



Genesis exposes Smoothwater's questionable grievances, a disregard for Board independence and lack of a plan.

July 30, 2013 – Calgary – Genesis Land Development Corp. (TSX: GDC) (the "Corporation" or "Genesis") released the following letter to Genesis shareholders in response to a statement from dissident shareholder Smoothwater Capital Corp. ("Smoothwater").

Dear Fellow Shareholders:

Just a few days ago, we warned that a dissident group led by activist investor Smoothwater was preparing an action to seize control of your Board and your company. Smoothwater is led by Stephen Griggs and Garfield Mitchell, the brother of current Genesis Board member Mark Mitchell. After being exposed by Genesis, Smoothwater finally issued a statement on July 26, 2013 acknowledging its plan to wage a proxy contest against Genesis and overpower the Genesis Board of Directors (the "Board").

Smoothwater's pretext for waging this contest is misguided and disingenuous.

For up-to-date information and developments as we approach the August 8th proxy deadline, we encourage all shareholders to visit www.DefendGenesis.com. Casting your vote is easy, simply click the "Vote Here Now" button and enter the control number located on your WHITE proxy.

Even if you have voted a dissident proxy, a later dated WHITE proxy revokes any previously submitted vote. Vote your WHITE proxy prior to the cut-off regardless if you plan to attend the meeting in person.

In its statement, Smoothwater presents a number of unfounded assertions and ambiguous intentions that raise unsettling questions about its true motives.

Governance

The dissidents claim to have concerns about Genesis' governance practices. It should be noted that their own nominee, Mark Mitchell, currently serves as the chair of the Corporation's Compensation and Governance Committee and has been a member of the Board since June, 2010. Their attack on the Corporation's governance practices is clearly without basis and any deficiency was already within their control to rectify if they saw it fit to do so.

In a report dated July 23, 2013, Glass Lewis, an independent third-party proxy advisory firm, recommended shareholders withhold their votes from Mark Mitchell. The report stated: *“We believe that Mr. Mitchell, the chairman of the [Compensation and Governance] committee, bears responsibility for this lack of transparency.”*

The dissidents also criticize Genesis for not inviting our CEO to join the Board, yet, oddly, his name does not appear on their proposed slate. Fundamentally, we do not object to having the Genesis CEO on the Board, however, the dissidents’ made this request late in our negotiation process with them, and a majority of the Board thought it inappropriate to involve Management in a distracting proxy contest. The Board intends to deal with this issue in due course, but in the meantime, Shareholders should rest assured that the CEO is very involved with deliberations at the Board level and is regularly invited to Board meetings, as appropriate.

Lack of Independence or Relevant Experience

Smoothwater’s suggested slate of nominees should raise considerable concern among Genesis shareholders. Smoothwater Chairman Garfield Mitchell is the brother of Mark Mitchell, a current director, head of the Compensation and Governance Committee and dissident nominee. They serve together as trustees of the W. Garfield Weston Foundation.

Dissident nominees, Edwin Nordholm and Loudon Owen, led a dissident action against Genesis in July, 2012, claiming the support of Garfield Mitchell and other shareholders. Mr. Owen and Mr. Nordholm appear to be co-investors in at least one business venture, and serve together on the board of TSX-listed Hangfeng Evergreen Inc.

The Special Committee of the Board continues to review whether and to what extent the Mitchells, Smoothwater and Mr. Nordholm’s Liberty Street Capital Corp. are acting jointly and/or in concert to determine whether these shareholders have provided the Corporation’s minority shareholders with adequate disclosure regarding their relationships and plans with respect to the Corporation.

We believe Smoothwater initiated this costly and distracting proxy contest in part because one of its nominees, Mr. Nordholm, was denied a spot on the management slate, thereby denying Smoothwater total control of the Board. Bearing all this in mind, how well will shareholders be served by a Board run by dissident nominees who appear to be connected via family, business, or social ties? How independent and representative is a Board controlled by the hand-picked nominees of a group of minority shareholders?

The Genesis Board has been very responsive to its shareholders, including the Mitchells, over the years, and has experienced significant renewal over the last

year, with three new directors joining the Board in 2012, and the remaining four joining during the last three years. In a good faith effort to be responsive to Smoothwater, the current Management slate includes four nominees at Smoothwater's request.

The Management nominees include at least two individuals with operational land and housing experience, three with real estate experience and two who bring public company CFO experience to our Audit Committee. The slate proposed by Smoothwater appears to include only one nominee with operational real estate experience and, notably, none with operational land development experience. These gaps in relevant industry experience are critical to note.

What is Their Agenda and Where is Their Plan?

Your Board has worked tirelessly to accommodate the dissident group, going so far as to offer four seats to dissident nominees, which would represent 50% of the Genesis Board and could have avoided a costly proxy battle.

The Board's offers were rejected.

This leads us to believe that the dissidents want total control of the Genesis Board. Dissident nominees Mark Mitchell and Loudon Owen, who both currently serve as directors, have not yet proposed any new initiatives or strategies to the Board that have not already been addressed or implemented.

Notably, dissident nominee Mark Mitchell led the search for Genesis' current CEO, who is now charting the course for the Corporation, along with the Board. Mr. Mitchell selected the professional search firm, identified and interviewed candidates, and ultimately recommended a candidate to the Board for approval. The dissidents' questions regarding the leadership of the Corporation and the strategic direction we are pursuing are inconsistent and disingenuous.

Furthermore, Smoothwater's recent press release contains neither a plan nor a strategy to enhance shareholder value — the dissidents' oft-stated motive behind this proxy contest. Surely shareholders deserve to know what the dissident group is planning, particularly since there are serious questions about the true independence of its nominees and the incumbent Board has been working with management to implement the plan that the dissidents' nominees helped to create.

On July 26, 2013, Mr. Griggs was quoted by *The Globe and Mail* criticizing Genesis' homebuilding business, but in the same breath admitted, "We've not come to any conclusion since we don't have access to company documents." Assuming that he has not had such access, how can Mr. Griggs then assert that the dissidents' slate will be in a better position than management's slate to direct the Corporation's strategic plan?

A strategic plan for running the Corporation's complex business is not something to be mulled during an interview with a national newspaper. It sounds very much like Mr. Griggs and the dissident group are grasping at straws to conjure a pretext for their action to assume control of the Corporation.

We believe the dissident action is tantamount to a creeping takeover – without paying shareholders a fair premium for control. Genesis adopted a Shareholder Protection Rights Plan, effective July 28, 2013, to ensure that all shareholders are treated equally and fairly in connection with any initiative to acquire control of the Company. Smoothwater CEO Stephen Griggs told the Calgary Herald on July 29, 2013 that he opposed the Shareholder Protection Plan.

Your Board is Executing a Plan to Enhance Shareholder Value

The current Genesis Board, reconstituted one year ago, has been working hard to deal with non-core assets and to build a more profitable housing business. Our activities are improving our credibility in the marketplace and enhancing our access to credit and capital. We agree that our full value is not reflected in our market price – and we have been executing a plan to decrease the valuation gap. Maximizing shareholder value for a land development company is a longer term process, and requires a systematic and orderly approach.

In criticizing Genesis' share price performance, Smoothwater cites an opportunistic timeline, beginning three years ago. Genesis' share price since the reconstitution of the Board on July 12, 2012 to July 26, 2013, has risen by 15%, vs. a 9% decline of the S&P/TSX Real Estate Capped Index, over the same period. Melcor Developments Ltd. is cited as a comparable company to Genesis even though Melcor is almost three times the size of Genesis, and thus serves as a poor and unhelpful analogy. Nonetheless, it's worth noting that Genesis outperformed Melcor from the period beginning July 12, 2012, until Melcor announced it was considering spinning off a substantial portion of its income-producing assets into a real estate trust in January 2013.

The Cost to Shareholders

The proxy contest waged by the dissidents threatens to damage and destabilize Genesis' business development, partnership and sales activities by bringing uncertainty to the leadership and direction of your company.

Genesis has already incurred an enormous cost in time and money while attempting to accommodate – and now defend – our company against the dissident shareholders. We need your help to send them a definitive message.

Shareholders, we need your support to keep Genesis' Board independent.

Please cast your vote on the **WHITE** proxy today in support of the management nominees and disregard any materials you may receive from the dissidents. In

order to be counted, your vote must be submitted before **9 a.m.** (Mountain Daylight time) on **August 8, 2013**. **Vote your WHITE proxy prior to the cut-off regardless if you plan to attend the meeting in person.**

For up-to-date information and developments, we encourage all shareholders to visit www.DefendGenesis.com. Casting your vote is easy, simply click the "Vote Here Now" button and enter the control number located on your WHITE proxy. Please disregard any materials you may receive from the dissidents. Even if you have voted a dissident proxy, a later dated WHITE proxy revokes any previously submitted vote.

If you require assistance in casting your vote, or require replacement proxy materials, please call Genesis' proxy solicitation agent, **CST Phoenix Advisors at 1-800-921-9376**, or call collect 201-806-2222, or email inquiries@phoenixadvisorscst.com

Sincerely,

Michael Brodsky
Chairman of the
Board

William Pringle
Director &
Chair of the Special Committee

About Genesis

Genesis is a Calgary-based real estate development corporation engaged in the acquisition, development, and sale of land, residential lots and homes in Alberta and British Columbia. All business activities of the Corporation are conducted in Western Canada, with development lands held primarily in and around the cities of Calgary and Airdrie. 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.

SOURCE Genesis Land Development Corp.

For further information:

Shareholders

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