, partnerships and limited partnerships listed below are incorporated and established in the province of Alberta.



**Notes**

**Note 1**

Represents percentage of ownership interest of Genesis. Allocation of profit and loss for the year ending December 31, 2016 and 2015 is nil as preconditions provided in the limited partnership agreement were not met by Genesis

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Genesis Land Development (Southeast) Corp. was incorporated on November 28, 2014 to hold title to the approximately 349 acre parcel of land located in southeast Calgary, Alberta. The land is 100% beneficially owned by Genesis.

Genpol Inc. was incorporated on May 18, 2004 and is the general partner of Genpol Limited Partnership (the "Genpol Partnership"), which was established on August 3, 2004 to hold and develop lands located in northeast Calgary, Alberta (the "N.E. Lands"). Genesis contributed the N.E. Lands to the Genpol Partnership. The two limited partners of the Genpol Partnership, Genesis and PHT, each own 19.8% and 80.2% interest in the Genpol Partnership respectively. In 2015, a resolution was passed by all unitholders of PHT to extend its termination date to April 30, 2040. Genesis owns 20% and PHT owns 80% of all issued and outstanding common voting shares of the general partner, Genpol Inc.

GSMP is a general partnership that was established on March 31, 2010 among Genesis and 1504431 Alberta Ltd to hold the Evansridge/Sage Meadows land parcel in Symons Valley, Calgary, Alberta. GSMP is 100% beneficially owned by Genesis.

GLP#4 and GLP#5 were both established in 2005 and raised a total of \$9 million to purchase from Genesis a 48.8% interest in a 610 acre parcel of land known as the "North Conrich Lands", located adjacent to the eastern boundary of the City of Calgary in Rockyview County, Alberta. Genesis retained the remaining 51.2% ownership interest in the North Conrich Lands which it continues to hold. On the completion of the purchase, Genesis and Genesis Limited Partnerships #4 and GLP5 NE Calgary Development Inc. entered into a joint venture agreement, the "North Conrich Joint Venture" to jointly develop and sell the North Conrich Lands.

GLP#6 and GLP#7 were established in 2005, and 2006 respectively, and collectively raised \$25 million from third party investors to jointly develop and sell the seven parcels of land which Genesis owned. Genesis holds an 11.75% ownership interest in GLP#6. All seven parcels of land have either been developed or sold with the last being sold on June 1, 2016. A final distribution of the partnership assets to all limited partners including Genesis was completed in 2016 and the partnerships are in the process of being wound up.

GLP#8 and GLP#9 were established in 2006 and raised \$10.8 million from third party investors, which funds were used to purchase 1,140 acres of land near Radium, British Columbia, which continue to be held by the partnerships.

LPLP 2007 was established on June 29, 2007 to purchase 319 acres of land adjacent to the city of Airdrie, Alberta, and 618 acres of land near the Hamlet of Delacour, Alberta. LPLP RRSP #1 and LPLP RRSP #2 were established on July 25, 2007 and January 15, 2008, respectively, to enable investors to indirectly acquire units of LPLP 2007 through their Registered Retirement Savings Plan. Combined, LPLP 2007 and LPLP RRSP #1 and #2 raised approximately \$44.0 million.

The "Kinwood Lands Joint Venture" ("Kinwood JV") was formed on April 30, 2010 among Genesis and another real estate development corporation (the "Joint Venturer") to jointly subdivide, develop and sell the subdivided lots created by the subdivision of the lands located in Calgary, Alberta. Concurrently with the parties entering into the Kinwood JV agreement on April 30, 2010, Genesis sold a 162/3 of its 662/3 ownership interest in the lands to the Joint Venturer, so that each party to the Kinwood JV agreement owned a 50% interest in the Kinwood JV. Activity and operations of the Kinwood JV are expected to be nominal in future years as the Kinwood JV is wound down and the future liability is reduced to nil.

GBG, the home building division of Genesis started in 2005 as Reliant Homes Inc. Genesis purchased the assets of Point Grey Homes Ltd. in June 2006 and subsequently changed its name to Genesis Builders Group Inc. ("GBG"). GBG has four subsidiaries to build planned townhome complexes on land that is owned or controlled by Genesis: Ashbury at Saddlestone Inc., Hutton at Bayview Inc., Newport at Canals Landing Inc. and Laurels by Genesis Inc.

For a complete list of controlled entities, please refer to note 19 of the consolidated financial statements for the year ended December 31, 2016, which can be found on SEDAR and the Corporation's website at [www.genesisland.com](http://www.genesisland.com).

## GENERAL DEVELOPMENT OF THE BUSINESS

### Overview of Market

The Alberta economy continues to be impacted by the sharp drop and subsequent partial recovery in oil and natural gas prices over the last several years and is generally expected to continue to be weak and possibly flat in the year ahead. The Alberta economy is very dependent on the oil and gas industry and the price of oil and gas paid in Alberta. The economic impact of the decline in oil and gas prices has included weaker consumer confidence, leading to lower levels of new home purchases, and significantly lower revenues for governments, constricting their ability to fund the infrastructure required to develop new

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communities. At the same time, interest rates remain at record lows resulting in low mortgage rates which improve the affordability of a new home for many buyers.

### Three-Year History

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

#### *Recent Developments*

The Corporation entered into an agreement to sell to a third party a total of 1,476 acres of land located in the Hamlet of Delacour, Alberta for a purchase price of \$9 million expected to close on May 1, 2017. On February 2, 2017, the Corporation extended the term of the lease of its current office premises to September 30, 2020.

#### *2016*

##### *Sale of New Homes*

The sale of new homes has declined in Calgary since 2014, and prices for lower and mid-market homes are slightly lower, although relatively stable and less impacted by the Alberta economy than higher valued homes. However, the Calgary Metropolitan Area ("CMA") has a relatively low level of serviced lot inventory available to builders, and Genesis was able to obtain increases in lot prices in 2016 and expects this trend to continue as the level of new serviced lots remains low. In addition, Genesis has made design, finishing and supplier contractual changes to reduce the construction cost of its homes while maintaining quality.

There has been a shift over the last several years in the buying of new CMA homes., and the vast majority of homes are now sold at or close to completion on a quick possession basis, rather than being contracted for before construction commence. Given the capital strength of the Corporation, Genesis is well positioned to sell homes on a quick possession basis and has developed a sales program tailored to current market conditions.

##### *Changes in Leadership Structure*

Bruce Rudichuk, President and Chief Executive Officer's and Mark Scott, Executive Vice President and Chief Financial Officer's employment with the Corporation ended on February 17, 2016.

Stephen Griggs, Chair of the Board, replaced Bruce Rudichuk as interim CEO. Rauf Muhammad, CPA (Colorado) served as interim CFO, until the appointment of Kirsten Richter, CPA, CA, as the interim Chief Financial Officer effective April 18, 2016.

Genesis made a number of staffing and organizational changes in early 2016 with the objective of creating clear lines of responsibility for the three main business functions of Genesis (land development, land sales and project financing, and home building) and consolidating in the CFO role responsibility for all support functions (such as technology, human resources and office management). This new structure has allowed the CEO to focus on developing and implementing the new strategy, monitoring and analyzing results, delegating day to day operational responsibility and ensuring that Genesis has strong cash flow available for distribution to shareholders. In addition, the new structure is expected to reduce overall leadership costs while incentivizing key executives to deliver the results expected by the Board on behalf of shareholders.

In May 2016, three new Vice-President roles were created, each reporting to the CEO, and the following internal appointments were made for these roles:

- Arnie Stefaniuk was appointed Vice-President, Land Development, with responsibility for the planning and development of the extensive land portfolio and managing the Genesis staff and external consultants.
- Brian Whitwell was appointed Vice-President, Land and Financing, focusing on the sale of developed and non-core lands, the addition of new builder groups and the financing of land servicing and home building construction.
- Parveshinder Sidhu was appointed Vice-President, Homebuilding and President, Genesis Builders Group Inc., with operating responsibility for the Genesis' home building business and its staff.

##### *Termination of Corporation's Stock Plan*

In 2016, the executive compensation plan was simplified to eliminate the share option plan and to create additional accountability for delivering measurable results for shareholders by achieving or exceeding specific operational targets. The Corporation's stock option plan was terminated by the Board on March 22, 2016 and all outstanding stock options were voluntarily cancelled effective June 30, 2016.

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#### *Sales of Land Parcels*

In June 2016, the Corporation sold three parcels of land: i) a 14 acre land parcel being the last parcel of land of GLP #6, in which Genesis owned a direct 10% interest, was sold to a third party purchaser for \$10.1 million; and ii) 1,653 acres of non-core parcels of land located in Kamloops, British Columbia was sold for gross proceeds of \$1.65 million. In September 2016 Genesis sold 6.99 acres of serviced lands located in Sage Hill Crossing to the City of Calgary for \$9.4 million.

#### *Balanced approach to selling land and lots to third parties rather than only internally*

In 2016, Genesis focused on selling residential lots, developed townhouse sites and other lands to third parties, rather than retaining land for future use primarily by Genesis in its GBG building business. 2016 revenues included the sale of three third party land parcels for \$21.2 million compared to \$3.6 million for two sales during 2015, and 58 lots sold to third parties in 2016 compared to 69 lots in 2015 (with 50 lots being sold to a third party builder in late 2015 for use in 2016). In 2016, GBG sold 146 homes on lots provided by Genesis, in comparison to 115 in 2015. GBG continues to play an important part in the sale of Genesis lots.

#### *Monetization of non-core lands*

Genesis accumulated lands over a number of years which it now considers non-core, all of which have been listed or made available for sale. Progress was made in selling non-core land in 2016 with \$1.65 million realized in 2016. In March 2017, Genesis announced the sale of 1,476 acres of unentitled, undeveloped non-core lands owned by Genesis near the Hamlet of Delacour, Alberta for \$9 million which is expected to close in May 2017.

This 2017 sale will substantially complete the plan to dispose of the non-core lands owned by Genesis, with the bulk of non-core assets by dollar value having been sold or contracted for sale. Genesis will continue to market the remaining non-core lands, with the objective of selling the balance over the next few years.

#### *Normal Course Issuer Bid*

In September 2016, Genesis announced the renewal of a normal course issuer bid ("NCIB"). The renewal commenced on September 12, 2016 and terminates on the earlier of (i) September 11, 2017; and (ii) the date on which the maximum number of common shares (2,194,320) are purchased pursuant to the bid. The prior normal course issuer bid, which expired on September 9, 2016, allowed the Corporation to purchase for cancellation up to 2,246,310 common shares. The Corporation purchased a total of 1,124,598 common shares at an average price of \$2.81 per share under the prior NCIB. A copy of the notice of intention to make the normal course issuer bid that was submitted by the Corporation to the TSX may be obtained without charge from the Corporation's office.

#### *Significant cost reductions in 2016*

In early 2016, Genesis reviewed its operating and capital budgets to reduce operating costs and servicing investments and to respond to the expected level of land and lot sales over the next several years. This resulted in 2016 operating costs being reduced by 14% in comparison to 2015 (including 13.9% in Q4 2016 vs Q4 2015), the postponement of previously planned land servicing costs on a large development land parcel until a buyer is found, and the reduction of home building work in progress by \$11.4 million. In addition, Genesis reduced its staffing and consolidated a number of roles, ending 2016 with 55 employees in comparison to 80 employees at the end of 2015.

General, administrative and sales expenses for 2016 were \$16.3 million (including one time severance and other costs) compared to \$18.9 million for 2015, down \$2.6 million or 14%. Q4 2016 general, administrative and sales expenses were \$4.6 million, compared to \$5.3 million in Q4 2015, down \$743 or 13.9%. Genesis continues to seek cost reductions and operating efficiencies.

Genesis carefully plans any proposed land servicing to match expected sales over the following 12-24 months, and recognizing the seasonality of servicing activities in Alberta.

#### *Significant Improvements in 2016 Cash Flow*

Genesis generated significant positive cash flow in 2016 in comparison to prior years. This was the result of a new empowered executive team, reductions in operating costs and capital commitments, creative land and home selling efforts and a focus on strengthening cash flow and the balance sheet.

In 2016, Genesis had cash inflows from operations of \$42.9 million (\$0.98 per share), an increase of \$1.39 per share from 2015. The cash flows were mainly used to reduce debt by over \$20.5 million. In 2016, Genesis' loans and credit facilities were reduced by \$20.5 million from \$63.8 million at December 31, 2015 to \$43.9 million at December 31, 2016. The loans and credit facilities at



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### For the Year Ended December 31, 2016

December 31, 2016 included \$8.5 million of debt related to a limited partnership and \$28.5 million related to a vendor take back mortgage (the "VTB") on the Calgary southeast lands. In early 2016, Genesis made a payment of \$8.0 million to reduce the VTB and \$10.9 million was used to pay the largest dividend in the Corporation's history as a public company to shareholders (\$0.25 per share). Additionally, \$1.4 million was used to repurchase common shares through the normal course issuer bid. Genesis' cash on hand increased by \$2.9 million as at December 31, 2016 to \$14.3 million in comparison to \$11.3 million as at December 31, 2015.

#### *Focused on obtaining entitlements or improving existing entitlements*

In 2016, Genesis renewed its efforts to obtain zoning and servicing entitlements for its large portfolio of raw land, including in south east Calgary and Rocky View County, and to improve the current zoning of its Sage Hill Crossing and Airdrie developments. Zoning changes generally take a number of years and are not certain until the required municipal and other regulatory approvals have been obtained. Overall, Genesis made significant progress on all of its rezoning projects in 2016, which has continued into 2017.

#### *Solid 2016 results for Genesis Builders Group*

GBG had 166 new home sales in 2016 with revenues of \$83.2 million compared to 209 new home sales with revenues of \$102.8 million in 2015. Of the 166 new home sales, 146 were built on residential lots supplied by Genesis, generating residential lot revenues included in the land division of \$25.4 million (2015-115 and \$18.9 respectively). There were 142 new home orders in 2016 compared to 135 in 2015. There were 30 new home orders in Q4 2016 compared to 36 in Q4 2015.

#### *Dividends*

On December 22, 2016, a special cash dividend of \$0.25 per common share for a total of \$10.9 million was paid to shareholders. This was the largest dividend paid to shareholders in the Corporation's history as a public company.

## 2015

The significant drop in crude oil and natural gas prices that began in the middle of 2014 continued throughout 2015, with significant volatility throughout the year. Both land development and home building were negatively impacted. However, low-interest rates, a low-inflation environment and lower levels of available serviced lots in Calgary softened the impact.

Total revenues for 2015 were \$119.1 million, which is lower than the \$134.2 million for 2014, largely due to the challenging economic conditions in the CMA. Revenues were from the sale of 184 residential lots to third party builders, the sale of 209 homes by GBG and the sale of 118 acres of development land, compared to 271 residential lots to third party builders, the sale of 220 homes by GBG and 122 acres of development land sold in 2014.

On September 4, 2015, Genesis announced the commencement of a normal course issuer bid through the facilities of the Toronto Stock Exchange to purchase and cancel up to 2,246,310 common shares being approximately 5% of the then issued and outstanding shares. As at December 31, 2015, 628,598 common shares (1.40% of common shares outstanding at the beginning of the year) had been cancelled resulting in a reduction of shareholders' equity of \$1.9 million.

During the year Genesis obtained one new operating line and four land development loan facilities totaling \$75.8 million and increased an existing loan facility by \$11.5 million. Interest on these loan facilities ranges from prime + 0.75% to prime + 1.25% per annum.

On October 23, 2015, the board appointed Steven J. Glover as Lead Director. The Vice Chair position, which was held by William Pringle, was eliminated and the Governance and Compensation Committee was split into two separate committees namely: the Governance Committee and the Compensation Committee. On December 31, 2015, William Pringle resigned as a director of Genesis.

On December 31, 2015, a special cash dividend of \$0.12 per common share for a total of \$5.3 million was paid to shareholders.

## 2014

Alberta's general economic conditions were strong throughout the majority of 2014 and the Corporation's debt reduction in 2013 provided a strong balance sheet. Genesis realized an overall increase in revenue from \$96.1 million in 2013 to \$134.2 million in 2014, while further reducing debt from \$50.4 million at December 31, 2013, to \$23.9 million at December 31, 2014. Residential lot sales rose to 271 in 2014 from 260 in 2013.

On February 28, 2014, Genesis sold the non-core 122 acre industrial Acheson site for gross proceeds of \$14.0 million. A portion of the net proceeds from the sale was used to retire approximately \$6.5 million of related property debt.

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### **For the Year Ended December 31, 2016**

On June 30, 2014 Genesis paid a special cash dividend of \$0.12 per common share for a total of \$5.4 million.

The Corporation entered into a purchase and sale agreement on October 14, 2014 to purchase approximately 349 acres of land located in Southeast Calgary for \$52.5 million, payable over five years at 0% interest rate. This land is in a rapidly growing area within the City of Calgary and is expected to include residential homes, parkland and supporting community and commercial development with servicing forecasted to begin in 2021. This purchase was completed on January 6, 2015.

On October 22, 2014, Genesis announced that it was seeking a development partner or purchaser for a major mixed-use development site in northwest Calgary. The “Sage Hill Town Centre” 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. In September 2016, Genesis sold 6.99 acres of the 22.4 acres to the City of Calgary. Currently, the Corporation is considering revising the existing development proposal for the remaining 15.41 acres.

## **DESCRIPTION OF THE BUSINESS**

### **General Description**

Genesis Land Development Corp. (“Genesis” or the “Corporation”) is a land developer and residential home builder operating in the CMA holding a significant portfolio of well-located, entitled and unentitled residential, commercial and mixed-use lands as well as serviced lots in the CMA.

As a land developer, Genesis plans, rezones, subdivides, services and sells residential communities and commercial and industrial lands to third parties, and sells lots and completed homes through its home building business. The land portfolio is planned, developed, serviced and sold with the objective of maximizing the risk adjusted net present value of the land and to maximize the cash flow available for distribution to shareholders. Genesis has no immediate plan or need to acquire additional land at this time and all excess cash on hand is expected to be used to issue dividends to shareholders, buy back common shares, or a combination of both.

At December 31, 2016, Genesis land inventory is estimated to include over 10,000 single family and townhouse units and over 300 acres of mixed used commercial lands.

The home building business, operated through a wholly-owned subsidiary, Genesis Builders Group Inc. (“GBG”), designs, constructs and sells single-family homes and townhouses primarily on lands developed by Genesis. The objective of the home building business is to deliver a significant return and cash flow from the capital invested in it and to sell incremental Genesis single family lots and townhouse land parcels. The home building division is expected to build and sell approximately 170 homes per year on these lands with third party builders expected to purchaser 52-100 lots per year.

Genesis is focused on minimizing overhead costs, which significantly reduce the return on long terms assets. Long term commitments are avoided where possible to preserve flexibility.

### **Corporate Objectives and Strategy**

In early 2016, the Board of Directors of Genesis approved a new strategy focusing Genesis on:

- Maximizing the return of capital to shareholders through dividends and/or buying back shares
- Obtaining additional land servicing and zoning entitlements which are expected to materially increase the value and marketability of these lands
- Developing detailed plans for the development and ultimate disposition of all core lands to maximize the net present value of each project
- Adding one or more third party builders acquiring lots in Genesis communities, in addition to the seven third-party builders working with Genesis at the end of 2016
- Increasing the number of units sold by GBG, including constructing several townhouse complexes, at reasonable construction margins while optimizing the amount of required capital
- Servicing a phase of the “Saddlestone” community in Calgary (expected to yield 102 residential lots) and an additional phase in Airdrie (expected to yield 73 residential lots)

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- Selling the remaining non-core land

## **Operations**

Genesis reports its activities under two business segments: land development and home building. Land development involves the acquisition of land for future development, and the planning, land servicing and marketing of residential communities and commercial and industrial developments. The home building business includes the acquisition of lots primarily from the land development division and the construction and sale of single-family houses and townhouses.

In 2016, total revenues, excluding interest and other income, were as follows:

	<b>Year ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Residential lot sales to third parties	<b>10,697,000</b>	12,972,000
Development land sales to third parties	<b>21,237,000</b>	3,600,000
Residential home building segment (including related lots)	<b>83,245,000</b>	102,197,000
	<b>115,179,000</b>	118,769,000

### **Land Development**

The land development business segment principally develops residential lots in the CMA. The market started softening in the second half 2014 due to the decline in oil and natural gas prices. The market continued to fall and had high volatility in 2015/16. In 2016, single family building permits issued by the City of Calgary levelled out to 3,409 (2015 – 3,452) and decreased to 6,382 for multi-family (including town homes) (2015 – 9,893) for a total of 9,791 residential permits issued (2015 – 13,345). Similarly in Airdrie, there were 579 single-family building permits were issued (2015 – 643) and 382 multi-family permits were issued (2015 – 454) for a total of 961 residential building permits were issued in 2016 (2015 – 1,097). It is expected that the Alberta market has stabilized and a moderate recovery in 2017 is forecast due to slight increases in oil and natural gas prices. Canada Mortgage and Housing Corp. has forecast 2017 building starts of 3,800 single family and 5,500 multi-family (totaling 9,300 starts) for the City of Calgary.

The land development business segment will continue to pursue planning approvals in its core developments. The following is a brief summary of the land projects (developed and undeveloped) that Genesis owned or controlled as of December 31, 2016:

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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/Bayview	Airdrie	169	196	90	259	196	1997	2022
<b>Calgary NW</b>								
Sage Meadows	Calgary	34	80	-	34	80	2002	2019
<b>Calgary NE</b>								
Saddlestone	Calgary	17	122	19	36	122	2010	2017
<b>Calgary SE</b>								
South East Lands	Calgary	-	-	349	349	-	2021	2031
		<b>220</b>	<b>398</b>	<b>458</b>	<b>678</b>	<b>398</b>		
<b>Mixed Use</b>								
Sage Hill Crossing	Calgary	64	-	-	64	-	2019	2029
North Conrich	County of Rockyview	-	-	312	312	-	2019	2035
		<b>64</b>	<b>-</b>	<b>312</b>	<b>376</b>	<b>-</b>		
<b>Non-Core</b>								
Mitford Crossing	Cochrane, AB	-	-	156	156	-	(2)	(2)
Delacour	County of Rockyview	-	-	1,476	1,476	-	(2)	(2)
Mountain View Village	Calgary East	-	-	144	144	-	(2)	(2)
Brooks	Brooks, AB	-	14	-	-	14	(2)	(2)
Spur Valley	Radium, BC	-	-	34	34	-	(2)	(2)
		-	<b>14</b>	<b>1,810</b>	<b>1,810</b>	<b>14</b>		
<b>Total Genesis</b>		<b>284</b>	<b>412</b>	<b>2,580</b>	<b>2,864</b>	<b>412</b>		
<b>Limited Partnerships</b>								
Delacour (LPLP2007)	County of Rockyview	-	-	617	617	-	(2)	(2)
Fowler (LPLP2007)	Airdrie	-	-	319	319	-	(2)	(2)
North Conrich (LP4/5)	County of Rockyview	-	-	298	298	-	2019	2035
Spur Valley (LP8/9)	Radium, BC	-	-	1,139	1,139	-	(2)	(2)
Total Limited Partnerships		-	-	2,373	2,373	-		
<b>Total</b>		<b>284</b>	<b>412</b>	<b>4,953</b>	<b>5,237</b>	<b>412</b>		

- (1) Not scheduled yet  
(2) Identified for sale

A brief description of key properties follows.

**AIRDRIE**

In 1997, Genesis commenced development of this 720-acre parcel located in the city of Airdrie, which is 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 multi-family and commercial sites within the property along with an additional school site.

*The Canals* - Consists of nine phases, all of which are fully developed and eight are sold out. Servicing of Canals Phase 6, the final phase of the community was completed in 2012. Canals Phase 6 consists of 148 single-family lots and a 3.51 acre townhouse site. As at December 31, 2016, 8 single-family lots and the townhouse site remain unsold in Canals Phase 6.

*Bayside* - Consists of 15 phases. Ten phases have been developed and five phases are available for future development. Bayside Phases 1 to 4 and Phases 6, 7 and 9 are fully developed and sold out. As at December 31, 2016, there are 5 unsold lots from a total of 122 in Bayside 5. Bayside Phase 11 consists of 149 lots and as at December 31, 2016 there are 120 lots sold, 14 spec homes under construction and 12 lots unsold. The remaining 3 lots are show homes. Bayside Phase 8 was serviced in 2015 and has 128 lots. At the end of 2016, 74 lots remain unsold in Bayside 8.

*Bayview* – Located to the west of the existing Bayside and Canals communities, Bayview consists of 10 phases. Genesis has re-conceptualized and applied to re-zone Phases 1 to 8 in order to reflect current market trends. The re-zoning is expected to be completed before the end of 2017 but there can be no assurance that the requested zoning changes will be approved. Servicing was started in Phase 10 during 2015 and completed in 2016. It consists of 114 single-family lots and a 3.36 acre townhouse site. At the end of 2016, 26 lots were sold by GBG and 88 lots remain unsold in Phase 10. Phase 9 is expected to be serviced in 2017 and will comprise of 73 lots which will be sold to GBG and third party builders.

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#### CALGARY NORTHWEST

Genesis commenced development of a 775-acre parcel in the Symons Valley area in northwest Calgary in the fall of 2002. The project comprises approximately 4,200 residential lots, a number of multi-family parcels, mixed-use sites, the Sage Hill Crossing commercial site and commercial lots in the communities of Sherwood, Kincora, Sage Meadows and Evansridge.

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. The Symons Valley Community Plan (Area Structure Plan) received the approval of Calgary's City Council in April 2001, which permitted the submission of comprehensive development and rezoning plans. Outline plan and land use approval in Symons Valley have been completed on all lands owned by the Corporation.

The remaining portions of this development are set out below:

*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 access off Symons Valley Road and the natural area amenity along West Nose Creek. Development is complete on the first two residential phases with all 200 lots sold. In 2015, servicing was completed for 9.58 acres of multi-family and commercial sites and 16 single-family lots in Phase 3. In 2016, servicing was substantially completed in Phase 4 (74 lots) and for a 4.27 acre multi-family site. Two third party builders have entered into an option to purchase all 74 lots in Phase 4. In order to maintain purchasing exclusivity, these builders are required to purchase 5 lots per quarter starting in Q2 2017.

*Sage Hill Crossing* - Genesis has a 71-acre mixed-use/regional commercial project under the area structure plan called 'Sage Hill Crossing,' which commenced development in 2007. In September 2016, Site 4 comprising 6.99 acres was sold to the City of Calgary for \$9.4 million. A re-visioning of the remaining sites 3, 5, 6 and 7 began in 2015 to achieve the highest value zonings for those parcels. An amendment to the Area Structure Plan ("ASP") for these sites is being considered by the City of Calgary under a developer funded ASP which is expected to be completed in 2017, although there can be no assurances that the requested zoning changes will be approved.

*Kinwood Lands Joint Venture* - The community of Kinwood consisted of approximately 150 acres of land, including 26.9 acres of multi-family parcels. Genesis entered into a Joint Venture Agreement (the "JV Agreement") with another real estate developer to develop, service, subdivide and sell the subdivided lots in this community. Under the terms of the JV Agreement, Genesis is entitled to 50% of net profits on sale of all subdivided lots and multi-family parcels. Servicing of Phases 1 to 5 has been completed and all 429 lots and five multi-family sites have been sold. Activity and operations will be nominal in future years as the joint venture is wound down and the future development cost liability is reduced to nil.

#### CALGARY NORTHEAST

*Saddlestone* - This project is a community 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 original sale prices ranging from \$250,000 to more than \$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 12 phases. Development is complete on Phases 1 to 6 and Phase 12 (457 single-family lots, six multi-family sites, and one commercial site). All remaining lots are expected to be contracted to and sold by GBG. Servicing for Phase 7 was completed in December 2014 and Phase 8 was serviced by December 2015, for a total of 211 lots. GBG has substantially completed construction of all of Phase 7 and is well under way with sales and construction in Phase 8. 104 lots in Phase 10 will be serviced in 2017 and will be ready for GBG to commence construction in 2018. It is expected that the 118 lots in Phase 9, the final phase in Saddlestone, will be serviced in 2018 and ready for construction in 2019.

#### ROCKY VIEW COUNTY

*"North Conrich Lands"* - This 610-acre parcel of farm land which borders the Calgary city limits in northeast Calgary at 80th Ave and 84th St within Rocky View County was purchased in 2004. Genesis holds a 51.2% interest in the lands with the remainder owned by GLP#4 and GLP#5. Genesis and GLP #4 and GLP#5 entered into a joint venture agreement in August 2004 to jointly develop and sell the North Conrich Lands. The lands are currently zoned as a Highway Business District. A proposal was recently made to the County of Rocky View to re zone approximately 185 acres of the North Conrich Lands for retail development and the

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remainder for commercial/industrial uses. The Rocky View County placed this on its Area Structure Plan Priority List and is in the process of completing a developer funded ASP. The ASP for this land is expected to be approved in 2017, although there can be no assurance that this ASP will be approved.

#### **CALGARY SOUTHEAST**

In January 2015, the Corporation acquired a 349-acre parcel of land overlooking the Bow River Valley with views of the Rocky Mountains, located south of the Calgary South Health Campus Regional Hospital at the southern boundary of Calgary. The community is expected to ultimately include approximately 1,980 homes, parkland and supporting community commercial development. During 2016, Genesis made significant efforts to commence the process of an Area Structure Plan. On March 14, 2017, the City of Calgary Council approved a motion to include in the 2018 work plan of the City administration a developer funded ASP for this land held by Genesis along with several adjacent landowners.

#### **Home Building**

Genesis has been in the homebuilding business through its subsidiary, GBG, since 2005 and builds single family detached and semi-detached homes and townhomes. GBG is active in the Corporation's residential communities of Saddlestone and Sage Meadows and in Airdrie and currently has 6 professionally designed and staged show homes.

GBG sold 166, 186 and 207 single-family homes in 2016, 2015 and 2014, respectively and had no townhomes sales in 2016 and sold 23 and 13 townhomes in 2015 and 2014, respectively.

GBG has commenced construction of 24 townhouse units in northeast Calgary, has development permit approval for 85 townhome units in Airdrie and building permit approval for a further 54 townhouse units in northeast Calgary.

#### **Competitive Conditions**

The market in which Genesis operates in is very competitive with a number of well-financed companies operating in the same areas as GBG in the cities of Calgary and Airdrie.

#### **Seasonality**

Seasonality affects the land development and home building industry in Canada. Winter weather conditions limit both land servicing and building construction work during the winter months. Genesis will typically realize higher home building revenues in the summer and fall months when home building activity is at its maximum. Revenues are also impacted by the timing of lot sales, which are 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, causing compliance and other costs, and can severely restrict or prevent development in environmentally sensitive regions or areas. Genesis employs a due diligence process before the acquisition of any raw land or development site to identify and 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 2016 and management does not expect significant effects in future years.

#### **Specialized Skills and Knowledge**

Genesis attracts and employs management and other personnel with the required skills to manage its business. Genesis also relies on the use of third-party contractors with specialized skills (such as engineering, architecture, planning, design, and various construction trades). Genesis has been successful in acquiring the services of these employees and contractors in the past and believes they will be able to continue to do so in the future as needed.

#### **Employees**

The Corporation had 55 employees as at December 31, 2016, primarily located in Calgary, Alberta.

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#### **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 a revised and restated Code on December 16, 2015, which can be found on SEDAR.

#### **RISK FACTORS**

In the normal course of business, Genesis is exposed to certain risks and uncertainties inherent in the real estate development and home building industries. Real estate development and home building are cyclical businesses. As a result, Genesis profitability could be adversely affected by external factors beyond the control of management. Risks and uncertainties faced by Genesis include industry risk, competition, supply and demand, geographic risk, development and construction costs, credit and liquidity risks, finance risk, interest risk, management risk, mortgage rates and financing risk, general uninsured losses, cyber-security and business continuity risk, environmental risk and government regulations.

#### **Development and Construction Cost Risk**

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

#### **Credit and Liquidity Risk**

Credit risk arises from the possibility that third party 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, renew existing credit facilities or secure additional financing, the Corporation's ability to meet its obligations as they become due may be impacted. 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, a construction operating line for home construction purposes and a line of credit for corporate purposes. Should Genesis be unable to retain or obtain such credit facilities, its ability to achieve its goals could be impacted. In order to reduce finance risk, Genesis endeavors to match the term of financing with the expected revenues of 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.

#### **Interest Risk**

Where possible, Genesis structures its debt so as to stagger the maturity dates of its loan facilities to reduce exposure to short-term fluctuations in interest rates. There is a possibility that the Corporation would experience a loss as a result of increases in interest rates or if the Corporation is unable to renew a maturing debt either with the existing lender or with a new lender on similar terms. 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.

#### **Mortgage Rates and Financing**

Virtually all of the Corporation's home buyers finance their purchases through lenders providing mortgage financing. Increases in mortgage rates or decreases in the availability of mortgage financing could depress the market for new home sales 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 current homes to potential buyers who

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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.

### **Litigation Risk**

All industries are subject to legal claims, with or without merit. The Corporation may be involved from time to time in various legal proceedings which may include the potential liability from its operating activities and, as a public company, possibly from violations of securities laws or breach of fiduciary duty by its directors or officers. Defense and settlement costs can be substantial, even with respect to legal claims that have no merit. Due to the inherent uncertainty associated with litigation, the resolution of any particular legal proceeding could have a material effect on the financial position and results of operations of the Corporation.

### **Cybersecurity and Business Continuity Risk**

Genesis' operations, performance and reputation depend on how its assets, including networks, IT systems, offices and sensitive information, are protected from cyberattacks. Genesis' operations and business continuity depend on how well it protects, tests, maintains and replace its networks, IT systems and associated equipment. The protection and effective organization of Genesis' systems, applications and information repositories are central to the security and continuous operation of the business.

Cyberattacks and threats (such as hacking, computer viruses, denial of service attacks, industrial espionage, unauthorized access to confidential information, or other breaches of network or IT security) continue to evolve and Genesis' IT defenses need to be regularly monitored and adapted. Genesis may also be exposed to cyber threats as a result of actions that may be taken by its customers, suppliers, employees or independent third parties, whether malicious or not, including as a result of the use of social media, cloud-based solutions and IT consumerization (i.e. the combining of personal and business use of technology devices and applications.) Vulnerabilities could harm Genesis' brand and reputation as well as its business relationships, and could adversely affect its operations and financial results, given that they may lead to: network operating failures and service disruptions, which could directly impact Genesis' ability to maintain its day-to-day business operations and meet its commitments; the theft, loss or unauthorized release of confidential information, including customer or employee information, that could result in financial loss and exposure to claims for damages by customers and employees; physical damage to network assets impacting service continuity as well as corruption or destruction of data; litigation, fines and liability for failure to comply with privacy and information security laws; regulatory investigations and increased audit and regulatory scrutiny that could divert resources from regular operations; loss of customers or impairment of our ability to attract new ones; or lost revenues due to service disruptions and the incurrence of remediation costs.

Genesis has the following in place to reduce and/or manage cybersecurity and business continuity risk: enterprise grade firewalls with the ability to detect port scanning, denial of service attacks and content filtering and application control to permit or deny traffic on the network; signature-based antivirus which runs scans to detect suspicious files and continuously receives updates to counter new threat; email security and anti-spam filtering to scan all incoming and outgoing emails before email delivery is completed; and regular internal and external backups of database and networks files which could be used to restore data in the event of loss of information due to corruption, deletion or encryption due to viruses or malware system failures.

### **Geographic Risk**

The Corporation's business activities are conducted 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 and economic conditions in Alberta. 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.

### **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 may adversely affect 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 development project must meet before being



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

### **Industry Risk**

Real estate investments are 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 in government and environmental regulations (such as new or revised zoning or building codes) and (iv) competition from other developers or builders. Real estate assets are relatively illiquid particularly in depressed markets. Such illiquidity limits the Corporation's ability to rebalance its portfolio promptly in response to changing economic or investment conditions. If other developers and landowners experience financial difficulties, this may trigger distress sales which may depress real estate values in the markets in which the Corporation operates.

### **Competition**

Each segment of the real estate business is competitive. Numerous residential developers and builders compete for potential customers. Although it is the goal to be a leading land developer and home builder in the CMA, some of the Corporation's competitors may provide a better product, have lower prices 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, 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, 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 if 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 acquire additional properties, or do so on favourable terms.

### **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.

### **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 monies using the property as collateral or to 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.

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**Mitigation of Risks**

Genesis mitigates risks by regularly undertaking a strategic and operational planning exercise of its current and future land development and home building projects and having an experienced management team. In addition, Genesis regularly monitors market conditions that may adversely affect projects that are already underway and find means to increase efficiencies, reduce the capital invested in work in progress to reduce the risk of the business, and expand the product mix to include small townhouse projects with the goal of reducing costs wherever possible. Genesis secures long-term commitments for supply of materials and obtains fixed pricing for labor costs depending on market conditions and whenever beneficial.

Prior to commencing projects relating to construction of homes, Genesis establishes pre sales of homes where possible, and ensures that it is able to meet all regulatory requirements to obtain necessary permits and build homes in a timely and orderly manner. With respect to development of lands, Genesis secures adequate financing and endeavors to match the term of financing with the expected revenues of the underlying land asset before commencing development work and ensures that debt covenants imposed by the lender are reasonable and can be met. Genesis establishes and maintains good business relationships with several lenders to provide a range of choice of financing terms and conditions offered by various lenders.

For lot sales to third parties, Genesis conducts assessments on their creditworthiness, collects non-refundable and fully releasable deposits at the time the contract for the purchase and sale of the lots is entered into and transfers title to the lots only upon full payment of the purchase price.

**Insurance**

The Corporation maintains various types of insurance to cover certain potential risks and regularly evaluates the adequacy of this coverage.

**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, 43,735,390 Common Shares are issued and outstanding as fully paid and non-assessable. 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.

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.

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.

The Corporation terminated its stock option plan on March 22, 2016 and all outstanding options to acquire common shares of Genesis were cancelled effective June 30, 2016.

In September 2015, Genesis initiated a normal course issuer bid ("NCIB") to purchase and cancel up to 2,246,310 common shares which was 5% of Genesis's issued and outstanding Common Shares as at September 3, 2015. On September 7, 2016, the Corporation announced the renewal of its NCIB. The renewed NCIB commenced on September 12, 2016 and terminates on the earlier of (i) September 11, 2017; and (ii) the date on which the maximum number of common shares are purchased pursuant to the bid. The Corporation may purchase for cancellation up to 2,194,320 common shares under the renewed NCIB.

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During 2016, 551,796 common shares (1.25% of common shares outstanding at the beginning of the year) were purchased and cancelled for a total cost of \$1.42 million (average \$2.60 per share). Under the NCIB, the Corporation repurchased for cancellation an additional 10,416 shares for \$10,000 between January 1, 2017, and March 21, 2017.

**DIVIDENDS**

Dividends on the outstanding shares of Genesis 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. The following special dividends were paid to the common shareholders of Genesis in the last three years:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Per share</b>	\$0.25	\$0.12	\$0.12
<b>Total</b>	\$10,936,000	\$5,331,000	\$5,386,000
<b>Payout date</b>	December 22, 2016	December 31, 2015	June 30, 2014

Other than these special dividends, neither Genesis nor any of its subsidiaries has declared any cash dividends or made any distributions on any of their securities other than distributions made to unit holders of certain 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, 2016, 2015 and 2014, respectively. In the GLP#6 and GLP#7 structure, the sale of the last property occurred in 2016 and the distribution in 2016 was the final payout.

	<b>2016</b>	<b>2015</b>	<b>2014</b>
GLP#6 and GLP#7	6,978,000	-	-
<b>Total</b>	<b>6,978,000</b>	<b>-</b>	<b>-</b>

**MARKET FOR SECURITIES**

The Common Shares 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.

<b>2016</b>	<b>Price Range (\$)</b>		<b>Monthly Trading Volume</b>
	<b>High</b>	<b>Low</b>	
• January	2.73	2.15	797,200
• February	2.30	2.01	413,800
• March	2.68	2.06	162,900
• April	2.70	2.55	33,700
• May	2.95	2.53	147,100
• June	2.85	2.70	112,900
• July	2.88	2.72	220,100
• August	2.87	2.73	321,800
• September	3.05	2.79	262,500
• October	3.03	2.80	270,800
• November	3.04	2.61	154,400
• December	3.17	2.65	162,000

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**PRIOR SALES OF COMMON SHARES**

During its most recent completed financial year, there were no securities issued by Genesis that are currently outstanding but not listed or quoted on a market price.

The Corporation terminated the stock option plan on March 22, 2016. All outstanding were cancelled effective June 30, 2016 and \$5.6 million of contributed surplus relating to share payments was transferred to retained earnings. 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, 2016, and 2015, dated March 21, 2017, 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.

**DIRECTORS AND OFFICERS**

The following table sets forth, as at the date hereof, the residence of the directors 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 Committee, Governance Committee and Disclosure Committee have been established.

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Director Since</b>	<b>Principal Occupation (preceding five years)</b>
Yazdi J. Bharucha CA., ICD.D <sup>(1)(2)(4)</sup> Toronto, Ontario, Canada	Director	November 18, 2010	Chief Financial Officer, Cliffside Capital Ltd., an automobile finance investment company (February 2015 – present); Director and Chair of the Audit Committee, Centric Health Corporation (February 2013 - present); Director, Scarborough Rouge Hospital (September 2012 - present).
Michael Brodsky B.A., J.D., M.B.A. <sup>(4)</sup> Washington, DC, U.S.A.	Director	July 12, 2012	Managing Partner, Vajra Asset Management, LLC, an investment advisory firm (December 2012 – present); Chairman of the Board of Directors, Determine Inc. (December 2013 – present); Chairman of the Board of Directors, Trans World Corporation Inc. (October 2013 – present); Chairman of the Board of Directors, ID Systems Inc. (June 2014 - present); Director, Sparks Networks Inc. (November 2015-present).

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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>
Stephen Griggs, B.A., J.D. <sup>(3)(4)</sup>	Chair of the Board	August 28, 2013	Chief Executive Officer, Smoothwater Capital Corporation, a private investment company (2013 – Present); Director and Chair, Equity Financial Holdings Inc.; Adjunct Professor of corporate governance at Osgoode Hall Law School; Chief Executive Officer, Chief Executive Officer of Underwood Capital Partners Inc.; President and Chief Executive Officer, OPTrust (June 2011 – April 2012); Executive Director, Canadian Coalition for Good Governance (November 2007 – June 2011); Director, Marquee Energy Ltd and Greater Toronto Airports Authority.
Mississauga, Ontario, Canada	Interim Chief Executive Officer	February 17, 2016	
Steven J. Glover, M.B.A., FCA, CA <sup>(1)(4)</sup>	Lead Director	November 18, 2010	Chief Financial Officer, Clearview Resources Ltd. (2010 – present); an oil and gas exploration services company, Vice-Chair of the Board of an Alberta crown Corporation, Travel Alberta; Chair of the Audit Committee of the Mutual Fund Dealers Association of Canada (2014 – present).
Mark W. Mitchell, B.A., M.B.A. <sup>(2)(4)</sup>	Director	June 29, 2010	President, Reliant Capital Limited, a real estate finance company (2002 – present); Vice-Chairman, Fraser Institute; Trustee of The W. Garfield Weston Foundation; Trustee of the Canadian Constitution Foundation.
Calgary, Alberta, Canada			
Loudon Owen B.A., J.D., M.B.A. <sup>(3)(4)</sup>	Director	March 22, 2013	Managing Partner, McLean Watson Capital Inc. a venture capital investment firm (1996 – present); Board of Directors, Aureus Mining Inc., Khan Resources Inc., Kilo Goldmines Inc., Chairman, Posera-HDX Ltd.
Toronto, Ontario, Canada			
Iain Stewart B.Comm., ICD.D, CA. <sup>(1)(2)(3)(4)</sup>	Director	September 4, 2013	President, Capella Cove Capital Corp. (2012 – present); a real estate advisory company, Board of Directors, Direct Cash Bank (2012 – present); Co-Chief Executive Officer and Co-Founder, Parkbridge Lifestyle Communities Inc. (1997-2011).
Calgary, Alberta, Canada			

Notes:

(1) Member of the Audit Committee

(2) Member of the Transaction Review Committee

(3) Member of the Compensation Committee

(4) Member of the Governance Committee

The following table sets forth, as at the date hereof, the residence of the other officers of Genesis, their offices or positions with Genesis, their principal occupations during the past five years and the period during which each officer has served as an officer.

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For the Year Ended December 31, 2016

Name and Municipality of Residence	Position	Officer Since	Principal Occupation (preceding five years)
Parveshinder Sidhu MBA Calgary, Alberta Canada	President, Genesis Builders group Inc.; and Vice-President, Home Building	May 12, 2016	2016 – Present: Vice President, Homebuilding, Genesis Land Development Corp. and President, Genesis Builders Group Inc.) 2008 – 2016: General Manager, Genesis Builders Group Inc.
Arnie Stefaniuk, P. Eng. Calgary, Alberta Canada	Vice-President, Land Development	May 12, 2016	2016 – Present: Vice-President of Land, Genesis. 2010 to 2016 – General Manager of Land Development, Genesis
Kirsten Richter, CPA C.A. Calgary, Alberta Canada	Interim Chief Financial Officer	April 18, 2016	Director, KM Richter Advisory Services Inc. (2002-present) – providing interim CFO, strategy and project-based financial services.
Brian Whitwell, B.Comm Calgary, Alberta Canada	Vice-President, Land and financing	May 12, 2016	2016 – Present: Vice-President, Land and Financing, Genesis. 2013 – 2016 - Manager Financing and Dispositions;

As at the date hereof, the directors and officers of Genesis as a group beneficially owned, controlled or directed, directly or indirectly, 21,911,368 Common Shares or approximately 50.10% 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, 15,111,535 Common Shares representing approximately 34.55% of the outstanding Common Shares. Mr. Mitchell beneficially owns, or controls or directs, directly or indirectly, 5,273,633 Common Shares representing approximately 12.06% 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 which remains in effect. 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

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### For the Year Ended December 31, 2016

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.

Mr. Glover was the Vice President, Finance and Chief Financial Officer of Western Plains Petroleum ("**Western Plains**") until his resignation on February 19, 2014. Western Plains was deemed bankrupt on February 22, 2014, for failure to file a proposal and has been discharged on October, 22, 2015.

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 under the Bankruptcy Act.

Mr. Bharucha ceased being a director of Goodwill Industries of Toronto, Eastern, Central and Northern Ontario ("**Goodwill**") in January 2016. In February 2016 Goodwill filed for bankruptcy protection under the Bankruptcy Act.

### Penalties or Sanctions

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. The Lead Director position was created in 2015 to help the Board address conflicts of interest should they arise.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Two former employees of the Corporation filed a claim in the Court of Queens Bench of Alberta on May 27, 2016, alleging wrongful dismissal and seeking damages. The Corporation is vigorously defending these allegations. To the knowledge of the Corporation, there are no other 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, 2016, 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.

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### **For the Year Ended December 31, 2016**

#### **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).

#### **RELATED PARTY DISCLOSURE**

The Corporation is considered to be a controlled corporation with Smoothwater Capital Corporation ("Smoothwater") being the controlling shareholder. Stephen Griggs, Chair of the Board and interim CEO of Genesis is also the CEO of Smoothwater and therefore a related director. Since the Chair of the Board of Genesis is currently a related director, the Board has appointed Steven Glover as the lead director and Chair of the Governance Committee. Mr. Glover is independent of Smoothwater and independent within the meaning of NI 52-110. Under the position description of the lead director, Mr. Glover is empowered to strike independent committees as and when required in order to address matters where a conflict of interest involving Smoothwater may exist.

Underwood Capital Partners Inc. ("Underwood") is a corporation controlled by Stephen Griggs, who is the current interim chief executive officer and the Chair of the Board of Directors of Genesis. The Corporation pays a fee to Underwood for the services provided.

KM Richter Advisory Consulting Services ("KM Richter") is a corporation controlled by Kirsten Richter, who is the current interim financial officer of the Corporation. The Corporation pays a fee to KM Richter for the services provided.

#### **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**

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.

#### **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 Professional 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, 2016, and 2015. MNP LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Chartered Professional Accountants of Alberta.

As of the date hereof, the principals, directors, officers and associates of MNP LLP; as a group, own, directly or indirectly, less than one per cent of the outstanding Common Shares of the Corporation.



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For the Year Ended December 31, 2016

### 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 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, 2016. Copies of these and other documents relating to Genesis may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and 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**" or "**Genesis**") shall have the oversight responsibility, authority and specific duties as provided by corporate, securities and other legislative or regulatory authority and as described below.

#### *Composition*

The Committee will be comprised of three or more directors appointed by the Board in accordance with the Board Mandate and shall be independent and financially literate as those terms are defined in National Instrument 52-110 for audit committees ("**NI 52-110**").

Members of the Committee 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 shall be appointed by the Board.

#### **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, acting reasonably, 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 work with management, auditors and if applicable, independent counsel or advisors so that complete and appropriate agenda materials are circulated to the Committee with sufficient time for study prior to the meeting;
7. Ensure appropriate agenda materials are circulated to the Committee with sufficient time for review prior to the meeting.

8. Forty-eight (48) hours' notice is required for meetings, unless Committee members unanimously waive the notice period;
9. Every question at a Committee meeting shall be decided by a majority of the votes cast, with each Committee member entitled to one vote;
10. 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
11. 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.

### **Responsibilities**

The Committee's 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 the Disclosure Controls and Policies and the Internal Controls Over Financial Reporting (including relevant IT systems), accounting and financial reporting systems and internal controls;
4. Overseeing and supervising the work of internal audit.
5. 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 and non-audit services;
- d) Evaluate the external auditor's qualifications, performance and independence;
- e) 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;
- f) 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;
- g) 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.

- h) Resolve disagreements between management and the external auditor;
- i) 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;
- j) Meet with the external auditor prior to the audit to review and approve the annual audit plan.
- k) 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;
- l) Monitor the level of co-operation received by the external auditor during its audit including access to all requested records, data, explanations and information;
- m) 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;
- n) 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;
- o) Review with the external auditor its view of the qualifications and performance of the key financial and accounting executives; and
- p) 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 directors 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, establish roles and objectives 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 IFRS.;
- 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 expense policy 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 and cyber security;
- 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 as set forth in the Corporation's Whistleblower Policy, 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 biennially, and otherwise as it deems appropriate and recommend changes to the Governance Committee for its review and further recommendation to the Board as the Governance Committee determines. Such review shall include the evaluation of the performance of the Committee against criteria set forth in the Committee terms of reference and the Board mandate.

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

Notes:

(1) Meaning as ascribed in NI 52-110.

## III. Relevant Education and Experience

Steven Glover holds a Masters of Business Administration from the University of Alberta and is a Fellow of the Chartered Accountants, currently serving as Chief Financial Officer of Clearview Resources Ltd. and as a Director and Chair of the Audit Committee of the Mutual Fund Dealers Association of Canada. He is a former (2009 - 2015) Vice Chair of the Board of Directors, and 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.

Yazdi Bharucha is a Chartered Professional Accountant and holds the Institute Certified Director Designation, ICD.D, from the Institute of Corporate Directors. Mr. Bharucha is a Director and Chair of the Audit Committee of Centric Health Corporation, a TSX listed diversified public healthcare company. Mr. Bharucha also serves as a Director of Rouge Valley Hospital System. Mr. Bharucha also serves as CFO of Cliffside Capital Ltd, a TSXV listed capital pool company. 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 is a Chartered Professional Accountant and holds the Institute Certified Director Designation, ICD.D, from the Institute of Corporate Directors. 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. Mr. Stewart currently serves as President of Capella Cove Capital Corp., a real estate advisory and investment company.

## 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 MNP LLP, in each of the last two fiscal years are as follows:

<b>Financial Period Ending December 31</b>	<b>Audit Fees</b>	<b>Audit-Related Fees<sup>(1)</sup></b>	<b>Tax Fees<sup>(2)</sup></b>	<b>All Other Fees<sup>(3)</sup></b>
2016	\$165,000	\$66,000	\$22,000	\$36,000
2015	\$165,000	\$68,000	\$-	\$21,000

*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 such services.*