



**Consolidated Financial Statements
December 31, 2009 and 2008**

March 30, 2010

Genesis Land Development Corp.

Consolidated Financial Statements December 31, 2009 and 2008

Contents

Management's Report	1
Auditors' Report	2
Consolidated Balance Sheets	3
Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-36

Management's Report

To the Shareholders of
Genesis Land Development Corp.

The consolidated financial statements and all information in the Management's Discussion and Analysis are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the Management's Discussion and Analysis has been reviewed to ensure consistency with that in the consolidated financial statements.

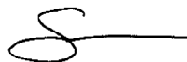
Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of consolidated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

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

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



Gobi Singh
President and Chief Executive Officer



Simon Fletcher
Chief Financial Officer

March 30, 2010

Auditors' Report

To the Shareholders of
Genesis Land Development Corp.

We have audited the consolidated balance sheet of Genesis Land Development Corp. (the "Corporation") as at December 31, 2009 and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

The consolidated financial statements as at December 31, 2008 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated April 28, 2009.

Meyer Norris Penny LLP

Chartered Accountants

Calgary, Canada
March 30, 2010




Genesis Land Development Corp.
Consolidated Balance Sheets
As at December 31, 2009 and 2008

	2009	2008
	\$	\$
Assets		
Real estate held for development and sale (note 5)	305,027,723	285,574,479
Amounts receivable (note 7)	15,383,913	29,498,202
Other operating assets (note 8)	17,567,930	45,100,539
Future income taxes (note 9)	2,212,878	778,245
Cash and cash equivalents	4,577,946	4,502,984
	344,770,390	365,454,449
Liabilities and Non-controlling Interest		
Financings (note 10)	117,639,385	132,704,174
Customer deposits	4,985,306	3,515,293
Accounts payable and accrued liabilities	8,349,995	24,203,111
Income taxes payable	11,138,385	9,586,835
Land development service costs	8,300,474	4,565,635
Non-controlling interest (note 6)	61,084,241	64,295,603
	211,497,786	238,870,651
Shareholders' Equity		
Share capital (note 11)	54,097,099	54,163,936
Contributed surplus (note 12)	4,120,181	4,120,469
Retained earnings	75,055,324	68,299,393
	133,272,604	126,583,798
	344,770,390	365,454,449

Commitments and contingencies (note 14)
 Subsequent events (notes 6(b), 16 and 18)
 Related party transactions (note 18)
 See accompanying notes to the consolidated financial statements



Gobi Singh
 President and Chief Executive Officer



Simon Fletcher
 Chief Financial Officer

Genesis Land Development Corp.
Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings
Years ended December 31, 2009 and 2008

	2009	2008
	\$	\$
Revenues		
Residential lot sales	23,138,346	31,797,919
Residential home sales	62,712,690	50,759,835
Interest and other income	710,781	1,272,884
	<u>86,561,817</u>	<u>83,830,638</u>
Expenses		
Cost of sales:		
Residential lots	12,729,206	11,708,740
Residential homes	48,545,359	31,315,992
Write-down of real estate held for development and sale and other (note 5)	7,642,349	6,961,905
General and administrative	10,946,474	11,026,110
Bad debt expense (recovery) (note 15)	(593,949)	13,408,182
Interest	1,469,857	638,721
Stock-based compensation (notes 12 and 13)	(6,084)	814,422
Amortization	218,151	271,034
Loss on disposal of property and equipment	5,202	32,528
	<u>80,956,565</u>	<u>76,177,634</u>
Earnings before income taxes and non-controlling interest	5,605,252	7,653,004
Provision for income taxes (note 9)		
Current	5,013,725	8,975,391
Future	(1,434,633)	(5,876,345)
	<u>3,579,092</u>	<u>3,099,046</u>
Earnings before non-controlling interest	2,026,160	4,553,958
Non-controlling interest (note 6)	(4,729,771)	(4,730,223)
Net earnings, being comprehensive income	6,755,931	9,284,181
Retained earnings, beginning of year	68,299,393	59,277,192
Reduction on common shares purchased for cancellation (note 11(b))	-	(261,980)
Retained earnings, end of year	<u>75,055,324</u>	<u>68,299,393</u>
Net earnings per share – basic and diluted (note 11)	0.15	0.20

See accompanying notes to the consolidated financial statements

Genesis Land Development Corp.
Consolidated Statements of Cash Flows
Years ended December 31, 2009 and 2008

	2009	2008
	\$	\$
Funds provided from (used for):		
Operating activities		
Net earnings	6,755,931	9,284,181
Items not involving cash:		
Stock-based compensation	(6,084)	814,422
Amortization	218,151	271,034
Write-down of real estate held for development and sale	7,642,349	6,961,905
Loss on disposal of property and equipment	5,202	32,528
Future income taxes	(1,434,633)	(5,876,345)
Non-controlling interest	(4,729,771)	(4,730,223)
	8,451,145	6,757,502
Decrease (increase) in real estate held for development and sale	8,792,773	(70,311,324)
Decrease (increase) in amounts receivable	14,114,289	18,089,248
Decrease (increase) in other operating assets	(2,809,870)	(22,856,404)
Increase (decrease) in accounts payable and accrued liabilities and land development service costs	(12,118,277)	(549,491)
Increase (decrease) in customer deposits	1,470,013	318,867
Increase (decrease) in income taxes payable	1,551,550	7,806,231
	19,451,623	(60,745,371)
Financing activities		
Advances from financings	87,256,995	94,849,623
Repayments of financings	(102,321,784)	(47,305,354)
Increase in non-controlling interest	2,834,408	11,342,801
Non-controlling interest capital repayments	(1,315,999)	(1,193,500)
Purchase of share capital	(61,041)	(2,554,588)
Issue of share capital	-	46,110
	(13,607,421)	55,185,092
Investing activities		
Acquisition of property and equipment	(34,903)	(156,504)
Change in restricted cash	(5,734,337)	(789,000)
Proceeds on disposal of property and equipment	-	1,625
	(5,769,240)	(943,879)
Net change in cash and cash equivalents	74,962	(6,504,158)
Cash and cash equivalents, beginning of year	4,502,984	11,007,142
Cash and cash equivalents, end of year	4,577,946	4,502,984
Supplemental cash flow information:		
Interest paid	9,883,664	7,636,788
Interest received	266,574	271,034
Income taxes paid	2,952,875	1,169,000

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

Genesis Land Development Corp. (the "Corporation" or "Genesis") was incorporated as Genesis Capital Corp. under the *Business Corporation Act* (Alberta) on December 2, 1997 and Genesis Land Development Corp. resulted from an amalgamation on January 1, 2002.

The Corporation is engaged in the acquisition, development, subdivision, construction, sale and leasing of land, residential lots and homes and commercial property in Alberta and British Columbia. The Corporation reports its activities as two business segments: land development and home building, both operating in one geographic area. All business activities of Genesis are conducted in Western Canada and therefore are subject to local economic and weather conditions. Seasonality affects the land development segment as construction activities during freezing temperatures limit the completion of underground and surface work. Within home building, construction in winter months may be limited to situations where concrete foundations are in place.

2. SIGNIFICANT ACCOUNTING POLICIES AND FUTURE OPERATIONS

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

At December 31, 2009, Genesis has obligations due within the next 12 months of \$127 million (see note 15(ii) - liquidity risk). If Genesis is unable to generate sufficient sales, renew existing or secure additional financing, it will impact the Corporation's ability to meet its obligations as they become due. Based on Genesis' operating history, its relationship with its lenders and committed sales contracts, Management believes that the Corporation has the ability to continue to renew or repay its financial obligations as they come due.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Corporation, its wholly-owned subsidiaries and a variable interest entity ("VIE"), as well as the consolidated assets, liabilities, revenues, expenses and cash flows of limited partnership entities which the Corporation controls.

Where audited financial accounts are not coterminous with those of the Corporation's consolidated presentation, the financial information of the VIE has

2. SIGNIFICANT ACCOUNTING POLICIES AND FUTURE OPERATIONS (continued)

been derived from the last audited accounts available and unaudited management accounts for the period up to the Corporation's balance sheet date. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(b) Revenue recognition

The Corporation's revenue recognition policies for residential lot and home sales and development land sales are:

(i) Residential lot and development land sales

Land and lot sales to third parties are recognized when the Corporation has substantially performed and supplied all of the agreed-to services pertaining to the property, the Corporation has received a minimum 15% non-refundable deposit and the collection of the remaining unpaid balance is reasonably assured. Deposits received from builders upon signing of contracts for purchases of lots on which revenue recognition criteria have not been met are recorded as customer deposits.

(ii) Residential home sales

Revenue is recognized when an agreement is signed and the completed unit is conveyed to the purchaser, at which time all proceeds are received or collection is reasonably assured. Deposits received from customers upon signing of contracts for purchases of completed units for which revenue recognition criteria have not been met are recorded as customer deposits.

(c) Real estate held for development and sale

Land under development, land held for future development and housing projects under construction are recorded at the lower of cost and estimated net realizable value on a project specific basis. An impairment loss is recognized to the extent that the carrying value of a project exceeds the fair value of that project, or the cost of construction exceeds the contracted sales price. Cost includes land acquisition costs, other direct costs of development and construction, interest on debt used to finance specific projects, property taxes and legal costs. Fair value is estimated using comparisons of recent sales of similar or adjacent lands in the same geographic area. Land acquisition costs are pro-rated to a phase of a project on an acreage basis.

At the time that a lot sale from a phase is made, any remaining estimated servicing and development costs in respect of the sold lot are recorded as costs of sale and a liability is classified as "land development service costs." The land development service costs are reviewed on a phase by phase basis. When the estimate is known to be different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision for estimated land development service costs

2. SIGNIFICANT ACCOUNTING POLICIES AND FUTURE OPERATIONS (continued)

and a corresponding adjustment is made to land under development and/or cost of sales.

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

(d) Property and equipment

Property and equipment consisting of office equipment, computer hardware, software and vehicles is stated at cost less accumulated amortization. Amortization is calculated on a declining balance basis at annual rates ranging from 20% to 30% per annum.

(e) Income taxes

Income taxes are recorded using the asset and liability method of accounting. Under this method, income taxes are recorded for the effect of any difference between the accounting and income tax basis of an asset or liability, using substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted with the adjustment being recognized in net earnings in the period that the change occurs.

Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization. A valuation allowance is recorded to the extent that there is uncertainty regarding utilization of future tax assets.

(f) Cash and cash equivalents

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

(g) Earnings per share calculations

Basic net earnings per share are calculated by dividing the net earnings by the weighted average number of shares outstanding for the year. Diluted net earnings per share amounts are calculated giving effect to the potential dilution that would occur if stock options were exercised. The treasury stock method is used to determine the dilutive effect of stock options. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price over the year.

(h) Stock-based compensation

The Corporation has a share option plan for employees, officers, directors and contractors, which is described in note 13. The Corporation calculates the fair

2. SIGNIFICANT ACCOUNTING POLICIES AND FUTURE OPERATIONS (continued)

value of stock-based compensation using the Black-Scholes Option-Pricing Model. The fair value of options granted are expensed and credited to contributed surplus over the related vesting period of the options. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital.

(i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: held for trading, held to maturity, loans and receivables, available for sale and other liabilities. The Corporation has designated its financial instruments into the following categories:

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	Held for trading	Fair value
Deposits and restricted cash	Held for trading	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Financings	Other liabilities	Amortized cost

Transaction costs for held-for-trading assets are immediately recognized in net income. Transaction costs of the loans and receivables and other financial liabilities are included in net income or netted with the fair value of the financial instruments at initial measurement, and tested for impairment.

The Corporation will assess at each reporting period whether there is a financial asset, other than those classified as held for trading, that is impaired. An impairment loss, if any, is included in net earnings. As at December 31, 2009, an impairment of amounts receivable of approximately \$12,891,000 (December 31, 2008 - \$18,845,000) has been recognized.

The Corporation measures and recognizes embedded derivatives separately from the host contracts when the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative and when the entire contract is not measured at fair value. Embedded derivatives are recorded at fair value. As at December 31, 2009 and 2008, the Corporation does not have any contracts with embedded derivatives that require separation.

2. SIGNIFICANT ACCOUNTING POLICIES AND FUTURE OPERATIONS (continued)

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set risk limits and controls, and to monitor risks and adherence to market conditions and the Corporation's activities.

The Corporation immediately expenses any transaction costs incurred in relation to the acquisition of a financial asset or liability.

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

4. CHANGES TO FUTURE ACCOUNTING POLICIES

In October 2009, the Accounting Standards Board ("AcSB") issued a third and final International Financial Reporting Standards ("IFRS") Omnibus Exposure Draft confirming that publicly accountable enterprises will be required to apply IFRS, in full and without

4. CHANGES TO FUTURE ACCOUNTING POLICIES (continued)

modification, on January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended December 31, 2010, including the opening balance sheet as at January 1, 2010. The AcSB proposes that CICA Handbook Section 1506 "Accounting Changes", which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to the IFRS Omnibus Exposure Draft. Consequently, the Corporation does not intend to disclose the full impact of the transition to IFRS in publicly available financial statements prior to 2011. The Corporation is continuing to assess the financial reporting impacts of adopting IFRS in 2010.

The Corporation does not expect to derecognize amounts previously recorded as impairment charges, nor does it expect to change the manner in which it will measure and recognize real estate held for development and sale and other operating assets. The Corporation does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as systems changes that may be necessary to gather the required information.

5. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	December 31, 2009	December 31, 2008
	\$	\$
Land held for future development	181,074,355	130,026,407
Land under development	119,073,495	123,124,339
Housing projects under development	19,436,491	38,425,004
	319,584,341	291,575,750
Less write-down	(14,556,618)	(6,001,271)
	305,027,723	285,574,479

During the year ended December 31, 2009, interest of \$6,288,000 (2008 - \$7,189,000) and other carrying costs of \$1,753,000 (2008 - \$961,000), respectively, were capitalized to land held for future development.

As at December 31, 2009, land held for future development of \$62,919,000 (December 31, 2008 - \$43,539,000) and land under development of \$15,796,000 (December 31, 2008 - \$22,260,000) are held in limited partnerships controlled by Genesis (see note 6(a)). Land under development of \$7,542,000 at December 31, 2009 (December 31, 2008 - \$5,129,000) is held in a variable interest entity (see note 6(b)).

The Corporation previously disclosed an agreement to sell commercial land to a large anchor store in the Sage Hill Crossing Shopping Centre for \$22,000,000 with the sale originally expected to close in the second quarter of 2009. The sale was subject to obtaining permits and other closing conditions that were not met by the large anchor store prior to the closing deadline. The agreement has not been renewed. While the

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

anchor store continues to express interest in the land and is in discussions with the Corporation, the Corporation has been in contact with another anchor store and commercial developers that have also shown interest in this land.

During the year ended December 31, 2009, the Corporation closed the \$30,258,000 purchase of 1,476 acres of residential land at Delacour in the Municipal District of Rocky View, northeast of Calgary. Prior to closing, the Corporation had made non-refundable deposits totaling \$24,629,000 which were transferred from other assets to land held for future development upon closing. A write-down of \$732,000 recognized at December 31, 2008 relating to impairment of incurred land pre-acquisition costs was increased by \$167,000 during the year ended December 31, 2009 as a result of the closing of the Delacour land purchase. Additionally, further write-downs totaling \$1,634,000 were recorded during the year ended December 31, 2009 based on updated land appraisals.

During the year ended December 31, 2009, the Corporation closed the \$20,733,000 purchase of 319 acres of residential land at Airdrie. The Corporation had made non-refundable deposits totaling \$12,200,000 which were transferred from other assets to land held for future development upon closing (see note 6(a)(i)). A write-down of \$961,000 recognized at December 31, 2008 relating to impairment of land carrying costs was increased by \$672,000 during the year ended December 31, 2009 as a result of the closing of this purchase and subsequently transferred from other assets to land held for future development. Additionally, a further write-down of \$1,914,000 (2008 - \$5,149,000) was recorded during the year ended December 31, 2009 based on an updated land appraisal.

During the year ended December 31, 2009, write-downs of carrying value of certain LP 6 lands (see note 6(a)) relating to land under development in the amount of \$762,000 and housing projects under construction in the amount of \$1,676,000 were required.

During the year ended December 31, 2009, the Corporation recognized a write-down of \$680,000 relating to impairment of carrying value of certain lands held for future development.

During the year ended December 31, 2009, the Corporation recognized miscellaneous write-downs relating to lands under development in the amount of \$137,000 (2008 - \$121,000).

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

6. NON-CONTROLLING INTEREST

(a) Limited Partnerships

The Corporation is the general partner in four limited partnership arrangements. Genesis ultimately controls each of the limited partnerships thereby requiring their consolidation within the accounts of the Corporation and recognition of a non-controlling interest. Additionally, any profit or charges between the Corporation and the limited partnerships are eliminated on consolidation.

The limited partnership units are non-redeemable and share in the profits, if any, of the associated development held by the partnership. Limited partners cannot be cash-called for further funding with respect to the development.

Details of each of the limited partnerships are as follows:

Limited partnerships 4/5 (LP 4/5):

LP 4/5 holds land held for future development located east of Calgary in the Municipal District of Rocky View, adjacent to the Corporation's Taralake lands, with a carrying value of \$7,765,000 as at December 31, 2009. No capital repayments are required with respect to LP 4/5.

Genesis is entitled to a management fee of 10% of the future development service costs payable on a per-lot basis as lots are sold.

Limited partnerships 6/7 (LP 6/7):

LP 6/7 holds land under development located in Taralake and Airdrie with a carrying value of \$15,796,000 as at December 31, 2009. All required capital repayments have been made to unit holders in LP 6/7.

Genesis is entitled to management fees of 5% to 10% of land costs to LP 6/7 payable to Genesis as lands and lots are sold. Genesis also owns 11.65% of LP 6/7's units and participates proportionately in the profits of the partnership.

Genesis is engaged in two joint ventures with the respect to the partnership lands. The first involves 32 single-family lots in the Corporation's Taralake development, whereby LP 6/7 contributes a lot and the Corporation constructs a single-family home. The profits on the construction are split equally between LP 6/7 and the Corporation. The second joint venture is the multi-family project in Airdrie. LP 6/7 contributed certain lands and Genesis performed construction and arranged financing. The financing is secured by the building and land of the project, as well as by certain of the Corporation's land under development.

Limited partnerships 8/9 (LP 8/9):

L/P 8/9 holds, among other things, 1,140 acres of raw land near Radium, British Columbia at a cost of \$5,700,000. Genesis held a purchase right to acquire all LP

6. NON-CONTROLLING INTEREST (continued)

8/9 units by February 28, 2009, which it did not exercise. Therefore, all LP unit holders are entitled to share in the profits of the development. A final capital repayment of \$298,000 was paid on February 28, 2009. Genesis has contributed \$25,000 in refundable capital to the project.

The project lands have approval for 272 single-family home sites on 53 acres and 143 acres have been set aside for a golf course. Upon achieving and exceeding 50% gross return to the LP 8/9 unit holders, Genesis is entitled to 50% of the remaining profits on the single-family lots. Genesis is also entitled to 100% of the profit on the golf course, and retains the right to purchase the balance of the lands at the conclusion of the project for a nominal amount. Additionally, Genesis is responsible for securing financing for the project development.

Limited partnerships 2007 (LPLP 2007):

On June 29, 2007, the Land Pool Limited Partnership 2007 was created to raise funds to secure funding for various land acquisitions. At February 28, 2009, LPLP 2007 closed and had raised gross proceeds of approximately \$44,119,000. Agreements entered with respect to land acquisitions are as follows:

- (i) On May 29, 2007, the Corporation entered into an agreement to purchase 319 acres of land west of Airdrie for \$20,733,000. Prior to closing, the Corporation made a non-refundable deposit of \$12,200,000. On April 9, 2009, the final payment of \$8,533,000 plus accrued interest of \$52,000 was made on closing. On April 16, 2009, the Corporation used the land as security to obtain a financing of \$5,100,000 (see notes 10(I) and 18).
- (ii) On October 15, 2007, the Corporation purchased 617 acres of residential land at Delacour in the Municipal District of Rocky View, northeast of Calgary, for \$31,386,000. The Corporation received financing totaling \$18,830,000 bearing interest at the greater of 9.5% and prime plus 3% per annum. The loan is secured by the land and commencing December 2008 requires monthly principal repayments of \$500,000 plus interest with the balance due October 31, 2009. On September 29, 2009, the Corporation renewed the loan by extending the due date to May 1, 2011 (see note 10(I)), while substantially retaining all other terms of the original agreement. As at December 31, 2009, \$10,510,000 of the loan has been repaid.
- (iii) On July 31, 2008, the Corporation, borrowed \$7,000,000 from LPLP 2007 at an interest rate of prime plus 3% per annum. On April 9, 2009, the principal loan amount and accrued interest of \$461,000 was repaid by virtue of Genesis funding \$8,533,000 to complete a land acquisition closing on behalf of LPLP 2007 (see note 6(a)(i)).

At the conclusion of the offering on February 28, 2009, LPLP 2007 had raised insufficient funds to close out the purchase of the lands and settle the land acquisition loan it used to acquire the Delacour Lands. As a result, Genesis has

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

6. NON-CONTROLLING INTEREST (continued)

completed the transaction with its own funds and assumed the loan obligations of LPLP 2007.

Additionally, Genesis can earn management fees of up to 50% of the remaining profits of the project upon achieving and exceeding 50% gross return to the LPLP 2007 external unit holders.

As at December 31, 2009 and 2008, the Corporation recognized a non-controlling interest liability comprised as follows:

	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	VIE	TOTAL LP
	\$	\$	\$	\$	\$	\$
Balance - December 31, 2007	(7,979,614)	(19,020,456)	(8,280,721)	(23,595,734)	-	(58,876,525)
Contributions, net of capital repayments	-	(488,225)	1,100,588	(15,394,013)	-	(14,781,650)
Issuance costs incurred	-	86,577	2,673	1,225,087	-	1,314,337
Net earnings allocation on sale of real estate held for development and sale	-	(3,212,200)	-	-	-	(3,212,200)
Market value write-down	-	-	-	6,109,414	-	6,109,414
Cash paid out	-	3,318,011	-	-	-	3,318,011
Net general and administrative expenses (recoveries)	(118,189)	29,570	121,969	1,799,660	-	1,833,010
Balance - December 31, 2008	(8,097,803)	(19,286,723)	(7,055,491)	(29,855,586)	-	(64,295,603)
Contributions, net of capital repayments	-	-	298,375	(426,087)	(2,451,739)	(2,579,451)
Issuance costs incurred	-	-	-	43,418	-	43,418
Net earnings allocation on sale of real estate held for development and sale	-	(966,287)	-	(39,181)	-	(1,005,468)
Market value write-down	-	2,438,000	-	2,585,984	-	5,023,984
Cash paid out	-	1,017,624	-	-	-	1,017,624
Net general and administrative expenses (recoveries)	64,277	81,293	61,046	172,973	331,666	711,255
Balance - December 31, 2009	(8,033,526)	(16,716,093)	(6,696,070)	(27,518,479)	(2,120,073)	(61,084,241)

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

6. NON-CONTROLLING INTEREST (continued)

The real estate held within the limited partnerships is as follows:

	December 31, 2009	December 31, 2008
	\$	\$
Limited Partnership 4&5	7,764,520	7,779,674
Limited Partnership 6&7	18,234,432	22,259,898
Limited Partnership 8&9	6,721,978	6,519,530
Limited Partnership Land Pool 2007	57,127,577	34,388,779
	89,848,507	70,947,881
Less write-down (LPLP 2007 and LP 6&7)	(11,133,398)	(5,148,779)
	78,715,109	65,799,102

(b) **Variable Interest Entity**

On September 29, 2008, the Corporation entered into an agreement to sell certain land under development in Airdrie to an entity for gross proceeds totalling \$23,000,000. The entity paid an initial deposit of \$4,500,000 which was financed through a loan (see note 10(IV)) in the amount of \$5,000,000.

On January 20, 2009, the Corporation and this entity amended the purchase agreement to include an additional parcel of land in Airdrie for \$6,650,000 for total proceeds to Genesis of \$29,650,000. No additional deposits were received, but \$1,000,000 of the original deposit of \$4,500,000 was redistributed to this additional parcel of land.

In February 2010, Genesis entered into an agreement to cancel the sale transaction as stated above and to take over the loan (\$4,000,000 at December 31, 2009) that was originally obtained to finance the initial deposit under the terms of the transaction. This transaction closed on March 26, 2010 (see note 16).

At December 31, 2009, the entity had not engaged in any business activities other than securing financing and raising capital for the acquisition of the lands. The entity represents a VIE to Genesis by virtue of subordinated financial support provided by the Corporation. As Genesis is primarily at risk for any losses, the Corporation is required to consolidate the accounts of the entity.

The carrying value of the land under development sold to the VIE totalled approximately \$7,542,000 (2008 - \$5,129,000) as at December 31, 2009. The Corporation's exposure to a potential loss as at December 31, 2009 is the carrying value of the real estate held for development and sale which has been pledged as security for the loan.

During the year ended December 31, 2009, the VIE issued share capital of approximately \$2,452,000 (2008 - \$Nil) (see note 6(a)) through third party

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

6. NON-CONTROLLING INTEREST (continued)

subscriptions which has been reclassified to non-controlling interest in these consolidated financial statements. Additionally, during the year ended December 31, 2009, \$332,000 (2008 - \$Nil) of net general and administrative expenses was applied to reduce the non-controlling interest liability to third party contributors.

7. AMOUNTS RECEIVABLE

	December 31, 2009	December 31, 2008
	\$	\$
Agreements receivable	27,520,761	44,889,194
Other receivables	754,180	3,454,064
	28,274,941	48,343,258
Allowance for doubtful accounts	(12,891,028)	(18,845,056)
	15,383,913	29,498,202

Agreements receivable are secured by the underlying real estate assets and have various terms of repayment. Purchasers generally have between six months and one year to pay the balance owing for purchased lots. At December 31, 2009, no amounts receivable (December 31, 2008 - \$4,709,000) are contractually due beyond one year.

The Corporation has reviewed its agreements receivable and associated interest terms and determined that the fair value of amounts receivable approximates their carrying value as at December 31, 2009 and 2008, respectively. Agreements receivable relate entirely to land sales in Alberta; accordingly, collection risk is related to the economic conditions of the region.

8. OTHER OPERATING ASSETS

	December 31, 2009	December 31, 2008
	\$	\$
Property and equipment, net	568,433	756,883
Non-refundable deposits paid on future land acquisitions	-	36,849,000
Deposits	16,144,635	7,976,988
Restricted cash	854,862	478,302
	17,567,930	46,061,173
Less write-down of non-refundable deposits	-	(960,634)
	17,567,930	45,100,539

At December 31, 2009, property and equipment is carried at a cost of approximately \$1,977,000 (December 31, 2008 - \$2,013,000), net of accumulated amortization of \$1,409,000 (December 31, 2008 - \$1,256,000).

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

8. OTHER OPERATING ASSETS (continued)

Deposits include amounts paid to development authorities as security to guarantee the completion of construction of projects under development and deposits on future land acquisitions. The deposits are refundable upon completion of the related project and earn interest at rates approximating those earned on guaranteed investment certificates.

Of the amounts included in the non-refundable deposits paid on future land acquisitions at December 31, 2008, \$24,629,000 was applied to the land purchase that closed February 4, 2009 (see note 5), and \$12,200,000 was applied to the land purchase that closed April 9, 2009 (see note 6(a)(i)).

Restricted cash is held in trust accounts and also included in customer deposits liability and represents funds owed to the Corporation, at a future indeterminable date, when development of specific lands commences.

9. INCOME TAXES

(a) The components of the future income tax asset (liability) at December 31, 2009 and 2008 are as follows:

	December 31, 2009	December 31, 2008
	\$	\$
Real estate held for development and sale	3,550,439	4,455,086
Non-capital loss carry-forwards*	103,307	195,222
Reserves from land sales	(1,479,678)	(3,890,426)
Unamortized financing costs	49,666	28,200
Other temporary differences	(10,856)	(9,837)
	<u>2,212,878</u>	<u>778,245</u>

*Non-capital loss carry-forward amounts begin to expire in 2028.

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

9. INCOME TAXES (continued)

- (b) Income tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 29.41% (2008 - 29.57%) to income before income taxes. The difference results from the following:

	2009	2008
	\$	\$
Expected income tax expense	1,648,291	2,263,307
Change in future income taxes resulting from tax rate reduction	(209,443)	15,836
Stock-based compensation	106,401	240,858
Variable interest entity losses not included in future income taxes	-	128,089
Other non-deductible expenses and other	642,998	(947,965)
Non-controlling Interest	1,390,845	1,398,921
	<u>3,579,092</u>	<u>3,099,046</u>

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

10. FINANCINGS

	December 31, 2009	December 31, 2008
	\$	\$
Secured by land held for future development		
I. Land loans, maturing from April 1, 2010 to May 1, 2011, bearing interest at rates between the greater of prime plus 3% and 14.5% per annum, secured by land held for development and sale with a carrying value of \$78,522,000.	21,420,000	28,830,000
II. Other mortgages payable, bearing interest at rates between 7% and 14% per annum, payable on demand.	839,229	800,504
Secured by land under development and agreements receivable		
III. Land project loans, payable on collection of agreements receivable, bearing interest at rates ranging from prime plus 2% to the greater of a combined 8% preferred coupon and 12% regular, or prime plus 7% per annum, secured by land held for development and sale with a carrying value of \$136,100,000, due between January 31, 2010 and November 30, 2012.	81,127,576	73,467,208
IV. Other mortgage payable, bearing interest at the greater of 10.25% or prime plus 3.25% per annum, secured by land with a carrying value of \$7,542,000 due October 1, 2010 (see note 6(b)).	4,000,000	5,000,000
Secured by housing projects under development		
V. Demand operating line of credit up to \$7,500,000 subject to certain levels of assets with a sublimit of \$1,561,000, bearing interest at prime plus 1% per annum, secured by a general security agreement over assets of the home building division.	-	2,173,000
VI. Project loans, payable on collection of closing proceeds, bearing interest at rates ranging from prime plus 2.5% to 9.75% per annum, secured by property with a carrying value of \$10,869,000, due between May 31, 2010 and June 1, 2010.	10,252,580	22,433,462
	117,639,385	132,704,174

Land loans include \$8,320,000 on behalf of LPLP 2007 due on May 1, 2011. This loan requires the Corporation, the general partner, to make monthly principal payments of \$500,000 plus interest commencing on December 1, 2008 (see note 6(a)(ii)), which was increased to \$520,000 effective December 1, 2009 upon loan renewal on September 29, 2009 (see below).

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

10. FINANCINGS (continued)

The Corporation has various covenants in place with its lenders with respect to certain contracted credit facilities. Such covenants include among other credit usage restrictions, cancellation, prepayment, confidentiality and cross default clauses, as well as sales coverage requirements, conditions precedent for funding, and other general understandings such as but not limited to maintaining contracted lot prices, restrictions on encumbrances, liens and charges, material changes to project plans, and changes in the Corporation's ownership structure. As at December 31, 2009, the Corporation is not in violation of any covenants with its lenders.

The Corporation's financings are to be repaid, based on the contractual terms, within the following time periods:

	\$
January 1, 2010 to December 31, 2010	101,802,465
January 1, 2011 to December 31, 2011	6,473,731
January 1, 2012 to December 31, 2012	9,363,189
Subsequent	-
	<u>117,639,385</u>

Secured by land held for future development

On February 2, 2009, Genesis entered into a loan agreement in the amount of \$5,629,000, due January 31, 2010. The funds were advanced February 13, 2009. The loan bears interest at a rate of the greater of 12% or prime + 4% per annum for the first nine months, and the greater of 15% or prime + 7% per annum for the remaining three months and is secured by the lands purchased for \$30,258,000 on February 4, 2009 (see note 5), as well as existing real estate under development. The loan was paid off in accordance with the agreement.

\$12,000,000 of the total amount of land loans, stated in Note 10(l), was renewed by Genesis on March 10, 2009 through a mortgage renewal agreement maturing May 1, 2010. The mortgage loan bears interest at a rate of the greater of 10.5% or prime + 3% per annum and is secured by existing real estate held for development and sale.

On April 16, 2009, the Corporation entered into a mortgage loan agreement in the amount of \$5,100,000 (note 18) bearing interest at 14.5% per annum from the date of the first advance to April 1, 2010 and interest at 19.5% per annum thereafter, with principal and any unpaid interest due on or before May 1, 2010. The loan is secured by certain LPLP 2007 land held for future development.

On September 29, 2009, the Corporation entered into a mortgage renewal agreement in the amount of \$12,830,000 by extending the due date to May 1, 2011 with the renewed loan facility bearing interest at the greater of 10.5% or prime + 3.5% per annum while substantially retaining all other terms of the original agreement.

10. FINANCINGS (continued)

Loans secured by land under development and agreements receivable

On March 26, 2009, Genesis entered into an inventory loan facility agreement in the amount of \$8,500,000. Under this facility, drawn amounts including interest are due within 12 months of the first day of the month following the first advance of funds. Approximately \$6,090,000 was advanced on April 9, 2009. The loan facility bears interest at a rate of the greater of 9% or prime + 4% per annum and is secured by existing real estate under development. The loan facility stipulated a payment in the amount of \$2,200,000 due May 8, 2009, which was satisfied through land sale closings pursuant to the agreement as scheduled. Additionally, on June 17, 2009, the Corporation entered into an amendment agreement to increase loan availability under the facility receiving a second advance of approximately \$3,300,000 on June 19, 2009.

On June 2, 2009, the Corporation entered into a renewal agreement with a lender holding a land project loan in the amount of \$1,837,000 by extending the due date to November 1, 2009 with the renewed loan facility bearing interest at the greater of 8% or prime + 2% per annum while substantially retaining all other terms of the original agreement. On July 27, 2009, the Corporation amended such renewal agreement by increasing loan availability to \$6,010,000 secured by existing real estate under development. The amended mortgage loan bears interest at the greater of 10% or prime plus 2% per annum with principal due no later than November 1, 2010 and interest due monthly from date of advance.

Also on June 2, 2009, the Corporation entered into a renewal agreement with a lender holding a land project loan in the amount of \$1,579,000 by extending the due date to November 1, 2009 with the renewed loan facility bearing interest at the greater of 7% or prime + 0.75% per annum while substantially retaining all other terms of the original agreement. On November 9, 2009, the Corporation amended such renewal agreement by extending the due date to September 1, 2010 while substantially retaining all other terms of the original agreement.

On June 12, 2009, the Corporation entered into a renewal agreement with a lender holding a land project loan in the amount of \$15,390,000 by extending the due date to January 1, 2011 with the renewed loan facility bearing interest at the greater of 6.5% or prime + 3% per annum while substantially retaining all other terms of the original agreement.

On July 27, 2009, the Corporation entered into a mortgage loan commitment agreement in the amount of \$4,750,000 to provide working capital financing secured by existing real estate under development. Under the agreement, funds borrowed will bear interest at the greater of 9.5% or prime plus 3% per annum with principal due in 18 months and interest due monthly from the interest adjustment date. On August 11, 2009, the Corporation entered into an amendment agreement to this mortgage loan commitment reducing the loan amount to \$4,200,000 with principal due March 1, 2011 while substantially retaining all other terms of the original agreement.

10. FINANCINGS (continued)

On September 8, 2009, the Corporation entered into a mortgage loan commitment agreement in the amount of \$2,675,000 to provide working capital financing secured by existing real estate under development. Under the agreement, funds borrowed will bear interest at the greater of 6.5% or prime plus 2% per annum with principal and interest due no later than December 1, 2010.

On October 1, 2009, the loan in the amount of \$4,000,000 secured by the lands of the VIE was extended to October 1, 2010. The loan bears interest at the greater of 10.25% or prime plus 3.25% per annum and requires interest only payments each month.

On November 2, 2009, the Corporation entered into a mortgage loan commitment agreement in the amount of \$1,681,000 to provide working capital financing secured by existing real estate under development. The loan bears interest at the greater of 6.75% or prime plus 2% per annum with principal and interest due December 1, 2010.

On November 5, 2009 the Corporation entered into a commitment letter for \$28,000,000 of financing using certain of its lands as security. Under the terms of the financing commitment, the Corporation would be required to pay down \$10,000,000 of the loan by April 30, 2010, with the remainder due on the earlier of the anniversary date of the advance or November 30, 2010. Interest on this financing is 12.25% per annum. The Corporation has executed a conditional sale to dispose of certain assets to meet the payment requirements for this loan.

On November 18, 2009, the Corporation entered into a renewal agreement with a lender holding a land project loan in the amount of \$1,040,000 by extending the due date to May 1, 2010 with the renewed loan facility bearing interest at the greater of 6% or prime + 2% per annum while substantially retaining all other terms of the original agreement.

On November 23, 2009, the Corporation entered into a mortgage loan commitment agreement in the amount of \$15,500,000 to provide working capital financing secured by certain lands and existing real estate under development. The loan facility bears a preferred interest at 8% per annum paid monthly on the loan outstanding balance plus a regular interest at 12% per annum due with principal on December 1, 2012. The Corporation received the initial advance of \$9,300,000 on November 27, 2009.

Secured by housing projects under development

On May 14, 2009, the Corporation received an extension from a lender representing a housing project loan in the amount of \$25,317,000. The Corporation also extended the loan availability date to October 31, 2009 up to which time it could draw additional funds for project completion. Under the extension agreement, the Corporation was required to repay either from closings or corporate funds cumulative amounts of \$9,817,000 by August 31, 2009; \$14,817,000 by November 30, 2009; \$19,817,000 by February 28, 2010 with the balance due on May 31, 2010. The Corporation satisfied the August 31, 2009, November 30, 2009 and February 28, 2010 repayment conditions as agreed. During the period from May 14 to December 31, 2009, the Corporation reduced the

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

10. FINANCINGS (continued)

outstanding balance under the loan by \$15,091,000 through closings of the multi-family home project secured under the credit facility.

11. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares
 Unlimited number of preferred shares

(b) Issued:

	Number	Stated Value
Common shares		
Balance - December 31, 2007	46,021,190	\$ 56,383,315
Issued for cash from options exercised	14,500	46,110
Transferred from contributed surplus on exercise of options	-	27,119
Purchased through normal course issuer bid	(1,619,171)	(2,292,608)
Balance - December 31, 2008	44,416,519	\$ 54,163,936
Purchased through normal course issuer bid*	(304,762)	(66,837)
Balance - December 31, 2009	44,111,757	\$ 54,097,099

*includes 250,262 shares purchased in prior year, but not cancelled until 2009.

1,462,147 common shares were released from escrow October 29, 2009. No shares are held in escrow at December 31, 2009.

On September 19, 2008, the Corporation commenced a normal course issuer bid to purchase for cancellation 2,301,784 of its common shares. During the year ended December 31, 2008, 1,869,433 common shares were acquired at an average cost of \$1.37 of which 1,619,171 were cancelled prior to December 31, 2008. During the year ended December 31, 2009, the remaining 250,262 common shares acquired pursuant to this issuer bid were cancelled. Additionally, during the year ended December 31, 2009, 54,500 common shares were acquired and cancelled pursuant to this issuer bid at an average cost of \$1.12. No additional shares were acquired under this issuer bid prior to its expiration on September 22, 2009.

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

11. SHARE CAPITAL (continued)

Net earnings per share

The following table sets forth the weighted average number of shares outstanding for net earnings per share purposes for the year ended December 31, 2009 and 2008:

	Year ended December 31	
	2009	2008
Basic	44,123,071	45,783,743
Effect of dilutive securities - stock options	15,126	70,200
Diluted	44,138,197	45,853,943

In calculating diluted earnings per share for the year ended December 31, 2009, the Corporation excluded 699,563 options (2008 - 1,621,000), respectively, as the exercise price was greater than the average market price of its shares during those years.

12. CONTRIBUTED SURPLUS

	December 31, 2009	December 31, 2008
	\$	\$
Balance - beginning of period	4,120,469	3,333,166
Stock based compensation, net of forfeitures	(6,084)	814,422
Normal course issuer bid	5,796	-
Fair value of options exercised	-	(27,119)
Balance - end of period	4,120,181	4,120,469

13. STOCK OPTIONS

The Corporation has established a stock option plan for certain employees, officers, directors and contractors of the Corporation to purchase common shares. Vesting provisions and exercise prices are set at the time of issuance by the Board of Directors. Options vest over a number of years on various anniversary dates from the date of the original grant.

The options must be issued at not less than the fair market value of the common shares at the date of grant and are issued with terms generally not exceeding 5 years from the date of grant. Pursuant to the plan, there are 2,448,426 additional options which may be granted to purchase common shares.

For the year ended December 31, 2009, compensation recovery of \$6,000 (2008 - \$814,000 expense) has been applied to contributed surplus, net of \$789,000 (2008 - \$764,000) reversed on the forfeiture of unvested options. No options (2008 - 14,500)

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

13. STOCK OPTIONS (continued)

were exercised during the period. A total of 1,196,250 (2008 - 165,000) stock options were granted during the year ended December 31, 2009 at a fair value of \$1,184,000 and a total of 1,209,500 (2008 - 1,087,314) stock options were forfeited during the same period.

Details of outstanding stock options are as follows:

	Year ended December 31, 2009		Year ended December 31, 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	1,976,000	\$ 5.54	2,937,814	\$ 6.02
Options granted	1,196,250	\$ 1.85	165,000	\$ 3.98
Options exercised	-	-	(14,500)	\$ 3.18
Options expired	-	-	(25,000)	\$ 5.00
Options forfeited	(1,209,500)	\$ 5.18	(1,087,314)	\$ 6.77
Outstanding - end of period	1,962,750	\$ 3.51	1,976,000	\$ 5.54
Exercisable - end of period	774,563	\$ 3.79	672,000	\$ 4.43

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at December 31, 2009	Weighted Average Exercise Price	Number at December 31, 2009	Weighted Average Exercise Price	
0.90 - 2.00	240,000	\$ 1.20	75,000	\$ 1.17	4.40
2.01 - 4.00	1,121,250	\$ 2.19	379,063	\$ 2.47	4.57
4.01 - 6.00	235,500	\$ 5.20	188,500	\$ 5.02	2.11
6.01 - 8.00	221,000	\$ 7.27	117,000	\$ 7.22	2.41
8.01 - 10.00	123,000	\$ 8.85	15,000	\$ 8.16	2.77
10.01 - 10.48	22,000	\$ 10.17	-	-	2.49
	1,962,750	\$ 3.51	774,563	\$ 3.79	3.88

The weighted average fair market value of options granted during the year ended December 31, 2009 was \$0.99 (2008 - \$1.37) per option.

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

13. STOCK OPTIONS (continued)

The fair value of each option granted was estimated on the date of grant using the Black-Scholes Option-Pricing Model with the following assumptions:

	December 31, 2009	December 31, 2008
Risk-free interest rate	1.78% - 2.57%	3.49% - 3.86%
Estimated term period prior to exercise (years)	5	4.47 - 5
Volatility in the price of the Corporation's common shares	56.6% - 61.8%	35.1% - 37.4%
Forfeiture rate	0.00%	0.00%
Dividend yield rate	0.00%	0.00%

14. COMMITMENTS AND CONTINGENCIES

- (a) The Corporation has been named as a co-defendant to a lawsuit that commenced on December 6, 2001. The lawsuit seeks damages of \$8,000,000 plus punitive damages of \$1,000,000. The statement of claim asserts the share price used to convert certain debts of the Corporation into common shares of the Corporation was overstated. The outcome of the claim is unknown at this time and no amounts have been accrued in these consolidated financial statements relating to this matter.
- (b) In 2007, the Corporation was served with a statement of claim in the amount of \$3,500,000 relating to a dispute with a customer. The statement of claim seeks specific performance from Genesis. The outcome of the claim is unknown at this time and no amount has been accrued within these consolidated financial statements relating to this matter.
- (c) At December 31, 2009, The Corporation has certain obligations and commitments pursuant to service agreements with municipalities totaling \$14,161,000 (December 31, 2008 - \$15,351,000) of which \$8,300,000 (December 31, 2008 - \$4,566,000) have been accrued in the consolidated financial statements as land development service costs. Pursuant to these obligations, the Corporation has granted irrevocable standby letters of credit, issued by financial institutions, to the municipalities to indemnify them in the event the Corporation does not perform its contractual obligations. As of December 31, 2009, the letters of credit amounted to \$17,259,000 (December 31, 2008 - \$20,869,000), of which \$4,771,000 (December 31, 2008 - \$5,704,000) is in respect of the commitment disclosed in note 14(d).
- (d) In respect of the commitments disclosed in note 14(c) to the municipalities, the Corporation has agreed to finance and pay for certain transportation improvements undertaken by a municipality. The Corporation has agreed to advance funds to the municipality to allow it to undertake certain additional transportation improvements. The advance is refundable without interest no later than June 30, 2012 up to a maximum of \$4,346,000, with any excess thereto being non-refundable. The municipality has commenced construction of the improvements and it is anticipated

14. COMMITMENTS AND CONTINGENCIES (continued)

that the Corporation will provide upfront financing to the municipality not exceeding \$4,346,000.

- (e) Pursuant to the terms of a participating mortgage that was repaid during 2002, the former mortgage holders have the right to a 20% participation in the profits from the development of approximately 39 acres of land under development. At December 31, 2009, a liability of approximately \$1,697,000 (December 31, 2008 - \$1,500,000) has been accrued in the records of Genesis in respect of this liability.
- (f) Genesis has entered into a memorandum of understanding with a community society, whereby Genesis will contribute \$5,000,000 over ten years for the naming rights to a recreation complex. Negotiations are underway to determine when payments will commence.
- (g) On February 19, 2008 Genesis entered into an agreement with the City of Airdrie, whereby Genesis will contribute \$2,000,000 (\$200,000 each year, terminating June 1, 2017) for the naming rights to a recreation complex. The first two installments totaling \$400,000 were made through 2009.
- (h) The Corporation has office and other operating leases with the following annual payments: 2010 - \$541,000; 2011 - \$531,000; 2012 - \$273,000; thereafter - \$Nil.

15. FINANCIAL INSTRUMENTS

(a) Risks associated with financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(i) Credit Risk

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

15. FINANCIAL INSTRUMENTS (continued)

The carrying values of amounts receivable, cash and cash equivalents, and restricted cash and deposits represent maximum credit exposure. The Corporation carries an allowance for doubtful accounts and monitors collectability on an on-going basis to determine collectability risk.

The Corporation sells its residential lots in the Provinces of Alberta and British Columbia to residential home builders.

The Corporation's exposure to credit risk associated with the non-performance of home builders can be directly impacted by economic conditions, which could impair the customers' ability to satisfy their obligations to the Corporation. As at December 31, 2009, the Corporation carried an allowance for doubtful accounts of approximately \$12,891,000 (December 31, 2008 - \$18,845,000). The Corporation removed \$4,550,000 of receivable and allowance for doubtful accounts related to 18 lots previously written down that were resold to another builder during the year ended December 31, 2009. Other net reversals to allowance for doubtful accounts were approximately \$1,404,000 (see below).

The Corporation recognizes bad debt expense or recovery relating to amounts receivable on sold lots net of the return of the real estate held for development and sale, whereby lots for which allowance for doubtful accounts is established are taken back into the Corporation's lot inventory.

Additionally, lots that have been recovered subsequent to being allowed for are relieved from the Corporation's lot inventory if not resold. The difference between an allowance for doubtful accounts and the related bad debt expense or recovery is the cost of a lot for which an allowance has been provided.

For the year ended December 31, 2009, the Corporation recognized a net bad debt recovery of approximately \$594,000 (net of the return of the real estate held for development and sale) resulting from the collection of \$1,609,000 (\$2,407,000 – allowance for doubtful accounts) for 17 sold lots that were written down at December 31, 2008 and the collection of an additional \$106,000 (\$164,000 – allowance for doubtful accounts) deposit pertaining to 6 lots written down during the first quarter of 2009, offset, in part, by the \$620,000 write-down (\$1,067,000 – allowance for doubtful accounts) of the 6 lots as stated above, a \$100,000 partial write-down (\$100,000 – allowance for doubtful accounts) of one specific lot to reflect an amendment to the related contract, a bad debt expense of \$369,000 incurred on collection of 59 lots for which no previous allowance had been established and a miscellaneous bad debt expense of \$32,000.

Further allowances may be necessary. In order to mitigate credit risk, the Corporation retains title to sold residential lots until full payment is received.

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

15. FINANCIAL INSTRUMENTS (continued)

Aging of amounts receivable as at December 31, 2009 and 2008 is as follows:

Aging	December 31, 2009 \$	December 31, 2008 \$
Not past due	15,483,913	41,426,136
Past due 0-30 days	-	1,320,560
Past due 31-60 days	-	1,231,384
Past due 61-90 days	-	912,020
Past due 91-120 days	5,774,341	862,939
Past due 121-270 days	1,680,655	861,319
Past due > 270 days	5,336,032	1,728,900
	28,274,941	48,343,258
Allowance for doubtful accounts	(12,891,028)	(18,845,056)
	15,383,913	29,498,202

There is a risk that the Corporation may not fully collect all of its amounts receivable.

As of March 30, 2010, an additional \$2,935,000 of amounts receivable balances outstanding at December 31, 2009 became past due which has been collected in full through March 30, 2010.

Individual balances due from customers which comprise greater than 10% of total amounts receivable as at December 31, 2009 are noted in the following table.

	December 31, 2009 \$	December 31, 2008 \$
Customer A	-	11,077,191
Customer B	3,399,196	9,039,981
Customer C	6,629,481	6,785,728
Customer D	3,592,100	2,426,782
	13,620,777	29,329,682
Allowance for doubtful accounts	(10,028,677)	(14,784,170)
	3,592,100	14,545,512

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

15. FINANCIAL INSTRUMENTS (continued)

The allowance for doubtful accounts of \$10,029,000 consists of \$3,399,000 representing 17 lots for customer B and \$6,629,000 representing 34 lots for customer C. These balances are included in the Corporation's \$12,891,000 (December 31, 2008 - \$18,845,000) allowance for doubtful accounts as at December 31, 2009.

(ii) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's Management monitors liquidity risk on an on-going basis to ensure that the Corporation will have sufficient cash available to meet its financial obligations as they come due. Financial obligations include accounts payable, taxes payable, loans due within one year, and commitments under contract.

Management of the Corporation uses budgets to estimate cash needs for projects, construction costs and ongoing operations. Actual performance is measured against these budgets on an on-going basis and Management adjusts its strategies based on operating experience and market trends.

In the case of a loan coming due, Management may also negotiate an extension or re-finance an existing obligation, pursue alternate or replacement financing, and where appropriate to the overall corporate strategy, seek to strategically dispose of its real estate assets to secure additional cash flows.

The following are the contractual maturities of financial liabilities and other commitments as at December 31, 2009:

	< 1 Year \$	> 1 Year \$	Total \$
Financial Liabilities			
Accounts payable and accrued liabilities	8,350,000	-	8,350,000
Income taxes payable	11,138,000	-	11,138,000
Customer deposits	4,985,000	-	4,985,000
Financings (note 10)	101,802,000	15,837,000	117,639,000
	126,275,000	15,837,000	142,112,000
Commitments			
Lease obligations	541,000	804,000	1,345,000
Naming rights	200,000	1,400,000	1,600,000
	127,016,000	18,041,000	145,057,000

15. FINANCIAL INSTRUMENTS (continued)

Land development service costs of \$8,300,000 (2008 - \$4,566,000) at December 31, 2009 have not been included in the table stated above due to uncertainties of timing of the related payments.

(iii) Market Risk

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

The Corporation is exposed to market risk in terms of its reliance on the strength of the local economies in which it operates. The majority of real estate assets the Corporation holds is within the Calgary Metropolitan Area and therefore is subject to the economic conditions of the region. The Corporation endeavors to monitor economic indicators to position itself in the market place to ensure it can meet its financial obligations, both short term and long term.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk to the extent that certain agreements receivable and certain financings are at a floating rate of interest. The Corporation is also exposed to fair value risk to the extent that certain financings, mortgages receivable and loans receivable are at a fixed rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately \$743,000 on floating rate loans, with approximately \$9,000 impacting pre-tax net earnings.

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

15. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments

The fair value of cash and cash equivalents, amounts receivable, restricted cash, deposits and accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity. The fair value of the Corporation's financings were estimated by comparing future cash flows of each financing at their interest rate compared to cash flows that would be incurred if the Corporation was to refinance these facilities at current market rates.

	December 31, 2009		December 31, 2008	
	Carrying value \$	Estimated Fair Value \$	Carrying value \$	Estimated Fair Value \$
Held for trading				
Cash and cash equivalents	4,577,946	4,577,946	4,502,984	4,502,984
Deposits	16,144,635	16,144,635	7,976,988	7,976,988
Restricted cash	854,862	854,862	478,302	478,302
Loans and receivables				
Amounts receivable	15,383,913	15,383,913	29,498,202	29,498,202
Other liabilities				
Accounts payable and accrued liabilities	8,349,995	8,349,995	24,203,111	24,203,111
Financings	117,639,385	115,747,433	132,704,174	131,134,221

(c) Capital management

The Corporation's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Corporation is subject to externally imposed capital requirements. The Corporation failed to have the audit of the annual financial statements for one of the limited partnerships under its control performed on time in accordance with the requirements set forth in the related offering memorandum due to delay in completing the audit; the audit is in progress and close to completion.

The Corporation manages its capital structure and makes adjustments to it in light of changes in regional economic conditions and the risk characteristics of the underlying real estate industry within that region. The Corporation considers its capital structure to specifically include shareholders' equity, non-controlling interest and financings, which is a more focused view of its capital structure compared to prior year. In order to maintain or adjust its capital structure, the Corporation may adjust its capital spending to manage current and projected debt levels.

15. FINANCIAL INSTRUMENTS (continued)

The Corporation continues to evaluate the need to leverage its land assets to secure sufficient financings to ensure the Corporation is able to meet its financial obligations as they come due.

16. SUBSEQUENT EVENTS

On January 8, 2010, the Corporation entered into a renewal agreement with a lender holding a land project loan in the amount of \$Nil by increasing loan availability by \$5,075,000 and extending the due date to November 1, 2010 while substantially retaining all other terms of the original agreement.

On February 1, 2010, the Corporation entered into a renewal agreement with a lender holding a land project loan in the amount of \$374,000 by increasing loan availability by \$3,700,000 and extending the due date to March 1, 2011 while substantially retaining all other terms of the original agreement.

On March 8, 2010, the Corporation entered into a mortgage loan agreement in the maximum amount of \$10,000,000 to provide working capital financing secured by existing real estate under development. The loan bears interest of 7.5% per annum through February 28, 2011 and 15% per annum thereafter with interest due monthly and principal due March 31, 2011. On March 26, 2010, proceeds from the initial advance of \$8,000,000 were used to repay the Corporation's existing loan in the amount of \$4,000,000 secured by the lands of the VIE (see note 10).

17. SEGMENTED INFORMATION

The Corporation operates in two reportable segments, land development and home building, which represent separately managed strategic business units with distinct marketing strategies. The Corporation evaluates segment performance based on profit or loss from operations before income taxes. Inter-segment sales are accounted for as if the sale were to third parties at current market prices. Internal lot sales from the land division to the home building division or a limited partnership have been eliminated and are not included in consolidated results, until the home is sold to a third party purchaser.

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

17. SEGMENTED INFORMATION (continued)

The income producing business units of the Corporation report the following activities for the year ended December 31, 2009 and 2008:

	Year Ended December 31, 2009			Year Ended December 31, 2008		
	Segment	Elimination	Consolidated	Segment	Elimination	Consolidated
REVENUE						
Residential Lot Sales	38,083,567	(14,945,221)	23,138,346	46,634,278	(14,836,359)	31,797,919
Residential Home Sales	63,999,782	(1,287,092)	62,712,690	50,759,835	-	50,759,835
Interest and other income	710,781	-	710,781	1,272,884	-	1,272,884
CONSOLIDATED	102,794,130	(16,232,313)	86,561,817	98,666,997	(14,836,359)	83,830,638
COST OF SALES						
Residential Lot Sales	22,225,421	(9,496,215)	12,729,206	19,054,482	(7,345,742)	11,708,740
Write-down of real estate held for development and sale	7,642,349	-	7,642,349	6,961,905	-	6,961,905
TOTAL LAND	29,867,770	(9,496,215)	20,371,555	26,016,387	(7,345,742)	18,670,645
Residential Home Sales	58,098,399	(9,553,040)	48,545,359	39,506,519	(8,190,527)	31,315,992
CONSOLIDATED	87,966,169	(19,049,255)	68,916,914	65,522,906	(15,536,269)	49,986,637
REVENUES LESS COST OF SALES						
Residential Lot Sales	15,858,146	(5,449,006)	10,409,140	27,579,796	(7,490,617)	20,089,179
Write-down of real estate held for development and sale	(7,642,349)	-	(7,642,349)	(6,961,905)	-	(6,961,905)
TOTAL LAND	8,215,797	(5,449,006)	2,766,791	20,617,891	(7,490,617)	13,127,274
Residential Home Sales	5,901,383	8,265,948	14,167,331	11,253,316	8,190,527	19,443,843
	14,117,180	2,816,942	16,934,122	31,871,207	699,910	32,571,117
Interest Income	710,781	-	710,781	1,272,884	-	1,272,884
CONSOLIDATED	14,827,961	2,816,942	17,644,903	33,144,091	699,910	33,844,001
OTHER EXPENSES*			12,039,651			26,190,997
Earnings before Tax and Non-Controlling Interest			5,605,252			7,653,004
Income Taxes			3,579,092			3,099,046
Earnings before Non-Controlling Interest			2,026,160			4,553,958
Non-Controlling Interest			(4,729,771)			(4,730,223)
NET EARNINGS			6,755,931			9,284,181

*Other expense items include general and administrative, bad debt expense (recovery), interest, stock-based compensation, amortization and gain (loss) on sale.

Genesis Land Development Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2009 and 2008

17. SEGMENTED INFORMATION (continued)

ASSETS	December 31, 2009 \$	December 31, 2008 \$
Land Development	314,178,886	320,442,080
Home Building	26,013,558	40,509,385
Corporate	4,577,946	4,502,984
CONSOLIDATED	344,770,390	365,454,449

18. RELATED PARTY TRANSACTIONS

Financing in the amount of \$5,100,000 stated in note 10(l) above was provided by a syndicate with which one of the Corporation's directors is affiliated. The financing was provided prior to the director joining the Corporation's board of directors.

On February 26, 2010, the Corporation entered into a renewal agreement for the land loan stated above solely with the Corporation's director by increasing the loan amount to \$5,410,000 effective May 1, 2010 bearing interest of 9.9% per annum through December 1, 2010 and interest of 14.5% per annum thereafter and extending the due date to January 1, 2011 while substantially retaining all other terms of the original agreement.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.