

# ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2013

**GENESIS**

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**DEFINITIONS**

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

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

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

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

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

“**Breeze**” means The Breeze Inc.;

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

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

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

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

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

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

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

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

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

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

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

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

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

“**JV**” means joint venture;

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

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

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

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

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

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

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

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

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

“TSX” means the Toronto Stock Exchange.

## CURRENCY

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

## FORWARD-LOOKING STATEMENTS

This Annual Information Form contains certain statements which constitute forward-looking statements or information ( “**forward-looking statements**”) within the meaning of applicable securities legislation, , including Canadian Securities Administrators’ National Instrument 51-102 ‘Continuous Disclosure Obligations’, concerning the business, operations and financial performance and condition of Genesis.

Forward-looking statements include, but are not limited to, statements with respect the nature of development lands held and the anticipated inventory and development potential of such lands, ability to bring new developments to market, anticipated general economic and industry conditions in 2014 including low unemployment and interest rates, low stable inflation rates, positive net migration, petroleum commodity prices and above average earnings in Alberta and the anticipated impact on Genesis’ development and home building activities, the positive trend in the general economic conditions and the industry through 2014; the future development of raw lands held by LPLP 2007 which were annexed by the City of Airdrie in 2012; Genesis’ business strategy, including the geographic focus of its activities in 2014, the expected capital contribution of future earnings and cash flow from land holdings in the Greater Calgary area, the ability to meet the objective to increase the closing of home builds in 2014 as compared to 2013, including the ability to significantly increase home builds per year without substantial addition to costs to our production team or infrastructure so as to increase the effect on net margin and profitability, the timing and operation of new accounting and operating software, anticipated areas of focus for Genesis in 2014; and the ability of Genesis to develop projects (and the nature of such projects). Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Although Genesis believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements because they involve assumptions, known and unknown risks, uncertainties and other factors many of which are beyond the Corporation’s control, which may cause the actual results, performance or achievements of Genesis to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Accordingly, Genesis cannot give any assurance that its expectations will in fact occur and cautions that actual results may differ materially from those in the forward-looking statements.

Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- the impact or unanticipated impact of general economic and business conditions in Canada, the United States and globally;
- local real estate conditions, including the development of properties in close proximity to Genesis’ properties;
- the ability of management to execute its business strategy and plan;
- current and expected future expense levels being more than what is forecast;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;

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

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

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement. Furthermore, these forward-looking statements are made as of the date of this AIF and, except as required by applicable law, Genesis does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise.

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

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**CORPORATE STRUCTURE**

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

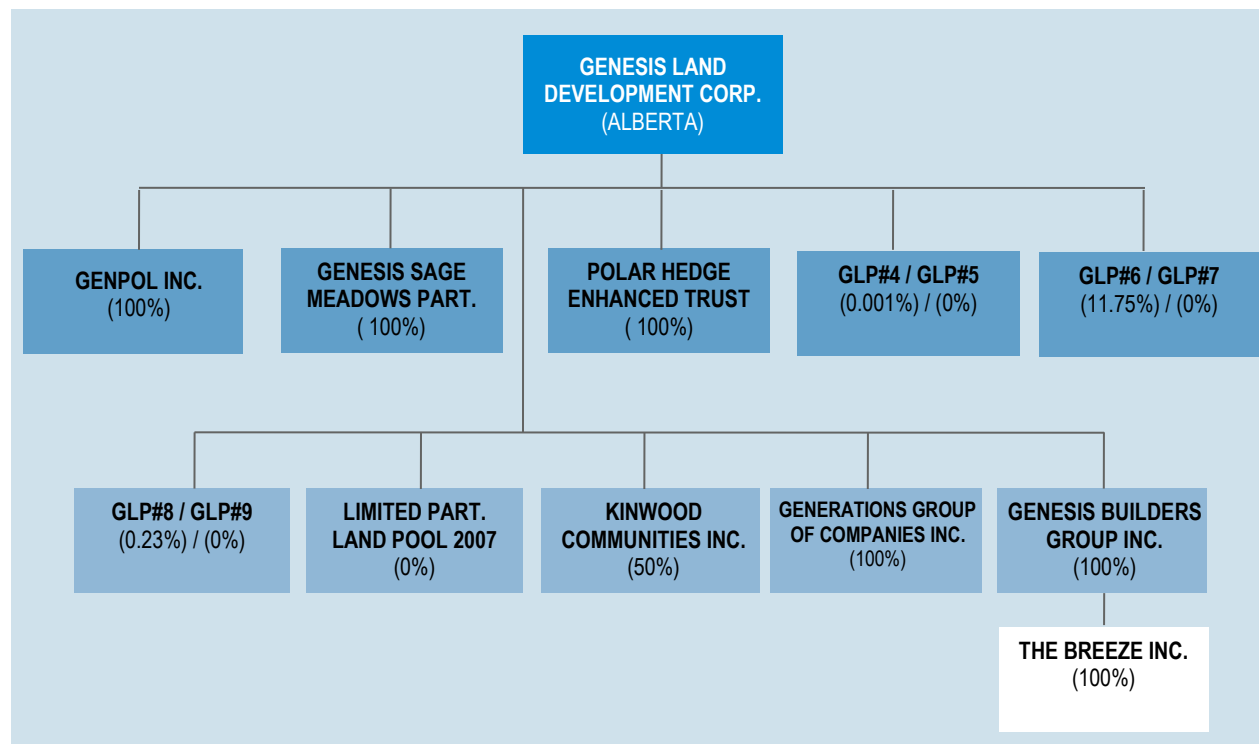
We are a reporting issuer under the applicable securities legislation in the provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Nova Scotia and Prince Edward Island. The Common Shares are listed and posted on the TSX under the trading symbol "GDC".

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

**INTERCORPORATE RELATIONSHIPS**

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

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



- 1) Genpol was formed on August 3, 2004 to hold and develop certain lands in northeast ("NE") Calgary transferred from the Corporation. Genesis subscribed for 19.88% of the shares in Genpol with PHT obtaining the remaining 80.12%. We had acquired PHT in order to gain access to substantial non-capital losses that had accumulated in PHT. Genpol was formed to make efficient use of these losses from an income tax perspective.
- 2) GSMP is a registered partnership that was formed on March 31, 2010. The partnership was created to hold the Evansridge/Sage Meadows land parcel in Symons Valley, and is 100% beneficially owned by Genesis.

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- 3) PHT was wholly acquired by Genesis on October 9, 2003 for an aggregate consideration of \$6,562,000. PHT was an income trust that provided us with tax losses, and is currently inactive. PHT will terminate on April 30, 2015.
- 4) GLP#4 and GLP#5 were formed in 2005 to acquire the North Conrich Lands, comprised of 610 acres of land adjacent to the eastern boundary of the City of Calgary. GLP#4 and GLP#5 collectively raised a total of \$9,000,000 and acquired a 48.8% interest in North Conrich. Genesis retained a 51.2% ownership of the NE Calgary Lands, which it continues to retain.
- 5) Genesis formed GLP#6 on December 29, 2005 and GLP#7 on April 6, 2006 to obtain further cash liquidity on seven zoned and developed properties already owned by the Corporation and valued at approximately \$27,545,000. Combined, GLP #6 and GLP #7 raised \$25,035,000 in cash with the intention to conduct joint ventures to construct multi-family dwellings, single-family homes, and commercial centres on these seven properties. We retain an interest of 11.75% in GLP#6.
- 6) On December 20, 2006, Genesis formed GLP#8 and GLP#9 to raise capital for the purchase of 1,140 acres of land near Radium, British Columbia. These limited partnerships raised \$10,742,000 in 2007 to complete the land purchase.
- 7) On June 29, 2007, Genesis formed LPLP 2007 to raise capital for the purchase of 319 acres of land adjacent to the city of Airdrie, Alberta, and 618 acres of land near the hamlet of Delacour (10 minutes east of the Calgary International Airport). The goal was to raise \$100,000,000 to complete the land purchases. LPLP RRSP #1 and LPLP RRSP #2 were formed on July 25, 2007 and January 15, 2008, respectively, to enable RRSP investors to indirectly acquire units of LPLP 2007. Combined LPLP 2007 and LPLP RRSP #1 and #2 have raised \$44,042,000.
- 8) Kinwood was formed on April 30, 2010. Genesis and another real estate development corporation formed a joint venture corporation for the purpose of conducting residential development of certain real estate holdings. We contributed 75 acres (net of JV interests) and have a 50% interest in Kinwood.
- 9) The Single-Family Home Building division of Genesis was started in 2005 as Reliant Homes Inc. We purchased the assets of Point Grey Homes Ltd. in June 2006, and created GBG as a result of the purchase. It is focused on single-family home building. The home building division is composed of five subsidiaries: Breeze, Generations, Life at Solana Inc., Life at Waterstone Inc., and Montura Inc.

For a complete list of subsidiaries, please refer to note 22 of the consolidated financial statements for the year ended December 31, 2013, which can be found on SEDAR and on our website at [www.genesisland.com](http://www.genesisland.com).

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three-Year History

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

#### 2011

On January 5, 2011, we announced that we had entered into a conditional purchase and sale agreement with a real estate development company to sell an approximate 27.5-acre parcel of zoned commercial land within Genesis' Sage Hill Crossing project for approximately \$25.6 million. The purchaser exercised an option to increase the sale to 33.45 acres for approximately \$31.7 million. The agreement was subject to the purchaser completing due diligence, and Genesis completing servicing and subdivision of the site. The purchaser satisfied or waived the conditions on September 7, 2011. The servicing by Genesis was completed in 2012 resulting in sale of 34.35 acres for approximately \$32.5 million.

On April 7, 2011, we announced that we had entered into a Letter Agreement (the "**Letter Agreement**"), dated April 5, 2011 with Jupiter Acquisition Ltd. ("**Jupiter**"), whereby Jupiter proposed to acquire all of the issued and outstanding common shares of Genesis and all common shares issuable upon the exercise of currently outstanding stock options at a price of \$5.80 per common share (the "**Proposed Transaction**"). The Proposed Transaction was subject to a number of conditions including, but not limited to, Jupiter arranging for satisfactory financing to complete the transaction. The Letter Agreement terminated as Jupiter was unable to satisfy or waive the conditions to complete the Proposed Transaction on or before June 7, 2011. A special committee of independent members of our Board was established to evaluate and oversee the Proposed Transaction.

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On June 20, 2011, we announced that the Board initiated a process to explore and consider possible strategic alternatives for enhancing shareholder value, including a possible sale of the Corporation, and engaged Desjardins Securities Inc. as our financial advisor.

On August 29, 2011, Mr. Gobi Singh resigned as an officer and director of Genesis pursuant to the terms of a Settlement Agreement and Undertaking (“SAU”) reached with the Alberta Securities Commission (“ASC”), arising from a restatement of the Corporation’s financial statements. Under the SAU, Mr. Singh agreed to a seven year ban from acting as an officer and director of any issuer. On November 30, 2011, we entered into an advisory services agreement with Mr. Singh to provide support and advisory services on an as-needed basis during the strategic review process.

On October 13, 2011, Mr. Jeff Blair was appointed as the interim Chief Executive Officer of the Corporation.

#### **2012**

General economic conditions were positive in 2012 in Canada and in the land development/housing industry, resulting in an improved market over 2011. Genesis realized an increase in revenues to \$129,460,000 in 2012, largely due to the Sage Hill Crossing property sale (\$32,500,000), and higher lot and residential home sales.

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

On March 24, 2012, 319 acres of raw land held by LPLP 2007 originally purchased for \$20.7 million were annexed into the City of Airdrie. Annexation into the City of Airdrie enhances the likelihood that these lands can be developed in the future. Pursuant to a management agreement dated June 29, 2007, and assuming a minimum return to LPLP investors, we can either acquire these lands or participate in the profits if sold.

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

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

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

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

#### **2013**

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

In January, we received proceeds from the 2012 sale in the Sage Hill Crossing property to Riocan Real Estate Investment Trust. The proceeds from the sale were used to repay credit facilities subsequent to year end, reducing the balance of loans and credit



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facilities. At December 31, 2013, the Corporation's debt decreased significantly to \$50.4 million from \$97.2 million at December 31, 2012.

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

In June, Genesis had closed the sale of 28 of the 29 units in the Saffron project in the Calgary community of Saddlestone. The remaining unit was presold and closed during the third quarter of 2013. Genesis also sold 1.56 acres of development (commercial) land in phase 5 in Saddlestone.

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

- Stephen Griggs will be appointed Chair of the Board;
- The Board will form a new Strategic Planning Committee, chaired by Mr. Pringle and including Mr. Griggs, to review the strategic options available to Genesis and make a recommendation to the Board by no later than November 1, 2013;
- William Pringle will be appointed Vice-Chair of the Board and Mr. Griggs will become chair of the Governance Committee, while the chairs of the Audit and Transaction Review Committees remain unchanged;
- The pursuit of legal and/or regulatory actions will cease related to the conduct of the proxy contest by Genesis and Smoothwater;
- Smoothwater's shareholdings are grandfathered under the Shareholder Rights Plan, which will be reviewed by the Governance Committee to determine if it is in the best interests of all shareholders;
- The Board will terminate the Advance Notice Bylaw; and
- Genesis will reimburse reasonable costs incurred arising from the proxy contest, including legal and proxy solicitation costs.

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

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

- Build a sustainable and highly profitable home building business;
- Grow land development operations;
- Sell non-core assets;
- Simplify and streamline the organization;
- Focus on financing strategies;
- Create liquidity for shareholders; and
- Capitalize on new opportunities.

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### Market Overview

Alberta's general economic conditions continue to be strong, supporting expectations of a robust pace of activity in Calgary's home building industry throughout the balance of 2014. Solid economic fundamentals include low unemployment and interest rates, low and stable inflation rates, positive net migration to Alberta and above average earnings by Albertans. These market dynamics provide a continued healthy environment for development and growth of our core land positions, sale of lots and expansion of our home building activities.

We own a large portfolio of entitled residential and mixed-use land, which management believes is well positioned to benefit from the continued robust activity in the Alberta economy. Land values in Calgary are rising for both entitled land and home building lots, reflecting the tightening of entitled land supply and the continuing strong demand for homes in the Calgary Metropolitan Area.

During this time, we will continue to implement the strategic plan developed in 2013 focused towards building our existing land development and home building businesses to maximize shareholder value and position the platform for future growth. As we execute on our strategic plan, Genesis will undergo further transformation throughout the year.

We have already realized progress on the attainment of our strategic goals. In addition to increasing the number of homes sold in 2013, we closed the sale of a non-core industrial site for \$14.0 million on February 28, 2014. The net proceeds from the sale were used to retire approximately \$6.5 million of related property debt, with the remainder to be used for general working capital purposes. The sale of this property is in keeping with our strategy of disposing of a number of non-core holdings, and has resulted in 98% of our properties now residing within our core area of focus, the Calgary Metropolitan Area..

## DESCRIPTION OF THE BUSINESS

### General Description

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

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

The common shares of the Corporation are listed for trading on the Toronto Stock Exchange (the "Exchange" or "TSX") under the symbol "GDC".

### Corporate Objective and Strategy

Over the course of 2013, management and the Board of Directors ("Board") developed a comprehensive strategic plan focused towards building our existing land development and home building businesses to maximize shareholder value and position the platform for future growth. This plan will drive our focus and activities in 2014 and beyond. We made substantial progress on the plan's strategies in 2013, which are outlined as follows:

**Build a Sustainable and Highly Profitable Home Building Business.** Home building unit volume grew 80% from 91 homes sold in 2012 to 164 in 2013, and we are well-advanced in meeting our objective of growing this by a further 41% to 231 home closings in 2014 and beyond. We have assembled a strong production team and sufficient infrastructure to assist us in gradually increasing home sales to 300 homes per year, improving net margin and profitability of our home building business segment as volume rises.

As volume in the home building business segment rises, we expect improvements in both gross and net margins as a result of more efficient use of our home building platform. The land business generates regular revenue from the sale of home building lots, which is a relatively predictable business in normal market conditions. As mixed-use sites mature and are sold, Genesis will

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generate large, but irregular, increases in earnings and cash flow. The timing of these sales depends on the progress of development for these large, mixed-use land positions.

Part of our strategy to increase growth and profitability is to use our developed lot supply primarily in our own home building business segment. This provides a reliable long-term supply of land to grow the home building business segment and enables us to capture additional margin from the sale of homes.

**Grow Land Development Operations.** We hold a valuable bank of residential land in our three primary communities in Airdrie, Calgary NE, and Calgary NW in Alberta, which continues to fuel growth in our lot sales and home building business segment. Residential lot sales are expected to grow by 7% from 260 lots in 2013 to 277 lots in 2014. In addition, we are aggressively securing approvals and advancing development for our prime mixed-use land holdings at Sage Hill Crossing and North Conrich. These development lands represent some of the best located and developable mixed-use land in the Calgary Metropolitan Area.

**Sell Non-core Assets.** We have identified seven non-core properties that are either outside the Calgary Metropolitan Area or do not have development characteristics that fit within our core business. The appraised value of these properties is \$21,150. In order to more efficiently deploy our capital, we have decided to pursue the sale of these properties. We have largely met our short-term sale objectives with the sale of the first and largest of these properties for \$14.0 million in February 2014, and now have 98% of our real estate assets within the Calgary Metropolitan Area. The balance of the non-core properties is expected to be sold over the next 12 to 24 months. We continue to evaluate several other ancillary parcels to determine whether they fit into our long-term development and building program.

#### **Simplify and Streamline the Organization.**

To provide cost savings and operating efficiencies, we are in the process of eliminating redundant and inefficient software systems. The implementation of a new accounting and operations software system is underway and planned to be fully operational in the third quarter of 2014. We will continue to examine our operations to identify future opportunities to improve efficiencies.

We are committed to improving communication with our shareholders and the market. Over 2013, we have substantially improved the quantity and quality of our public disclosure documents. In 2014, our shareholders can expect management to further increase its focus on investor communication through a variety of investor relations activities. We believe that better explaining our assets, business and potential to the market will help gain understanding, trust and, eventually, improved market valuation.

**Focus on Financing Strategies.** Genesis strengthened its balance sheet by reducing debt by \$46,851 in 2013 (2012 - \$8,993). Subsequent to the year-end, Genesis' highest interest loan (excluding limited partnerships) was prime +2.5%. A comprehensive financing approach to ensure the optimal allocation and use of our capital resources, and achieve a prudent capital structure and long-term returns. Going forward, our objective is to better match the term of financing with the underlying land asset as follows:

- Obtain the maximum amount of financing available for land servicing and home building, which is generally at a lower rate due to the nature of the assets' short-term earnings potential and lower risk; and
- Finance long term land with equity, except in certain cases when acquisition financing is obtained from a vendor or other advantageous sources

**Create Liquidity for Shareholders.** In management's opinion, Genesis' share price does not currently reflect the underlying net asset value of the Corporation. In an effort to help reduce the significant gap and improve trading liquidity of our common shares, we will be considering various alternatives to enhance shareholder value. The strategy would be implemented if, and when, appropriate while retaining sufficient cash to sustain and grow earnings over the long-term.

**Capitalize on New Opportunities.** We actively identify and evaluate potential, and appropriate, land acquisitions to sustain and grow our land development and home building business in the Calgary Metropolitan Area. We plan to create a strategy to enter the multi-family home building business in order to benefit from our large land base, which equates to a multi-year supply. In

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addition, our multi-use development projects present potentially significant opportunities to extend our development capability and enter joint venture arrangements to capitalize on potentially profitable commercial opportunities.

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

- We believe that we have a strong sales and marketing team in place, which is dedicated to a consistent and sustainable increase of market share. The team uses innovative and effective sales techniques and competitive pricing to attract new customers, maximize market share and strategies ensure satisfaction of customers;
- We strive to establish good working relationships with and among our employees by promoting teamwork in a respectful environment. Our culture, combined with benefits and compensation that are in line with the market, facilitates increased employee satisfaction, engagement and commitment while ensuring alignment with our corporate goals and strategic plan;
- We seek to develop a solid corporate identity in our targeted market areas by producing consistent results of the highest quality standards while providing exceptional customer service; and
- We continue to build and sustain an ethical and honest culture, promote a strong compliance environment and support the integration of effective controls within the Corporation. Genesis maintains a comprehensive system that communicates behaviour expectations, training and coaching on ethics and compliance issues, and professional accountability.

To generally mitigate risks to its business, we have taken the following steps:

- Constant monitoring of market trends and conditions;
- Establishing substantial pre-sales before commencing a project, where prudent to do so;
- Matching the terms of financing with the underlying land asset;
- Monitoring the costs of services and materials, securing long-term commitments for prices wherever possible;
- When, selling to third-party builders, Genesis:
  - Conducts thorough credit assessments with respect to all new builders;
  - Obtains a non-refundable deposit; and
  - Maintains title to lots that are sold until payment is received in full;
- Ensuring, as far as possible, that Genesis has sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risk to the Corporation;
- Establishing relationships with a number of different lenders to mitigate against renewal risk;
- Meeting all regulatory requirements on time;
- Providing coaching, training and educational opportunities to employees, as well as periodically evaluating the need to attract high quality professionals with appropriate experience;
- Establishing adequate financing prior to commencement of project development;
- Undertaking strategic planning of current and future land development projects; and
- Making the necessary capital expenditures to comply with environmental laws and regulations.

As the market and general economic environment continues to improve, we will continue to pursue a strategy of positioning ourselves for future growth. With a substantial land base, we are well positioned to focus on developing those projects that offer the best return in the market going forward.

## Operations

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

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In 2013, total revenues, net of interest and other income, were as follows:

	Year ended December 31	
	2013	2012 <sup>(1)</sup>
Residential lot sales	25,577,000	43,740,000
Development land sales	6,668,000	45,460,000
Residential home building segment	63,543,000	39,448,000
	<b>95,788,000</b>	<b>128,648,000</b>

*(1) 2012 information has been restated to reflect the changes due to the adoption of IFRS 11 as summarized in note 3 of consolidated financial statements for the year ended December 31, 2013*

**LAND DEVELOPMENT**

The land development business segment principally develops residential lots in the cities of Calgary and Airdrie, Alberta. In 2010, the markets started to gradually stabilize from the general downturn of 2008 and 2009 in the national and local economies. The modest positive trend in general economic conditions and the industry continued through 2011 through 2013, and is expected to continue through 2014. The land development business segment will continue to pursue subdivision opportunities in its core development area of Calgary and surrounding communities. With a diversified and substantial land base, the Corporation is well positioned to focus on developing those projects that offer the best return in the market going forward.

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The following is a brief summary of the land projects (developed and undeveloped) that we owned as at December 31, 2013. Detailed descriptions of currently being developed projects follow the table below.

**Development Projects**

	Location	Land under development		Land held for future development	Total		Scheduled start date	Scheduled completion date
		Acres	Lots	Acres	Acres	Lots		
<b>Residential</b>								
<b>Airdrie</b>								
Canals/Bayside	Airdrie	207	192	119	326	192	1997	2022
<b>Calgary NW</b>								
Sage Meadows	Calgary	24	37	20	44	37	2002	2019
Sherwood	Calgary		5			5		
<b>Calgary NE</b>								
Saddlestone	Calgary	27	138	46	73	138	2010	2018
		<b>258</b>	<b>372</b>	<b>185</b>	<b>443</b>	<b>372</b>		
<b>Mixed Use</b>								
Sage Hill Crossing	Calgary	71	-	-	71	-	2002	(1)
Delacour	County of Rockyview	-	-	1,476	1,476	-	(1)	(1)
North Conrich	County of Rockyview	-	-	312	312	-	(1)	(1)
		<b>71</b>	<b>-</b>	<b>1,788</b>	<b>1,859</b>	<b>-</b>		
<b>Other assets</b>								
Acheson	Edmonton, AB	122	-	-	122	-	(2)	(2)
Prince George (Woodlands)	Prince George, BC	114	-	-	114	-	(3)	(3)
Beuna Vista	Kamloops, BC	-	-	1,653	1,653	-	(3)	(3)
Mitford Crossing	Cochrane, AB	-	-	156	156	-	(3)	(1)
Dawson Creek	Dawson Creek, AB	-	-	4	4	-	(3)	(3)
Mountain View Village	Calgary East	-	-	144	144	-	(1)	(1)
Brooks	Brooks, AB	-	14	-	-	14	(3)	(3)
Spur Valley	Radium, BC	-	-	33	33	-	(3)	(3)
		<b>236</b>	<b>14</b>	<b>1,990</b>	<b>2,226</b>	<b>14</b>		
<b>Total Genesis</b>		<b>565</b>	<b>386</b>	<b>3,963</b>	<b>4,528</b>	<b>386</b>		
<b>Limited Partnerships</b>								
Delacour (LPLP2007)	County of Rockyview	-	-	617	617	-	(1)	(1)
Fowler (LPLP2007)	Airdrie	-	-	319	319	-	2020	(1)
North Conrich (LP4/5)	County of Rockyview	-	-	298	298	-	(1)	(1)
Solana (LP6/7)	Airdrie	14	-	-	14	-	(3)	(3)
Spur Valley (LP8/9)	Radium, BC	-	-	1,139	1,139	-	(3)	(3)
Total Limited Partnerships		14	-	2,373	2,387	-		
<b>Total</b>		<b>579</b>	<b>386</b>	<b>6,336</b>	<b>6,915</b>	<b>386</b>		

- (1) *Not scheduled yet*
- (2) *Sold on February 28, 2014*
- (3) *Identified for sale*

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### **Current Projects**

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

#### **AIRDRIE**

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

*The Canals* - consists of nine phases, all of which are fully developed and seven fully sold out. Servicing of Canals Phase 6, the final phase in the community, was completed in 2012. Canals Phase 6 consisted of 148 single-family lots and a 3.50-acre multi-family site. There are 102 unsold single-family lots and one multi-family site in Canals Phase 6, and two multi-family sites in Phase 5A.

*Bayside* - consists of 15 phases. Eight phases have been developed and an additional nine phases are available for the future. Bayside Phases 1 to 4 and Phase 6 are completely developed and sold out. The development of Bayside Phase 7 (150 lots) was completed in late 2010, and 145 lots have been sold to date. Bayside Phase 9 (107 lots) was developed in 2011 and 14 lots remain to be sold. Bayside Phase 5 (122 lots) was serviced in 2013 and 82 lots remain unsold.

*Bayview* – located to the west of the existing Bayside and Canals communities, Bayview consists of 10 phases. Planning permits are currently in place. We plan to develop the first two phases in 2014.

#### **CALGARY NW**

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

This development has several topographical features including West Nose Creek, valley escarpments, ravines and coulees, providing the Corporation with development opportunities, 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 new Stoney Trail Ring Road, which greatly improves access to the area. The Symons Valley Community Plan (Area Structure Plan) received the approval of Calgary's City Council in April 2001, paving the way for submission of detailed development and rezoning plans. Outline plan and land use approval has now been completed on all the Corporation's lands in Symons Valley.

*Sage Meadows* - The community of Sage Meadows consists of six phases adjacent to Symons Valley Road and West Nose Creek. This project will take advantage of the excellent access off Symons Valley Road and the natural area amenity along West Nose Creek. Development is complete on the first two residential phases, consisting of 200 lots. Planning has commenced on the third phase, a 9.58-acre mixed-use site (residential/office/retail). Design has started on the concept plan for the site. The community also includes a 2-acre site for the new Symons Valley Fire Hall, which has been sold to the City of Calgary. Sage Meadows Phases 1 and 2 were serviced and 163 of the total 200 lots were sold as of December 31, 2013. The remaining lots are expected to be sold in 2014. Servicing is underway on Phase 4 that will contain approximately 74 lots. Servicing is scheduled for completion in 2014. The home building business segment of the Corporation is developing part of phase 2 of Sage Meadows as a row housing project. The project is called 'The Brownstones' and contains 46 town homes of which 22 are sold to date.

*Sherwood* – The community of Sherwood consists of seven phases, all of which were completely developed and sold out except for five lots, which are expected to be sold in 2014.



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*Kinwood* – The community of Kinwood consists of approximately 150 acres of land, including 26.9 acres of multi-family parcels. Genesis is involved in a JV arrangement in this community and is entitled to 50% of all lots and multi-family parcels as per the agreement with its partner. Servicing of Phases 1, 2, 3/4 and Phase 5 is complete and contains 429 lots and five multi-family sites. Phase 1 is sold out, three lots remain unsold in Phase 2, 63 lots remain unsold in Phase 3/4 and one multi-family lot remains unsold in Phase 5. In addition, we purchased 95 lots in Kinwood. The remaining lots are expected to sell in 2014.

*Sage Hill Crossing* – Genesis has a 71-acre mixed-use/regional commercial project under the area structure plan called 'Sage Hill Crossing'. Sage Hill Crossing commenced development in 2007.

#### **CALGARY NE**

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

Saddlestone consists of 166 acres, which has received outline plan and land use approval. This project is being developed in 13 phases. Development is complete on Phases 1, 2, 3, 4, 5, 5A, 6 and 12 with 457 single-family lots, six multi-family sites and one commercial site. 319 lots, three multi-family sites and the commercial site have been sold. Saffron, which comprises three multi-family sites in phase 2, is being developed as a row-housing project consisting of 41 town homes. The first stage of the project containing 29 units was developed in 2012 and sold in 2013. The second stage comprising 12 units is under development.

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

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

#### **HOME BUILDING**

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

The Single-Family Home Building division was started in 2005 as Reliant Homes Inc. In its first year of operation, we realized and closed one housing unit. In 2006, an established home building company, Point Grey Homes Ltd., was purchased to provide Genesis with established market presence and integration within the home building market. The vision of the Single-Family Home Building division has evolved since its inception, which builds single-family and multi-family product in the starter, move-up and estate markets.

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

We sold 164, 91 and 68 homes in 2013, 2012 and 2011, respectively. We are active in northeast and northwest Calgary, and Airdrie, building for homeowners entering the market for the first time as well as those moving up to estate homes. In 2014, we will be active in six communities in north Calgary and Airdrie with nine professionally designed and staged show homes.

In 2008, we started building multi-family homes with an entity called 'Generations'. In 2013, home building started construction of multi-family housing projects: The Brownstones of Sage Meadows in NW Calgary; The Saffron in NE Calgary; and The Gardens in NE Calgary. For 2014, home building will be introducing urban row housing project called 'The Laurels' in NE Calgary.

#### **OTHER PROJECTS**

*Sage Hill Crossing* - This well-positioned 71-acre mixed-use site located in Calgary's northwest was approved for land use in October of 2005. Revised land use was approved in 2008, providing for 1.2 million square feet of retail, approximately one million square feet of office, 4,450 residential units, cinemas, hotel, a community recreation center, and an integrated transit hub.



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In 2010 and 2012, We executed purchase and sale agreements to sell a total of 34.35 acres to Riocan Real Estate Investment Trust for \$32,526,000. We are currently re-conceptualizing the remainder of the land to determine the best balance between commercial, mixed use and residential zoning.

*Sage Meadows Mixed-Use* – This 9.52-acre mixed-use site is located in our new community of Sage Meadows, ideally located adjacent to Symons Valley Road. It will include a combination of multi-family residential, office and retail uses. Development is on hold until a sanitary trunk is installed in Symons Valley Road.

*North Conrich* – This 610-acre parcel of raw land borders the Calgary city limits in northeast Calgary (80th Ave. and 84th St.) within the county of Rocky View. Genesis raised \$9,000,000 via limited partnerships to finance the land acquisition and retains a 51.2% (312 acres) undivided interest in the lands. The planning process has begun and we are evaluating various development opportunities for this site, including mixed-use commercial and industrial. The completed east leg of the Stoney Trail ring road, located adjacent to this property provides exceptional access and exposure. We are considering developing a commercial/industrial park and have initiated the process required to rezone these lands.

*South Acheson Industrial* – The Acheson Industrial Area is located west of the City of Edmonton in Parkland County between Edmonton and Spruce grove. This project has 122 acres with highway frontage onto Highway 16A. We entered into a conditional purchase and sale agreement with a real estate development company to sell this property on March 15, 2013. Genesis closed the sale of this property on February 28, 2014.

### **Competitive Conditions**

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

### **Seasonality**

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

### **Environmental Protection Requirements**

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

Environmental protection requirements did not have a significant financial or operational effect on Genesis capital expenditures, earnings or competitive position during 2013 and we do not expect significant effects in future years.

### **Employees**

The Corporation had 63 employees as at December 31, 2013, all of whom are located in Calgary, Alberta.

### **Code of Conduct**

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

The Board approved the Code as at November 10, 2010, copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **RISK FACTORS**

### **General**

In the normal course of business, Genesis is exposed to certain risks and uncertainties inherent in the real estate development industry. Real estate development is a cyclical business; as a result, our profitability could be adversely affected by external factors beyond the control of management.

### **Industry Risk**

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

### **Competition**

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

### **Supply and Demand**

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

### **Geographic Risk**

Our business activities are conducted in Western Canada, with active development primarily in and around the cities of Calgary and Airdrie in Alberta. As a result, the market value of our assets, our ability to generate cash flow and our performance are particularly sensitive to changes in the real estate markets in Alberta and economic conditions in Alberta generally. The factors impacting on 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 our business, cash flows, financial condition and results of operations.

### **Development and Construction Costs**

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

## **Credit and Liquidity Risk**

Credit risk arises from the possibility that builders that acquire lots from Genesis may experience financial difficulty and be unable to fulfill their lot payout commitments. Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. If we are unable to generate sufficient sales and renew existing credit facilities or secure additional financing, it will impact the Corporation's ability to meet its obligations as they become due. Based on our operating history, relationship with lenders and committed sales contracts, management believes that we have the ability to continue to renew or repay our financial obligations as they come due.

## **Finance Risk**

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

## **Interest Risk**

This is the combined risk that Genesis would experience a loss as the result of its exposure to a higher interest rate environment and the possibility that at the time of maturity of a mortgage we would be unable to renew the maturing debt either with the existing lender or with a new lender. We structure our debt so as to stagger the maturity dates, thus reducing exposure to any short-term fluctuations in interest rates. Management has historically been successful in obtaining refinancing on maturing debt where it has sought it. Should Genesis experience a loss due to this risk, the future development activities of the Corporation could be impacted.

## **Management Risk**

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

## **Mortgage Rates and Financing**

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

## **General Uninsured Losses**

Genesis carries comprehensive insurance with policy specifications, limits and deductibles customarily carried for similar companies. There are, however, certain types of risks that are either uninsurable or not economically insurable, such as those of a catastrophic nature. Such uninsured losses could materially affect our 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 our properties or releases from our properties. The failure to remediate such properties, if any, could

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adversely affect the Corporation's ability to borrow using the property as collateral or sell the real estate. We are not aware of any material noncompliance with environmental laws at any of our properties. Environmental laws and regulations can change, and Genesis may become subject to more stringent environmental laws and regulations in the future, which could impact its business, cash flows, financial condition and results of operations.

### **Governmental Regulation**

We must comply with extensive and complex regulations affecting the land development and home building process. These regulations impose additional costs and delays, which adversely affects our 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 we must meet prior to being approved for a particular development or project, if approved at all. Delays in the receipt of regulatory approvals could impact the timing and implementation of our 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 our sales by raising the price that homebuyers must pay for its homes. We must also comply with a variety of local, provincial and federal laws and regulations concerning the protection of health and the environment, including with respect to hazardous or toxic substances. These environmental laws sometimes result in delays, causing additional costs, or severely restricting land development and home building activity in environmentally sensitive regions or areas.

## **CAPITAL STRUCTURE**

Genesis is authorized to issue an unlimited number of Common Shares without nominal or par value, of which, as at the date of this AIF, 44,861,200 Common Shares are issued and outstanding as fully paid and non-assessable. In addition, 2,332,500 Common Shares are reserved for issuance pursuant to options granted to directors, officers, employees and consultants of Genesis. We are also authorized to issue an unlimited number of Preferred Shares without nominal or par value. To date, no Preferred Shares have been issued.

### **Common Shares**

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

### **Preferred Shares**

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

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

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**DIVIDENDS**

Since incorporation, neither Genesis nor any of its subsidiaries have declared any cash dividends or made any distributions on any of their securities other than distributions made to unit holders of certain subsidiary limited partnerships of Genesis, as described below. Dividends on securities of Genesis or its subsidiaries will be paid (or made) solely at the discretion of the Board after taking into account the financial condition of Genesis and the economic environment in which it is operating. It is our intention to make dividend payments in a future period as allowed by cash flow streams.

The following cash distributions were made to unit holders of the limited partnerships during the years ended December 31, 2013, 2012 and 2011, respectively:

	2013	2012	2011
GLP#6 and GLP#7	4,750,000	4,444,000	140,000
GLP#8	-	-	328,000
	<b>4,750,000</b>	<b>4,444,000</b>	<b>468,000</b>

**MARKET FOR SECURITIES**

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

2013	Price Range (\$)		Monthly Trading Volume
	High	Low	
January	3.57	3.30	689,900
February	3.46	3.26	469,400
March	3.55	3.28	793,900
April	3.45	3.33	3,492,200
May	3.79	3.28	1,536,700
June	3.80	3.65	313,000
July	3.80	3.55	312,500
August	3.85	3.60	343,400
September	3.85	3.52	245,100
October	3.65	3.50	230,600
November	3.60	3.36	249,100
December	3.47	3.35	218,700

**PRIOR SALES**

The following table sets forth, for each class of securities of the Corporation that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the period from January 1, 2013 to December 31, 2013 and the number of securities of the class issued at that price and the date on which the securities were issued.

Date of Issue/Grant	Number and Designation of Securities	Issue Price
May 10, 2013	75,000 options	\$3.30
September 23, 2013	150,000 options	\$3.58
December 16, 2013	210,000 options	\$3.36

For more information regarding our Stock Option Plan, please see note 11 of the Consolidated Financial Statements for the years ended December 31, 2013 and 2012, dated March 28, 2014 filed on SEDAR at [www.sedar.com](http://www.sedar.com).

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

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Director Since</b>	<b>Principal Occupation</b>
Yazdi J. Bharucha <sup>(1)(2)</sup> C.A., ICD.D Ontario, Canada	Director	November 18, 2010	<p>Mr. Bharucha is a director and Chair of the Audit Committee of Centric Health Corporation, a diversified public healthcare company. Mr. Bharucha also serves as a Director of Alosinac Realty Trust, Rouge Valley Hospital System and Goodwill Industries Limited of Toronto.</p> <p>Mr. Bharucha was from May 1997 to September 2009 the Chief Financial Officer of Canadian Apartment Properties Real Estate Investment Trust (CAPREIT), which is one of Canada's largest owners of multi-family rental communities. Mr. Bharucha's previous experience includes Vice President and Controller of MPI Group Inc., a real estate investment and development company. Previously, he also held the position of Controller of MICC Properties Inc., a real estate investment and development company. He was also responsible for financial planning, accounting, reporting and management of real estate operations with Guaranty Properties Limited, a subsidiary of Guaranty Trust Company of Canada.</p> <p>Mr. Bharucha is a Chartered Accountant and holds the Institute Certified Director designation (ICD.D) from the Institute of Corporate Directors.</p>

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Name and Municipality of Residence	Position	Director Since	Principal Occupation
Michael Brodsky <sup>(3)</sup> B.A., I.D., M.B.A. Maryland, U.S.A.	Director	July 12, 2012	<p>Mr. Brodsky is presently Executive Chairman of of Selectica, Inc., a leader in configuration and contract management software, where he has been on the Board of Directors since October of 2010. He is also a member of the Board of Directors of Trans World Corporation, a leading casino company in the Czech Republic, since September of 2013. Mr. Brodsky is also presently the Managing Partner of Vajra Asset Management, LLC an investment firm since December of 2012. Previously, he was a member of the Board of Directors as well as serving as the President, CEO and Executive Chairman of Yobet.com, Inc., which was acquired by Churchill Downs Incorporated. He also served of the Board of Directors of Churchill Downs, Inc. Prior to that, he was the Managing Partner of New World Opportunity Partners, the public investment arm of the Chicago-based Pritzker family; and the Chief Financial Officer of The Away Network, an online travel media company that owned and managed Away.com, OutsideOnline.com, and GORP.com. The Away Network was acquired by Orbitz.com and the Cendant Corporation, where Mr. Brodsky was Vice President of Finance in Cendant's Travel Services Division.</p> <p>Mr. Brodsky has a BA from Syracuse University, a JD from Northwestern University and an MBA from The Kellogg School of Business at Northwestern University.</p>

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Name and Municipality of Residence	Position	Director Since	Principal Occupation
Stephen Griggs, B.A., J.D. <sup>(3)(4)(5)</sup> Mississauga, Canada	Board Chairman	August 28, 2013	<p>Mr. Griggs is Chairman of Genesis and the CEO of Smoothwater Capital Corporation, a private "activist" investor based in Toronto. He has a strong track record of leadership in the financial services industry and corporate governance in Canada.</p> <p>Prior to joining Smoothwater, he was until April 2012 the President and CEO of OPTrust, a major public sector pension plan with assets of \$14 billion and over 83,000 members and retirees, leading OPTrust's integrated investment and administrative operations.</p> <p>Prior to joining OPTrust in mid-2011, Mr. Griggs served for three years as Executive Director of the Canadian Coalition for Good Governance, where he represented the interests of leading Canadian pension plans and other institutional shareholders. He also served during this time as Chairman of Investeco Capital Corp., Canada's first environmental investment company.</p> <p>He was the President and CEO of Legg Mason Canada Inc. from 2003 to mid-2007, with responsibility for the Canadian operations of Legg Mason, Inc., one of the world's largest global investment management firms, and has been Chief Operating Officer of two leading Canadian mutual fund companies. Mr. Griggs was also a corporate/commercial and securities partner with the Toronto law firm Smith Lyons (now Gowlings) until 1994 and remains a member of the Law Society of Upper Canada with a J.D. from the University of Toronto Law School.</p> <p>Mr. Griggs is a director and Vice Chair of Equity Financial Holdings Inc., a TSX listed company which, through its wholly owned subsidiary, Equity Financial Trust Company, is an alternative mortgage lender focused on owner occupied residential homes. Mr. Griggs is also on the board of Greater Toronto Airports Authority, which operates Toronto Pearson International Airport, and is a reporting issuer. He also sits on the Independent Review Committee of ING Mutual Funds and is Chair of the IRC of IA Clarington Funds. Previously, Mr. Griggs was on the board of BPI Financial Corporation (TSX listed) and served as Chair of the Audit Committee prior to its sale to CI Financial in 1999, and has been a director of a number of public investment vehicles.</p>
Steven J. Glover, M.B.A., FCA <sup>(1)(4)</sup> Alberta, Canada	Director	November 18, 2010	<p>Mr. Glover currently serves as and Chief Financial Officer of Clearview Resources Ltd and has served as an officer of several listed entities prior to his role with Clearview. He is also the Chair of the Audit Committee of an Alberta crown corporation, Travel Alberta.</p> <p>Mr. Glover holds a Bachelor of Math from the University of Waterloo and an M.B.A. from the University of Alberta. He is a Fellow of the Chartered Accountants and served as the Executive Director of the Institute of Chartered Accountants of Alberta from 1984 to 2005.</p>



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<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Director Since</b>	<b>Principal Occupation</b>
Mark W. Mitchell, B.A., M.B.A. <sup>(2)</sup> Alberta, Canada	Director	June 29, 2010	<p>Mr. Mitchell currently serves as President of Reliant Capital Limited, a real estate finance company. He also serves as Chairman of the Canadian Constitution Foundation, Vice-Chairman of the Fraser Institute, and as Trustee of The W. Garfield Weston Foundation.</p> <p>Mr. Mitchell holds a B.A. (Distinction) in Economics from Stanford University and a M.B.A. from the Wharton School of the University of Pennsylvania.</p>
Loudon Owen B.A., J.D., M.B.A. <sup>(3)(4)</sup> Toronto, Canada	Director	March 22, 2013	<p>Mr. Owen is an international businessman and lawyer. His career has spanned more than 25 years, during which he has both led and actively participated in the growth of a host of successful businesses, in addition to extensive charitable and non-profit activities. He currently serves on the boards of a range of private corporations as well as Kilo Goldmines Ltd. (TSX-V), Ntegrator International Inc. (Singapore Stock Exchange), and Posera-HDX (TSX, Chair). He previously served on the board of Brookfield Development Corp. in the real estate industry.</p>
William Pringle <sup>(3)(4)</sup> B. Comm., C.A. Alberta, Canada	Director	September 12, 2012	<p>Mr. Pringle is the founder and Executive Chair of Bordeaux Properties Inc., a Calgary-based land developer and home builder. Previously, Mr. Pringle was employed by the Brookfield Asset Management Group from 1987 to 2001, during which time he had senior roles with the operating arms of Brookfield Properties Corporation, a multi-national real-estate company. He was President and CEO of Brookfield Homes from March of 1994 until February of 2000, and prior to that he was president of Brookfield's office property group. Mr. Pringle is a Chartered Accountant and received his Bachelor of Commerce from the University of Calgary. He is involved with various community activities, including past chair of the Major Donor Group, United Way of Calgary, and has served on the boards of various private and public companies.</p>
Iain Stewart B.Comm., C.A. <sup>(1)(2)</sup> Alberta, Canada	Director	September 4, 2013	<p>Mr. Stewart is the co-founder and former co-CEO of Parkbridge Lifestyle Communities Inc., Canada's pre-eminent land lease community owner and operator. Parkbridge was sold to a major pension fund in 2011 at a value of \$790 million. He has over 25 years of experience in the real estate industry, providing strategic advice in financial and capital markets activities. Prior to forming Parkbridge in 1997, he was Vice President at Rosebridge Capital Corporation, a private real estate advisory and investment company, from 1996 to 1997. From 1985 to 1996, he held progressively more responsible positions at Trizec Corporation, culminating in Vice President, Financial Services.</p> <p>He currently serves on the board of directors and audit committee of a private financial services company. He holds a Bachelor of Commerce from the University of Alberta, and a C.A. Designation. In addition, he has completed a number of coaching and leadership programs in North America.</p>

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<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Director Since</b>	<b>Principal Occupation</b>
Bruce Rudichuk CA, CIRP Alberta, Canada	Chief Executive Officer	N/A	Mr. Rudichuk has spent over 20 years in real estate and has experience in various senior capacities. Most recently, Mr. Rudichuk was the President & CEO of many of the entities within the Intracorp group of companies, a Canadian residential developer and builder with operations in Ontario and British Columbia. Prior to that Mr. Rudichuk was with KPMG LLP Financial Advisory Services practice providing advice on corporate reorganizations. Mr. Rudichuk has been a member of the Board of Directors and Executive Committee of BILD (Building Industry and Land Development Association) and predecessor organizations since 2004. Mr. Rudichuk earned an Honours Bachelor of Economics and Business from York University. He is a member of the Institute of Chartered Accountants of Ontario and a member of the Canadian Association of Insolvency and Restructuring Professionals.
Mark Scott British Columbia, Canada	Executive Vice President and Chief Financial Officer	N/A	Mr. Scott was a senior investment banker with Scotia Capital Inc., serving as Managing Director and Office Head in Vancouver, as well as Managing Director, Asia and as a Director in Scotia's real estate group in Toronto. Prior to his time at Scotia, Mr. Scott was a Director of Asian Capital Partners, a mergers & acquisitions firm in Hong Kong and was with Morguard Investments as Manager, Asset Management. He was most recently owner of a private investment company in Vancouver. Mr. Scott holds a Bachelor of Arts in Management and Economics from the University of Guelph.

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

As at the date hereof, the directors and officers of Genesis as a group beneficially owned, controlled or directed, directly or indirectly, 15,582,968 Common Shares or approximately 34.7% of the issued and outstanding Common Shares. Mr. Griggs is the CEO of Smoothwater Corporation Inc. which beneficially owns, or controls or directs, directly or indirectly, 9,897,435 Common Shares representing approximately 22.06 % 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.

On February 19, 2014, a temporary cease trade order was issued by the Ontario Securities Commission against Hanfeng Evergreen Inc. ("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'

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Annual and Interim Filings. It was replaced by a permanent cease trade order dated March 3, 2014. The securities commissions of each of Quebec and British Columbia have also issued permanent cease trade orders against Hanfeng. Loudon Owen served as a director of Hanfeng until February 24, 2014.

### Bankruptcies

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

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

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

Mr. Owen served as a director of The Fight Network Inc. which filed for bankruptcy proceedings in October 2010. Mr. Owen ceased being a director of the Fight Network Inc. in October 2010.

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

### Penalties or Sanctions

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

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**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 of the Company and internal policies of the Corporation.

**LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

To the knowledge of the Corporation, there are no legal proceedings material to Genesis to which we are or were a party to or of which any of its properties is or was the subject of, during the financial year ended December 31, 2013, 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.

- 1) The Corporation was named as a co-defendant in a statement of claim filed on May 10, 2011 in the province of Ontario (the "Action"). The plaintiff asserted that they contributed funds to a third party entity (one of the co-defendants), and through that entity, has an interest in LPLP 2007. The plaintiff was seeking \$10,700 plus punitive damages relating to the ownership interests of LPLP 2007. The Action against the Corporation has been discontinued pursuant to a court order in the Action dated February 12, 2014 and issuance of a signed release from all claims relating to the Action by the plaintiff. A cross claim against the Corporation by the third party co-defendant for \$400 remains extant. The amount of additional liability, if any, which exceeds the non-controlling interest, is currently indeterminate.
- 2) The Corporation was named as a co-defendant in a statement of claim filed on May 10, 2011 in the province of Ontario for \$10,700 plus punitive damages (the "Action"). The Action against the Corporation has been discontinued pursuant to a court order in the Action dated February 12, 2014 and issuance of a signed release from all claims relating to the Action by the plaintiff. Refer to the Corporation's 2013 audited consolidated financial statements for more information.

**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).

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#### **TRANSFER AGENT AND REGISTRAR**

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

#### **MATERIAL CONTRACTS**

Other than set out below, except for contracts entered into in the ordinary course of business, we have 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.

On August 28, 2013, Genesis entered into a standstill agreement whereby we agreed to certain standstill provisions including the support of Board nominees for election through to the close of the 2015 annual meeting of shareholders. The standstill agreement is further described under “Three-Year History – 2013”.

#### **INTEREST OF EXPERTS**

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

MNP LLP, Chartered Accountants, the external auditor of Genesis, prepared an opinion with respect to the consolidated financial statements as at and for the fiscal years ended December 31, 2013 and 2012. MNP LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

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

#### **ADDITIONAL INFORMATION**

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and securities authorized for issuance under equity compensation plans, is contained in the Management Information Circular prepared in connection with our most recent annual meeting of Shareholders that involved the election of directors. Additional financial information is provided in our comparative financial statements and management's discussion and analysis for the year ended December 31, 2013. Copies of these and other documents relating to Genesis may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.genesisland.com](http://www.genesisland.com).

## APPENDIX "A"

### INFORMATION CONCERNING AUDIT COMMITTEE

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

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

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

#### Composition

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

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

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

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

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

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

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

#### Operation, Meetings and Record Keeping

Meetings of the Committee shall be conducted as follows:

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

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

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

### Responsibilities

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

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

### Specific Duties

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

#### 1. External auditors:

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

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

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

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



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

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

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

### **4. Internal audit**

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

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

## Review of Terms of Reference

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

## II. Composition of the Audit Committee

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

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

Notes:

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

## III. Relevant Education and Experience

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

Steven Glover is a Fellow of the Chartered Accountants, currently serving as Chief Financial Officer of Clearview Resources Ltd. He is currently a member 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. His extensive board and governance experience includes chairing the Audit Committees for the Caritas Health Group and the Edmonton Community Foundation and is a past member of the board of the Edmonton Concert Hall Foundation. From 1998-99, he served as President of the Edmonton Downtown Rotary Club.

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

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

Vice President at Rosebridge Capital Corporation, a private real estate advisory and investment company, from 1996 to 1997. From 1985 to 1996, he held progressively more responsible positions at Trizec Corporation, culminating in Vice President, Financial Services.

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

#### IV. Reliance on Certain Exemptions

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

#### V. Audit Committee Oversight

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

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

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

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

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

Financial Period Ending December 31	Audit Fees	Audit Related Fees <sup>(1)</sup>	Tax Fees <sup>(2)</sup>	All Other Fees <sup>(3)</sup>
2013	195,000	\$75,000	\$21,000	\$36,340
2012	250,000	\$77,000	\$10,000	\$107,900

*Notes:*

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