



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Dated: April 28, 2010

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Genesis Worldwide Inc. ("Genesis" or the "Company") should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the fiscal year ended December 31, 2009 and 2008, filed with the Canadian securities regulatory authorities, which may be accessed at www.sedar.com. The audited consolidated financial statements and accompanying notes have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). All dollar amounts are in Canadian dollars unless stated otherwise. The information contained herein is dated as of April 28, 2010, and is current to that date, unless otherwise stated. The Company's fiscal year commences January 1st of each year and ends on December 31st of that year.

In this document, "we", "us", "our", "Company" and "Genesis" all refer to Genesis Worldwide Inc. collectively with its subsidiaries. The content of this MD&A has been approved by the Board of Directors, on the recommendation of its Audit Committee.

Further information regarding the Company, and its business and operations, may be obtained from the Company's continuous disclosure documents filed from time-to-time with the Canadian securities regulatory authorities. These continuous disclosure documents are available through the Company's website at www.genesisworldwide.com or through the SEDAR website maintained by the Canadian securities regulatory authorities, which can be accessed at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking statements within the meaning of applicable securities laws, which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section contained in the Company's Annual Information Form ("AIF") filed with the Canadian securities regulatory authorities and accessible on SEDAR at www.sedar.com and the risks outlined under the heading "Liquidity and Capital Resources" in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, the Company cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements. You should not place undue importance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and, except required by law, the Company assumes no obligation to update or release any revisions to these forward-looking statements to reflect events, circumstances or the occurrence of unanticipated events, or if management's projections, beliefs or opinions change after the date of this MD&A.

Financial Condition and Significant Going Concern Uncertainty

While the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, there are material uncertainties related to certain adverse conditions and events that cast substantial doubt on the validity of this assumption. The Company has not yet realized consistent profitable operations and continues to use cash to fund its operations. The Company's ability to continue as a going concern is dependent inter alia on, the following matters: (i) securing financing to fund its immediate short-term operating requirements; (ii) actively managing its working capital and liquidity; and (iii) recruiting a permanent Chief Executive Officer and retaining staff generally. At present, the success of these initiatives cannot be assured due to certain material uncertainties and hence the appropriateness of the use of accounting principles applicable to a going concern.

The first material uncertainty is the ability of the Company to secure financing to fund its short-term immediate operating requirements. If the Company is unable to raise additional capital in the immediate future, it does not expect its operations to generate sufficient cash flow to fund its obligations as they come due. Additional funding may be in the form of debt or equity or a hybrid instrument depending on the needs of the investor. There can be no assurances however, that the Company will be successful in obtaining the necessary immediate short-term funding necessary to continue as a going concern. In the event that the Company is not able to secure additional immediate financing to fund its short-term operating requirements, the Company may be forced to discontinue operations.

The second material uncertainty is the ability of the Company to manage its working capital and liquidity. The Company has continued to incur losses and has cumulative losses and a working capital deficiency of \$64.8 million and \$4.9 million, respectively, as at December 31, 2009. As at December 31, 2009, KML Engineered Homes Ltd. ("KML"), a subsidiary of the Company, was in default of its secured non-revolving term loan agreement due to the following: (i) On October 2, 2009, the Company received notification that the Ontario Ministry of Revenue (the "Ministry") had registered its statutory lien against the assets of KML under the Personal Property Security Act (Ontario) on account of \$0.6 million of unremitted sales taxes owing. Subsequent to October 2, 2009, KML had entered into an agreement with the Ministry providing for the payment of these unremitted sales taxes owing over a period of approximately ten months. In the event that the repayment terms are not satisfied, the Ministry may seek to enforce its lien and collect the unremitted sales taxes owing immediately. On October 16, 2009, the Company received a letter of tolerance from the lender indicating that no further action would be taken by the lender against the default for the period ending September 30, 2010. As at December 31, 2009, the Company accrued the amount owing to the Ministry and remitted payments in accordance with the agreement with the Ministry up to December 31, 2009. Subsequent to December 31, 2009, the Company has not remitted payments per the agreement with the Ministry. Furthermore, subsequent to December 31, 2009, the Company has been audited by the Ministry for sales tax calculated during the period February 1, 2006 to October 31, 2009. The results of the audit indicate an additional amount owing, including interest, of \$0.7 million. The Company accrued the amount of \$0.7 million as at December 31, 2009; and (ii) as at December 31, 2009, the Company's current ratio was below the 1.1 to 1.0 level stipulated in the term loan agreement. The Company received a waiver from the lender for the year ended December 31, 2009, and the lender has agreed to revise the financial covenant to 1:1 as at March 31, 2010 and 1.1:1 at June 30, 2010. Subsequent to December 31, 2009, the Company does not anticipate achieving the ratio of 1:1 as at March 31, 2010. Accordingly, the full amount owing of \$1.0 million as at December 31, 2009, has been classified as a current liability and under certain circumstances may become immediately payable. Subsequent to December 31, 2009, the Company has received a demand letter from its lender requesting payment of all amounts owing as of the date of the demand letter. Subsequent to receiving the demand letter, and prior to the expiration of the ten day cure period, a current shareholder of the Company initiated discussions with the lender to potentially purchase the term loan. Subsequent to December 31 2009, the Company received a termination notice from Best Joist Inc. ("Licensor" or "BJI") in regards to the non-transferable license to use the Licensor's technology for the production and sale of certain steel joist products in Canada and the United States. The Company is currently in discussions with the Licensor regarding the amounts owing upon termination. The Company will continue to use the license in order to complete production as it relates to orders that were in backlog at the termination date. In addition, the Company has begun the process of exploring alternative technology as it relates to the production of steel joist products. An

impairment charge of \$517,000 was recorded to write down the license primarily as a result of the termination of the agreement. The Company's liquidity issues and its default under the BJI license agreement may impair the Company's ability to execute its business plan, and may result in the reduction of sales and marketing efforts and the foregoing of attractive business opportunities. There are also uncertainties related to the timing and use of the Company's cash resources and working capital requirements. Due to these and other factors, many of which are outside of the Company's control, the Company may not be able to accurately predict necessary cash expenditures or obtain financing in a timely manner to cover any shortfalls.

The third material uncertainty is the ability to recruit a permanent Chief Executive Officer and to retain staff. On November 4, 2009, the Chief Executive Officer of the Company tendered his resignation effective November 13, 2009. On November 16, 2009, Richard Pope was appointed as the Interim Chief Executive Officer of the Company. However, the absence of a permanent Chief Executive Officer may adversely impact the Company's ability to continue to operate as a going concern. Subsequent to December 31, 2009, Richard Pope, the Interim Chief Executive Officer, has accepted the role of permanent Chief Executive Officer. Additionally, the Company must continue to retain staff generally to continue to operate. On November 16, 2009, each of the Company's operating segments implemented short-term lay-offs of personnel in order to preserve cash. A total of 47 personnel were laid-off (36 in the structural products segment, 9 in the licensing segment and 2 in the corporate head office). Subsequent to December 31, 2009, the Company recalled 2 employees (1 in the structural products segment and 1 in the licensing segment) and the Company has continued short-term layoffs of 17 employees (in the structural products segment). All remaining employees that were not recalled, or not part of the current short-term layoffs, have either resigned from the Company or their employment with the Company has been terminated subsequent to year end. The total amount of notice and severance due to the employees that have been terminated totals \$80,000 and was recorded as at February 28, 2010. Due to the immediate liquidity crisis facing the Company, there is substantial doubt as to the Company's ability to continue to carry out day-to-day management decisions and operate as a going concern.

The consolidated financial statements do not include any adjustments or disclosures that may result from the Company's inability to continue as a going concern. If the going concern assumption were not appropriate for the consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; such adjustments could be material.

Selected Financial Information

The following tables set out selected consolidated financial information for the periods indicated. The selected financial information set out below for the years ended December 31, 2009, 2008, and 2007 respectively, has been derived from the audited consolidated financial statements and accompanying notes for the years ended December 31, 2009 and 2008. The unaudited financial information for the three month period ended December 31, 2009 and 2008 have been prepared by management in accordance with Canadian GAAP in a manner consistent with its annual audited consolidated financial statements and have not been subject to review by the Company's auditors. Each investor should read the following information in conjunction with those consolidated financial statements and the notes thereto.

Consolidated Statements of Operations Data

(in thousands of dollars, except share data)	Three Months Ended December 31		Fiscal Year Ended December 31		
	2009	2008	2009	2008	2007
Revenues					
Licensing	\$ 423	\$ 1,542	\$ 3,894	\$ 8,852	\$ 8,523
Structural Products	934	2,910	8,998	12,409	15,920
Total revenues	1,357	4,452	12,892	21,261	24,443
Direct cost of revenues					
Licensing	255	757	1,929	3,980	4,049
Structural Products	1,737	2,072	8,147	10,540	12,119
Total direct cost of revenues	1,992	2,829	10,076	14,520	16,168
	(635)	1,623	2,816	6,741	8,275
Operating Expenses					
Research and development, net	93	352	466	1,193	306
Selling and marketing	266	539	1,320	2,522	1,924
Engineering and project management	375	782	1,414	2,123	1,741
General and administration	1,934	733	5,090	4,559	4,339
Occupancy	424	548	1,475	1,636	1,518
Corporate reorganization costs	--	--	--	464	--
Plant commissioning and restructuring costs	--	--	--	--	776
	3,092	2,953	9,765	12,497	10,604
(Loss) before other expenses	(3,727)	(1,330)	(6,949)	(5,756)	(2,329)
Amortization and impairment charges	2,961	288	3,888	1,147	985
Debenture and loan interest expense	102	45	370	97	914
Minimum royalty and debenture accretion	112	69	298	289	299
Foreign exchange gain	(44)	(39)	(31)	(60)	(19)
Other	(76)	--	46	--	--
	3,055	363	4,571	1,473	2,179
Net loss and comprehensive loss for the period	(6,782)	(1,693)	(11,520)	(7,229)	(4,508)
Net loss per share – basic and diluted	(0.17)	(0.05)	(0.29)	(0.23)	(0.17)
Weighted average number of common shares outstanding – basic and diluted	39,510,309	30,982,858	39,510,309	30,982,858	25,969,159

Consolidated Balance Sheet Data

(in thousands of dollars)	As at December 31, 2009	As at December 31, 2008
Cash	\$ 72	\$ 167
Accounts receivable	2,818	7,781
Total assets	7,773	17,339
Total liabilities	9,606	12,630
Shareholders' equity	(1,833)	4,709

Overview

Genesis is a “green” building products and technology provider. Genesis provides, develops and licenses light steel structural building technologies aimed at the global residential, commercial and institutional building markets. Genesis offers licensees and solution providers a turn-key solution enabling them to custom design, manufacture and install complete light steel building structures (the “Genesis Solution”). The Genesis Solution encompasses engineered processes and materials that are environmentally sustainable or “green”. The Company’s operating activities consist of the ongoing development, licensing and application of its technologies through the licensing and structural products divisions. Genesis generates its revenues from both the licensing and the application of these technologies. The Company refers to the licensing of its technologies as the licensing division or licensing business and the application of its technologies to build structural products as the structural products division.

The Market

The year ended December 31, 2009 continued to show an unpredictable global economy that has resulted in a volatile and uncertain environment, which has continued to present many companies with new business challenges. As noted by the Company for the year ended 2008, the potential of this downturn affecting the Company’s results is significant because not only have builders been affected by the slowdown in consumer demand, the global financial industry has been significantly impacted, which, in turn, negatively affects the construction industry, as most construction projects require financing. The effect of the global economic downturn on the financial industry has resulted in builder financing becoming scarce for new projects and, in some instances, projects partially completed have been abandoned due to financing being withdrawn or the terms thereof being changed. As a result, general economic conditions continue to be very challenging for most companies which are involved in or dependent on the construction industry, including Genesis.

The Company’s licensing division, GenesisTP Inc., operates worldwide and, in the year to date, markets globally have generally been negatively impacted by the global economic downturn. However, certain markets, such as the Middle East, China and India, are exhibiting signs of improvement. The impact of this general slowdown is that the licensing division has had to identify opportunities in growth areas such as the Middle East, China and India. It is expected to take some time for the Company to penetrate these new markets for the reasons discussed below. The Company has also experienced some delays in the commissioning of plants for certain Eastern European licensees and, as a result, the commencement of royalty payments from these licensees has been delayed. The Company will continue to work with these licensees during this difficult time.

Governments globally have responded to the economic downturn with numerous stimulus packages to help spur their economies. Government stimulus packages have attempted to drive construction projects involving schools, hospitals, and other government buildings. One advantage of the Genesis Solution is its diversity in terms of the types of projects that it can be applied to. The hardest hit segment of the global construction market has been single family homes, while the commercial and institutional building market has not been negatively impacted to the same degree. The Genesis Solution is applicable to both the single family home market, as well as the commercial and institutional building market for buildings that are eight-storays and under. Therefore, the Company will continue to focus its selling and marketing efforts on the areas showing activity, both geographically and by segment.

Subsequent to December 31, 2009, in an effort to enhance the worldwide adoption of the Genesis Solution, the Company is changing its licensing strategy. As part of its new business strategy, the Company anticipates entering into joint venture arrangements with potential licensees to develop light steel structural component manufacturing operations in strategic global locations where the need for a more efficient building system is necessary and required. This strategy creates a new business model that gives Genesis a stake in an existing or newly formed joint venture corporation. An equity stake in the business will allow the Company to share in the potential profits of this operation and to directly influence the direction and success of the business. In addition, the Company may reduce significant portions of its overhead as the joint venture operations endeavour to reach profitability. Accordingly, the Company is in discussions with Alexandria Steel Forming

Co. ("Alexandria Steel"), a leading supplier of steel, forming components, steel slitting and other steel related products located in Alexandria, Egypt, and Manazil Steel Framing Co. ("Manazil"), a construction company located in Abu Dhabi, UAE, and also a current licensee, regarding the creation of joint venture operations in the respective regions. Current discussions with both Alexandria Steel and Manazil are in the final stages of negotiation.

Recently, in furtherance of its new strategic direction, the Board of Directors of the Company has formed a special committee to negotiate a joint venture with Coddling Enterprises L.P., the Company's largest shareholder, covering the United States and South America, and has also formed a special committee to negotiate the divestiture of KML to an acquisition entity to be formed and owned by a director and consultant for the Company, James Arabia, whereby the Company would retain the ability to own a significant equity interest in KML through ownership of convertible securities issued by the acquisition entity. Although the Company believes it is likely that it will consummate the contemplated joint venture and divestiture transactions, there can be no assurance that any or all of the transactions will ultimately be finalized, or that if finalized they will be under the same terms and conditions as currently contemplated.

The Company believes that compelling market opportunities exist in India, the Middle East, China and California. Accordingly, the Company is targeting these markets.

On October 22, 2009, GenesisTP Inc. achieved certification of its Coil-to-Panel ("CTP") process and components by the International Code Council ("ICC"). The ICC, established in 1994, is an association dedicated to building codes that enhance safety and fire prevention. The ICC develops the codes used to construct residential and commercial buildings, including homes and schools, which are important markets for Genesis. The ICC's stated public vision is to protect the health, safety and welfare of individuals by creating better buildings and safer communities, which parallel key business objectives set forth by Genesis. Many U.S. cities, counties, and states that adopt codes choose the International Codes developed by the ICC. Genesis believes that receiving the ICC-ES Evaluation Report (ESR-2849) was an important milestone and Genesis believes that as a result of achieving this milestone its licensees will be better positioned to target certain types of building projects, particularly in the key U.S. markets that require ICC certification. Certain projects in the U.S., most notably government stimulus projects, mandate that only those products with an ICC certification can be used. The Company believes that obtaining this certification will help Genesis' licensees win the types of projects that were previously unavailable to them, and penetrate new and important markets. Genesis believes that this certification provides one more important competitive advantage for Genesis and its licensees.

Material costs for the construction industry are changing significantly. In North America, wood is the predominant structural material, and the cost of wood, although it has increased slightly from its lowest levels in the past several years, the Company cannot determine if this trend will continue. Outside of North America, concrete is the main structural material used. Against this backdrop, while steel prices have decreased from record highs experienced in 2008, steel prices have increased during 2009. This trend in steel prices and the trends in wood and concrete prices could negatively impact the Company for the foreseeable future. To minimize the adverse effect of these pricing pressures, the Company will endeavour to continue to develop innovative products and will continue its efforts to partner with suppliers to try and stabilize raw material costs. The Company has developed "SMART" parts, which are pieces that, when implemented into the production process, reduce inefficiencies such as welding, painting, and other fabrication activities, and even enable installers to address site related foundation imperfections rather than having to return materials to the factory for slight changes. The Company began implementing these innovations during the first part of fiscal 2009, and the result has been increased customer satisfaction and lower overall manufacturing costs due to the flexibility and increased efficiencies that these pieces create.

The use of light gauge steel as a structural material worldwide is still in its infancy. The Company estimates that the worldwide market share for light gauge steel as a structural material is still less than 1%. The Company's strategy for its licensing activities is to focus on those markets that offer the greatest overall potential for growth and also try to identify additional potential customers in those markets who are not full licensees, called Solution Providers, so that the rate at which light gauge steel is accepted as a structural

material in those markets will increase. In addition, it will also develop an expanded distribution network for the licensee and the Company. The Solution Provider Program will also allow some potential future licensees to use the Genesis Solution without having to make the investment to immediately become a full licensee and to gradually become a full licensee.

Comparison of the Three Months and Year Ended December 31, 2009 and December 31, 2008

Revenues

(a) Licensing

Licensing revenues for the fourth quarter of 2009 were \$423,000, compared to \$1,542,000 for the fourth quarter ended 2008, representing a decrease of 73%. Licensing revenues for the fourth quarter ended 2009 consisted mainly of royalties and revenues from the provision of services. During the fourth quarter ended 2008, licensing revenues consisted of revenues from the shipment of industrial equipment to a new licensee in Lithuania, and a partial shipment of equipment to a second Russian licensee, plus royalties and services.

Licensing revenues for the year ended December 31, 2009 were \$3,894,000, compared to \$8,852,000 for the same period in 2008, representing a decrease of 56%. During the year ended 2009, the Company delivered software to one licensee in Vietnam; delivered industrial equipment to its second Russian licensee; and earned royalty income and revenue from other services provided to licensees. During the year ended 2008, the Company delivered software to four licensees; delivered industrial equipment to four different licensees – two MOT lines and two C4 lines; and earned royalty income and revenue from other services provided to licensees.

(b) Structural Products

Revenues for the structural products division for the fourth quarter ended 2009 were \$934,000, compared to \$2,910,000 for the fourth quarter ended 2008, representing a decrease of 68%. Revenues for the fourth quarter ended 2009 were impacted by the Company's inability to maintain consistent sustained production from manufacturing as it continues to manage working capital. Throughout the fourth quarter of 2009, plant operations were manufacturing panels three of a total of thirteen weeks. Furthermore, revenue for the fourth quarter ended 2009 included a discount of \$89,000 provided to a customer for early payment.

Structural products revenues for the year ended December 31, 2009 were \$8,998,000, compared to \$12,409,000 for the year ended 2008, representing a decrease of 27%. As noted above, revenue has been impacted by the current economic situation which has resulted in a general slowdown in the construction industry. Furthermore, revenues for the year ended 2009 were impacted by the Company's inability to maintain consistent sustained production from manufacturing as it continued to manage working capital.

Direct Cost of Revenues

The direct cost of revenues for the licensing division consists of the direct cost of the industrial manufacturing equipment as well as inventory obsolescence. Direct cost of revenues for licensing as a percentage of revenue is dependent upon the mix of software revenue, industrial equipment revenue, royalty revenue and other revenues recorded in any one quarter, as the only revenue components that have a direct cost are the industrial equipment and miscellaneous supplies sold to licensees.

The direct cost of revenues for structural products consists of direct labour, direct material, certain plant overheads, and shipping and installation costs.

(a) Licensing

Direct cost of revenues for the licensing division for the fourth quarter ended 2009 was \$255,000, or 60% of the licensing division's revenue, compared to \$757,000, or 49% of this division's revenue for the fourth quarter ended 2008. Direct cost of revenues for licensing as a percentage of revenue is dependent upon the mix of software revenue, industrial equipment revenue, royalty revenue and other revenues recorded in any one

quarter, as well as the amount of inventory obsolescence recorded. During the fourth quarter ended 2009, the Company recorded an inventory obsolescence reserve of \$166,000.

Direct cost of revenues for the licensing division for the year ended December 31, 2009 was \$1,929,000, or 50% of the licensing division's revenue, compared to 3,980,000, or 45% of this division's revenue for the same period in 2008. The percentage of revenue increase is related to freight and storage costs incurred on undelivered equipment, as well as a charge to inventory obsolescence recorded in 2009.

(b) **Structural Products**

Direct cost of revenues for the structural products division was \$1,737,000 for the fourth quarter ended 2009, or 186% of the structural products division's revenue, compared to \$2,072,000, or 71% of this division's revenue for the fourth quarter ended 2008. The increase was attributable to a discount of \$88,000 provided to a customer for early payment that reduced revenue, increasing cost as a percentage of revenue. Direct cost of revenues also included an accrual of \$727,000 for a sales tax assessment, finalized subsequent to December 31, 2009, for the period February 1, 2008 to October 31, 2009, and inventory obsolescence of \$117,000. Excluding the discount, sales tax assessment and inventory obsolescence, direct cost of revenues was 87% of revenue for the fourth quarter ended 2009.

Direct cost of revenues for the structural products division for the year ended 2009 was \$8,147,000, or 91% of the structural product's division's revenue, compared to \$10,540,000, or 85% of this division's revenue for the year ended 2008.

Research and Development

Research and development ("R&D") expense include salaries and other personnel costs, as well as certification and materials costs, including prototypes and testing, associated with new product introductions. Any actual and estimated recoveries from the filing of Scientific Research and Experimental Development ("SR&ED") tax claims made to the Canadian and Ontario governments are netted against these expenses. Until the Company's initial public offering ("IPO") was completed on July 3, 2007, the Company was classified as a Canadian Controlled Private Corporation ("CCPC"). By virtue of being a CCPC up to July 3, 2007, the Company was entitled to a partial cash refund relating to qualified research and development expenditures from the Canadian federal and provincial governments. As a consequence of ceasing to be a CCPC, the federal portion of the investment tax credit earned by the Company is no longer refundable but is still available as a credit to the Company at a reduced rate to reduce future cash taxes payable.

R&D expense for the fourth quarter ended 2009 was \$93,000, compared to \$352,000 for fourth quarter ended 2008, representing a decrease of \$259,000, which was due to an increase to the SR&ED recovery of \$37,000, reduction in certification costs of \$30,000, and a reduction in salaries and other personnel costs due to lower modifications and development required in the Company's licensing division of \$192,000.

R&D expense for the year ended December 31, 2009 was \$466,000, compared to \$1,193,000 for the year ended December 31, 2008. The decrease of \$727,000 is due to the SR&ED of \$33,000, reduction in certification costs of \$107,000, and a reduction to salaries and other personnel costs of \$653,000.

Selling and Marketing

Selling and marketing expense include salaries, commissions and other personnel costs, including travel, participation in trade shows and conferences, and other marketing activities.

Selling and marketing expense was \$266,000 for the fourth quarter ended 2009, compared to \$539,000 for the fourth quarter ended 2008. This decrease in expense of \$273,000 is a result of the Company's initiative to lower marketing costs to ensure that marketing efforts are focused with a view to providing a better return on investment, reduced headcount due to the economic slowdown, and lower commission costs due to reduced revenue.

Selling and marketing expenses were \$1,320,000 for the year ended December 31, 2009, compared to \$2,522,000 for the year ended December 31, 2008. The decrease of \$1,202,000 reflects the implementation of strategic marketing campaigns, reduced head count and the discontinued operations in Ireland and the U.S.

Engineering and Project Management

Engineering and project management expense include salaries and other personnel costs of the Company's engineering and project management team.

Engineering and project management expense for the fourth quarter ended 2009 was \$375,000, compared to \$782,000 for the fourth quarter ended 2008.

Engineering and project management expense for the year ended December 31, 2009 was \$1,414,000, compared to \$2,123,000 for the year ended December 31, 2008.

General and Administrative

General and administrative ("G&A") expense include general personnel costs, insurance, professional fees relating to tax, legal and audits, and bad debt expense. Bad debt expense consists of the charge taken in the period a receivable is deemed uncollectible by the Company and will include the expected legal costs incurred to collect such debts. Any recoveries are netted against bad debt expense in the period they are collected.

G&A expense was \$1,934,000 for the fourth quarter ended 2009, compared to \$733,000 for the fourth quarter ended 2008, representing an increase of \$1,201,000. The increase in G&A expense was attributable to an increase in bad debt expense of \$1,374,000 offset by a decrease in salary and benefit costs due to reduction in headcount of \$244,000, and an increase in other G&A expenses of \$71,000.

G&A expense was \$5,090,000 for the year ended December 31, 2009, compared to \$4,559,000 for the year ended December 31, 2008. The increase of \$531,000 was due to decreased salary costs and benefits totalling \$825,000, decrease to other G&A costs totalling \$538,000, offset by an increase in bad debts of \$1,893,000.

Occupancy

Occupancy costs include rent, utilities, property insurance and municipal taxes for rental properties.

Occupancy expense was \$424,000 for the fourth quarter ended 2009, compared to \$548,000 for the fourth quarter ended 2008.

Occupancy expense was \$1,475,000 for the year ended December 31, 2009, compared to \$1,636,000 for the year ended December 31, 2008.

Corporate Reorganization Costs

Corporate reorganization costs include severance and termination payments related to senior organizational changes.

During the year ended December 31, 2008, the Company made senior organizational changes which resulted in the recording of termination and severance costs of \$464,000.

Amortization and Impairment Charges

Amortization costs relate to property, plant and equipment, and intangible assets.

Amortization expense and impairment charges were \$2,885,000 for the fourth quarter ended 2009, compared to \$288,000 for the fourth quarter ended 2008. The increase includes a write-down to deferred patent

costs of \$370,000 and an impairment charge to property, plant and equipment of \$1,770,000 located at the Vaughan manufacturing facility. Subsequent to December 31 2009, the Company received a termination notice from BJI (“Licensor”) in regards to the non-transferable license to use the Licensor’s technology for the production and sale of certain steel joist products in Canada and the United States. The Company is currently in discussions with the Licensor regarding the amounts owing upon termination. The Company will continue to use the license in order to complete production as it relates to orders that were in backlog at the termination date. In addition, the Company has begun the process of exploring alternative technology as it relates to the production of steel joist products. An impairment charge of \$517,000 was recorded to write down the license primarily as a result of the termination of the agreement.

Amortization expense and impairment charges were \$3,888,000 for the year ended December 31, 2009, compared to \$1,147,000 for the year ended December 31, 2008.

Foreign Exchange Gain/Losses

Foreign exchange gains/losses relate to the positive or negative realization in foreign currency transactions between the time revenue is booked or expenses are incurred and when the actual cash is received or expended.

The Company had a foreign exchange gain of \$44,000, and a gain of \$31,000, for the fourth quarter ended 2009 and the year ended December 31, 2009, respectively, compared to foreign exchange gains of \$39,000 and \$60,000 for the fourth quarter ended 2008 and the year ended December 31, 2008, respectively. These gains and losses are attributable to the fluctuating value of the Canadian dollar vis-à-vis the U.S. dollar.

The majority of the Company’s business is transacted in Canadian and U.S. dollars. Since the headquarters of the Company are located in Canada, the majority of the Company’s operating expenses are denominated in Canadian dollars. Where possible, the Company tries to have a natural hedge of paying U.S. dollar expenses from U.S. dollar collections, however, there is still some exposure to the risk of fluctuation in the U.S.-to-Canadian dollar exchange rate.

Loan Interest and Investment Income

Loan interest expense relates to the carrying cost of carrying debt, net of any interest earned on cash deposits. Investment income relates to income earned from the investment of excess cash in short-term liquid investments.

Loan interest expense for the fourth quarter ended 2009 was \$102,000, compared to interest expense of \$45,000 for the fourth quarter ended 2008. As at December 31, 2009, KML was not in compliance with the terms of the non-revolving term loan as the Company’s current ratio was below the 1.1 to 1.0 level stipulated in the term loan agreement. The Company received a waiver from the lender for the year end December 31, 2009, and the lender agreed to revise the financial covenant to 1:1 as at March 31, 2010 and 1.1:1 at June 30, 2010. Subsequent to December 31, 2009, the Company does not anticipate achieving the ratio of 1:1 as at March 31, 2010. The cost of the waiver received from the lender was included in loan interest expense for the fourth quarter ended 2009.

Loan interest expense for the year ended December 31, 2009 was \$370,000, compared to interest expense of \$97,000 for the year ended December 31, 2008, due to the secured non-revolving term loan completed in June 2008, the secured convertible debenture issued in February 2009, and the additional secured convertible debenture issued in May 2009.

Investment income is netted against expenses.

Liquidity and Capital Resources

Since its incorporation in July 2003, the Company has funded its operations and capital resources requirements through the issuance of equity securities, various types of debt financings and deferred revenue.

In June 2008, KML completed a three year \$1,800,000 secured non-revolving term loan with a large non-bank Canadian lender with interest payable at a fixed rate of 8.17%. This term loan is repayable in equal monthly instalments of principal plus interest. The lender required KML to provide a \$500,000 irrevocable letter of credit which was issued by a Canadian chartered bank and is secured by a restricted cash deposit of \$500,000 at that bank. The term loan was formalized and fully drawn down in July 2008. KML provided a general security agreement providing the lender with a general security interest in all of its assets. The term loan is guaranteed by the Company and its other subsidiaries, each of which provided a general security agreement providing the lender with a security interest in all of its assets. As at December 31, 2009, the Company was in default of its secured non-revolving term loan agreement due to the following: (i) On October 2, 2009, the Company received notification that the Ontario Ministry of Revenue (the “Ministry”) had registered its statutory lien against the assets of KML under the *Personal Property Security Act* (Ontario) on account of \$0.6 million of unremitted sales taxes owing. Subsequent to October 2, 2009, KML entered into an agreement with the Ministry providing for the payment of these unremitted sales taxes owing over a period of approximately ten months. In the event that the repayment terms are not satisfied, the Ministry may seek to enforce its lien and collect the unremitted sales taxes owing immediately. On October 16, 2009, the Company received a letter of tolerance from the lender indicating that no further action would be taken by the lender against the default for the period ending September 30, 2010. As at December 31, 2009, the Company accrued the amount owing to the Ministry and remitted payments in accordance with the agreement with the Ministry as at December 31, 2009. Subsequent to December 31, 2009, the Company has not remitted payments per the agreement with the Ministry. Furthermore, subsequent to December 31, 2009, the Company has been audited by the Ministry for sales tax calculated during the period February 1, 2006 to October 31, 2009. The results of the audit indicate an additional amount owing, including interest, of \$0.7 million. The Company has accrued the amount of \$0.7 million as at December 31, 2009; and (ii) as at December 31, 2009, the Company’s current ratio was below the 1.1 to 1.0 level stipulated in the term loan agreement. The Company received a waiver from the lender for the year ended December 31, 2009, and the lender has agreed to revise the financial covenant to 1:1 as at March 31, 2010 and 1.1:1 at June 30, 2010. Subsequent to December 31, 2009, the Company does not anticipate achieving the ratio of 1:1 as at March 31, 2010. Accordingly, the full amount owing of \$1.0 million as at December 31, 2009 has been classified as a current liability and under certain circumstances may become immediately payable. Subsequent to December 31, 2009, the Company has received a demand letter from its lender requesting payment of all amounts owing as of the date of the demand letter. Subsequent to receiving the demand letter, and prior to the expiration of the ten day cure period, a current shareholder of the Company initiated discussions with the lender to potentially purchase the term loan.

On February 23, 2009, the Company issued a secured convertible debenture in the principal amount of \$1,534,742 (the “Debenture”) to Coddling Enterprises, L.P. (“Coddling”), a limited partnership associated with Coddling Steel Frame Solutions (“Coddling SFS”), one of the Company’s existing licensees. The Debenture matured on August 23, 2010, bore interest at the rate of 10% per annum, and was convertible at the option of Coddling into common shares of Genesis at a conversion price of \$0.242. The Debenture was secured by a general security interest in all of the assets of the Company, which ranked subsequent to the security interest granted by the Company to the non-bank lender which provided the term loan described above.

On May 22, 2009, the Company issued additional secured convertible debentures in an aggregate principal amount of \$1,500,000 (the “Additional Debentures”). Coddling, and entities associated with it, acquired \$1,325,000 principal amount of the Additional Debentures. The Additional Debentures matured on November 22, 2010, bore interest at the rate of 10% per annum, and was convertible at the option of the debenture holders into common shares of Genesis at a conversion price of \$0.242. The Additional Debentures were secured by a general security interest in all of the assets of Genesis, which ranks *pari passu* with the security interest securing the Debenture, and subsequent to the security interest granted to the non-bank lender which provided the term loan described above. The Additional Debentures would automatically convert into common shares of Genesis at a conversion price of \$0.242 per share if the Company raised an additional \$1.5 million in equity through a transaction or a series of transactions. The Debenture was also amended at the same time that the Additional Debentures were issued to add an identical conversion feature.

In July 2009, the Company completed two private placements of an aggregate of 7,300,000 units at a price of \$0.25 per unit, raising aggregate gross proceeds of \$1,825,000. Each unit consisted of one common share and one-half of a common share purchase warrant. Each common share purchase warrant is exercisable into one common share of the Company at \$0.35 per common share until July 2013. As a result of the completion of the first of these private placements, which raised gross proceeds in excess of \$1.5 million, the Debenture and the Additional Debentures were automatically converted into common shares.

While the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, there are material uncertainties related to certain adverse conditions and events that cast substantial doubt on the validity of this assumption. The Company has not yet realized consistent profitable operations and continues to use cash to fund its operations. The Company's ability to continue as a going concern is dependent inter alia on the following matters: (i) securing financing to fund its immediate short-term operating requirements; (ii) actively managing its working capital and liquidity; and (iii) recruiting a permanent Chief Executive Officer and retaining staff generally. At present, the success of these initiatives cannot be assured due to certain material uncertainties and hence the appropriateness of the use of accounting principles applicable to a going concern is subject to substantial doubt.

In view of the current operating results and the difficult economic environment, the Company has significantly reduced its operating costs with a view to managing its business based on its anticipated revenues from its licensing arrangements and structural products backlog.

The Company is operating in a very difficult environment due to the global economic slowdown which has impacted both the construction and financial industries as discussed above. The Company has continued to incur losses, but has also continued to reduce its operating expenses. The Company's cash balance as at December 31, 2009 was \$72,000, and is not sufficient to meet the Company's current needs. If the Company is not able to raise additional financing, it will not be able to continue any of its operations. If the going concern assumption was not appropriate for the financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss, and the balance sheet classification used.

As noted in previous quarters, the Company continues to look at options to raise additional capital, which would allow the Company to pursue its growth initiatives and improve its liquidity. This initiative has proved challenging due to the current state of the global financial markets, but the Company will continue to search for opportunities that may be available to it. If the Company is unable to raise additional capital in the immediate future, it does not expect its operations to generate sufficient cash flow to fund its obligations as they come due. Additional funding may be in the form of debt or equity or a hybrid instrument depending on the needs of the investor. There can be no assurances however, that the Company will be successful in obtaining the necessary immediate short-term funding necessary to continue as a going concern. In the event that the Company is not able to secure additional immediate financing to fund its short term operating requirements, insolvency proceedings may be pursued by one or more of Genesis and its subsidiaries.

The table below outlines selected balance sheet accounts and a summary of cash inflows and outflows by activities:

Selected Balance Sheet and Cash Flow Data

(in thousands of dollars, except working capital ratios)	December 31, 2009	December 31, 2008
Cash	\$ 72	\$ 167
Working capital	(4,936)	259
Long-term assets	3,681	6,954
Long-term liabilities	578	1,986
Working capital ratio	0.45 to 1	0.98 to 1

Cash Inflows and (Outflows) by Activities

(in thousands of dollars)	December 31, 2009	December 31, 2008
Operating activities	\$ (3,827)	\$ (5,103)
Investing activities	(431)	(1,772)
Financing activities	4,163	1,054
Net cash inflows (outflows)	(95)	(5,821)

Cash Used in Operating Activities

The Company used \$74,000 of cash to fund its operations for the fourth quarter ended 2009, compared to \$256,000 for the fourth quarter ended 2008.

The Company used \$3,827,000 of cash to fund its operations during year ended December 31, 2009, compared to \$5,103,000 for the year ended December 31, 2008. The decrease to cash used to fund operations can be attributed to a decrease in loss from operations of \$1,477,000, offset by an increase in non-cash working capital requirements of \$2,753,000.

Financial Instruments

The estimated fair value of cash, cash held in trust, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to the short-term maturity of these financial instruments. The fair value of the long term financial instruments approximates their carrying value.

Cash Used in Investing Activities

The Company received \$117,000 of cash to fund its investing activities for the fourth quarter ended 2009, compared to \$126,000 spent for the fourth quarter ended 2008.

The Company used \$431,000 of cash to fund its investing activities for the year ended December 31, 2009, compared to \$1,772,000 for the year ended December 31, 2008. During the fiscal year ended December 31, 2009, the Company spent \$26,000 on new property, plant and equipment at the Company's new facility in Vaughan, Ontario, compared to \$1,180,000 for year ended December 31, 2008. During the fiscal year ended December 31, 2009, the Company also paid \$334,000 in minimum royalty obligations under the license agreement with BJI for the i-SPAN technology, and invested \$71,000 in intangible assets, compared to \$460,000 and \$132,000, respectively, for the year ended December 31, 2008.

Cash Provided by Financing Activities

The Company used \$211,000 in financing activities for the fourth quarter ended 2009, compared to \$157,000 for the fourth quarter ended 2008. The cash had been used to repay the term loan issued in June 2008.

The Company generated \$4,163,000 of cash from financing activities for the fiscal year ended December 31, 2009, compared to \$1,054,000 for the fiscal year ended December 31, 2008. The amount generated for the year ended December 31, 2009 includes cash from the issuance of debentures of \$2,953,000 and cash from the issuance of common stock of \$1,773,000, less repayment of the term loan of \$563,000. The amount generated for the fiscal year ended 2008 includes the term loan issued in June 2008, less repayment.

Contractual Obligations

The Company has entered into two long-term contracts in the ordinary course of business, which are reflected as contractual obligations.

The first commitment is for the new facility located in Vaughan, Ontario, which will showcase the Company's Coil-to-Panel ("CTP") and Coil-to-Joist ("CTJ") industrial technologies. Muzzo Brothers Group Inc., an affiliate of a beneficial shareholder of the Company, Zuzum Acquisition Inc., as landlord, and the Company, as tenant, entered into a lease dated December 21, 2006 for premises located at 10877 Keele Street, Vaughan, Ontario. The lease is for an initial term of 10 years commencing on January 1, 2007 and expires on December 31, 2016, but may be renewed for a further 10 years with prior written notice. Annual base rent is \$727,000. The Company is also liable for additional rent for operating costs, utilities and taxes.

The second commitment relates to the technology licensing and ongoing development of i-SPAN. Pursuant to a license agreement entered into on November 10, 2004 between the Company and BJI, the Company is obligated to make quarterly royalty payments of \$0.02 per pound of joist system produced, with a minimum royalty of \$80,000 per quarter until August 2008, and \$150,000 per quarter from August 2008 until November 2011. The agreement may be terminated by BJI with 10 days' notice if the Company fails to make the applicable payments. The Company has capitalized the present value of these future minimum royalty payments as an intangible asset and has recognized the future liability as both current and long-term liabilities as minimum royalty payment obligation. Subsequent to December 31 2009, the Company received a termination notice from BJI ("Licensor") in regards to the non-transferable license to use the Licensor's technology for the production and sale of certain steel joist products in Canada and the United States. The Company is currently in discussions with the Licensor regarding the amounts owing upon termination. The Company will continue to use the license in order to complete production as it relates to orders that were in backlog at the termination date. In addition, the Company has begun the process of exploring alternative technology as it relates to the production of steel joist products. An impairment charge of \$517,000 was recorded to write down the license primarily as a result of the termination of the agreement.

The Company also entered into a three-year term loan and issued a convertible debenture as discussed under "Liquidity and Capital Resources" in this MD&A. As at December 31, 2009, the Company was in default of its secured non-revolving term loan agreement due to the following: (i) On October 2, 2009, the Company received notification that the Ontario Ministry of Revenue (the "Ministry") had registered its statutory lien against the assets of KML under the *Personal Property Security Act* (Ontario) on account of \$0.6 million of unremitted sales taxes owing. Subsequent to October 2, 2009, KML entered into an agreement with the Ministry providing for the payment of these unremitted sales taxes owing over a period of approximately ten months. In the event that the repayment terms are not satisfied, the Ministry may seek to enforce its lien and collect the unremitted sales taxes owing immediately. On October 16, 2009, the Company received a letter of tolerance from the lender indicating that no further action would be taken by the lender against the default for the period ending September 30, 2010. As at December 31, 2009, the Company accrued the amount owing to the Ministry and remitted payments in accordance with the agreement with the Ministry up to December 31, 2009. Subsequent to December 31, 2009, the Company has not remitted payments per the agreement with the Ministry. Furthermore, subsequent to December 31, 2009, the Company has been audited by the Ministry for sales tax calculated during the period February 1, 2006 to October 31, 2009. The results of the audit indicate an additional amount owing, including interest, of \$0.7 million. The Company accrued the amount of \$0.7 million as at December 31, 2009; and (ii) as at December 31, 2009, the Company's current ratio was below the 1.1 to 1.0 level stipulated in the term loan agreement. The Company received a waiver from the lender for the year ended December 31, 2009, and the lender has agreed to revise the financial covenant to 1:1 as at March 31,

2010 and 1.1:1 at June 30, 2010. Subsequent to December 31, 2009, the Company does not anticipate achieving the ratio of 1:1 as at March 31, 2010. Accordingly, the full amount owing of \$1.0 million as at December 31, 2009 has been classified as a current liability and under certain circumstances may become immediately payable. Subsequent to December 31, 2009, the Company has received a demand letter from its lender requesting payment of all amounts owing as of the date of the demand letter. Subsequent to receiving the demand letter, and prior to the expiration of the ten day cure period, a current shareholder of the Company initiated discussions with the lender to potentially purchase the term loan.

The following table summarizes the Company's contractual obligations, in accordance with scheduled payment terms:

(in thousands of dollars)	Years						Total
	2010	2011	2012	2013	2014	Thereafter	
Property leases	\$ 1,039	\$ 1,008	\$ 996	\$ 996	\$ 996	\$ 1,994	\$ 7,029
Equipment leases	44	39	37	11	--	--	131
Minimum royalty payments	866	600	--	--	--	--	1,466
Sales Tax ⁽¹⁾	409	727	--	--	--	--	1,136
Debt ⁽²⁾	619	385	--	--	--	--	1,004
Total	\$ 2,977	\$ 2,759	\$ 1,033	\$ 1,007	\$ 996	\$ 1,994	\$ 10,766

Note (1) – The Company has obligations to repay the Ontario Ministry of Revenue for unremitted sales tax in the amount of \$633,978 under a payment plan over the next 10 months, of which \$408,978 is outstanding as of December 31, 2009. The Company plans to negotiate a payment plan for the additional amount owing of \$727,032. Both these amounts have been recorded in accounts payable and accrued liabilities.

Note (2) – The debt is classified as a current liability as a result of the default as stated under “Financial Condition and Significant Going Concern Uncertainty” of this MD&A.

Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as claims and assessments arising from litigation and other legal proceedings, contractual indemnities, product and environmental liabilities, and tax matters. The Company is required to accrue for such loss contingencies if it is probable that the outcome will be unfavourable, and if the amount of the loss can be reasonably estimated. The Company evaluates its exposure to loss based on the progress of each contingency, experience in similar contingencies and, if necessary, consultation with external legal counsel. The Company re-evaluates all contingencies as additional information becomes available.

Critical Accounting Policies and Estimates

Revenue Recognition

Revenue is recognized when earned, specifically when persuasive evidence of an arrangement exists, services and products have been delivered, the sales price or fees are fixed and determinable, and collection of proceeds is considered reasonably assured. With respect to construction contracts and certain engineering services contracts, revenue is recognized on the percentage-of-completion basis. In addition to this general policy, the following paragraphs describe the specific revenue recognition policies for each major category of revenue.

Construction Contracts - Structural Products

Revenue from construction contracts is recognized on the percentage-of-completion basis. The percentage-of-completion is determined by actual engineering drawings completed, fabricated panels, joists and trusses manufactured, and installation completion estimates based on panels, joists and trusses installed. Amounts earned but unbilled are recorded as construction contracts in progress. Revisions in costs and earnings

or loss estimates during the course of the contract are reflected during the period in which the changes in estimates become known. Losses on contracts are recognized in the period in which such losses are known.

License Arrangements

The Company's license arrangements represent multiple-element arrangements which may include any combination of software, technology (generally comprising designs, specifications, and documentation), equipment and services (comprising engineering and marketing support). These multiple-element arrangements are assessed to determine whether they can be separated into more than one unit of accounting or element for the purpose of revenue recognition. These units of accounting or elements may be separated or combined based on the specific terms of the contract and recognized when:

- i) there is objective and reliable evidence of the fair value of undelivered items;
- ii) the delivered items have value to the customer on a stand-alone basis;
- iii) delivery or performance of the undelivered items is considered probable and substantially in the control of the Company; and
- iv) fees related to delivered elements are not subject to refund, forfeiture or other concession if undelivered elements are not delivered.

The Company's revenues under its license arrangements are recognized as follows:

(a) Software, technology and equipment

Revenue is recognized under a particular arrangement when all of the software and technology are delivered to the customer, which is when all significant contractual obligations for these elements have been fulfilled.

(b) Equipment

Revenue from the sale of equipment is recognized when title passes to the customer and the item has value to the customer on a stand-alone basis. Value is based on the prices when equipment is sold separately.

(c) Services

Revenue from services is recognized as the services are provided to the customer. Third party evidence of fair market value is used for similar services provided by other companies in the industry. Fees and advances received from customers that do not qualify for revenue recognition are recorded as deferred revenue. The residual method is used to allocate revenue to each component of the arrangement based on the fair market value of undelivered elements.

(d) Royalty Income

Income from royalties is recognized in the period earned based on future sales by licensees.

Fees and advances received from customers that do not qualify for revenue recognition are recorded as deferred revenue. The residual method is used to allocate revenue to the delivered component of the arrangement based on the fair value of undelivered elements

Asset Impairments

The Company reviews its property, plant and equipment and finite life intangible asset (technology license, computer software and patents) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. When such an event occurs, management estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. In the event the undiscounted cash flows are less than the carrying amount of the asset, an impairment loss equal to the excess of the carrying amount over the fair value, determined on a discounted cash flow basis, is charged to the consolidated statements of loss, comprehensive loss and deficit. As a result of the

significant measurement uncertainty in determining cashflows, management's estimate of fair value is based on the market (sales comparison) approach and assumes an in use premise and does not represent a likely liquidation value.

Allowance for Doubtful Accounts

The Company evaluates the collectability of its accounts receivable based on a combination of factors. In cases where management is aware of circumstances that may impair a specific customer's ability to meet its financial obligation to the Company, a specific allowance against the amounts due to the Company is recorded, which reduces the net recognized receivable to the amount management reasonably believes will be collected.

Stock-Based Compensation

The Company records compensation expense for stock options granted to employees on or after January 1, 2003. Compensation expense for stock options granted to employees is measured at the fair value at the grant date using the minimum value method for options granted before the initial filing of the prospectus, and the Black-Scholes pricing model using a volatility assumption for options granted after the initial filing of the prospectus. The value is charged to operations over the vesting period of the options granted, with a corresponding credit to contributed surplus. Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the expected term of the options, the expected volatility of the Company's stock and expected dividends. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially impacted.

Income Taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the reporting and tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

Adoption of Recent Canadian Accounting Pronouncements in 2009

Goodwill, Intangible Assets and Financial Statement Concepts

The Canadian Institute of Chartered Accountants ("CICA") has issued a new accounting standard, Section 3064, *Goodwill and Intangible Assets*, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. Section 1000, *Financial Statement Concepts*, was also amended to provide consistency with this new standard. The new and amended standards were effective for the Company beginning on January 1, 2009. The adoption of these new standards did not have a material impact on the Company's consolidated financial statements, other than the reclassification of software to intangibles and related amortization.

Financial Instruments - Disclosures

Effective January 1, 2009, the Company adopted amended CICA Section 3862, *Financial Statements – Disclosure*, which expands financial instruments fair value measurements and liquidity risk management disclosures.

Credit Risk and the Fair Value of Financial Assets and Liabilities

Effective January 1, 2009, the Company adopted Emerging Issues Committee abstract EIC-173 – *Credit Risk and the Fair Value of Financial Assets and Liabilities*, which requires that an entity take into account its own credit risk and that of the counterparty in determining the fair value of financial assets and liabilities, including derivative instruments that are carried at fair value on a recurring basis. The adoption of EIC-173 did not have a significant impact on the Company.

Related Party Transactions

Lease

Muzzo Brothers Group Inc. ("Muzzo Brothers"), an affiliate of a beneficial shareholder of the Company, Zuzum Acquisition Inc., as landlord, and the Company, as tenant, entered into a lease dated December 21, 2006 for premises located at 10877 Keele Street, Vaughan, Ontario. The lease is for an initial term of 10 years which commenced on January 31, 2007 and expires on December 31, 2016, and is renewable for a further 10 years at the option of the Company with prior written notice. Annual base rent under the lease is \$727,000. The Company is also liable for additional rent for operating costs, utilities and taxes. Subsequent to December 31, 2009, the Company completed a non-brokered private placement (the "Private Placement") of 5,639,241 common shares at prices ranging from \$0.09418 to \$0.1230 per common share in satisfaction of the payment of outstanding indebtedness of an aggregate of \$593,389. Muzzo Brothers subscribed for 2,777,437 common shares, pursuant to the Private Placement. Muzzo Brothers is an affiliate of Zuzum Acquisition Inc., an existing shareholder and an insider of the Corporation. Following the completion of the Private Placement, Zuzum Acquisition Inc., and its associates and affiliates together, are the registered and beneficial holders of 8,315,177 common shares of the Corporation, representing approximately 14.7% of the issued and outstanding common shares of the Corporation. Due to the participation by Muzzo Brothers in the Private Placement, the Private Placement is a "related party transaction" for the purposes of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Corporation is relying on the exemptions from the valuation and minority approval requirements of MI 61-101 contained in paragraph (a) of Section 5.5 and paragraph (a) of Section 5.7, respectively, of MI 61-101, as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the portion of the Private Placement subscribed for by Muzzo Brothers exceeded 25% of the Corporation's market capitalization.

Commercial Contracts

Zuzum Acquisition Inc., a beneficial shareholder of the Company, is an affiliate of Muzzo Brothers Group Inc., which is a contract customer of the Company with regular credit terms. Revenues earned during the fourth quarter ended 2009 were \$82,000, compared to \$182,000 for the fourth quarter ended 2008. Revenues earned during the year ended December 31, 2009 were \$357,000, compared to \$332,000 for the year ended December 31, 2008. The amount included in accounts receivable as at December 31, 2009 was \$82,000, compared to \$242,000 as at December 31, 2008.

Codding Enterprises L.P., a beneficial shareholder of the Company, is the parent Company of Codding Steel Frame Solutions ("Codding SFS"), which is a licensee of the Company with regular contract terms. Revenues earned from Codding SFS during the fourth quarter ended 2009 were \$3,000, compared to \$153,000 for the fourth quarter ended 2008. Revenues earned for the year ended December 31, 2009 were \$428,000, compared to \$1,303,000 for the year ended December 31, 2008. The amount due from Codding SFS in accounts receivable as at December 31, 2009 was \$13,000, compared to \$169,000 as at December 31, 2008. The amount included in deferred revenue from Codding SFS as at December 31, 2009 was \$129,000, compared to \$14,000 as at December 31, 2008. In October 2009, the Company renegotiated its license agreement with Codding SFS.

Convertible Debenture

The Company was also liable to pay out interest on the earlier of the maturity dates and the conversion of the convertible debentures. The convertible debentures were converted into common shares in July 2009. For the year ended December 31, 2009, the Company incurred a total of \$91,000 of interest compared to \$nil for the year ended December 31, 2008.

Off-Balance Sheet Arrangements

The Company does not have any "off-balance sheet" arrangements as of December 31, 2009.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standard Board (AcSB) has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including Genesis Worldwide Inc., effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company, will report comparative interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011.

The Company has commenced the development of an IFRS implementation strategy to prepare for this transition and is in the process of analyzing the key areas where changes to current accounting policies may be required. Analysis will be required for all current accounting policies, however, the key areas identified to date include:

- Revenue Recognition
- Property, Plant & Equipment
- Impairment of Assets
- Provisions
- Share-based Payments
- Income Taxes
- First-time Adoption of IFRS

As the analysis of the each of the key areas progresses, other elements of the Company's IFRS implementation strategy will be addressed including the implication of changes to accounting policies, processes or financial statement note disclosures on information technology, internal controls, contractual arrangements and employee training.

Share Capital

As at December 31, 2009, the Company had:

- 50,823,110 common shares issued and outstanding;
- 3,650,000 purchase warrants outstanding, which entitle the holder to acquire 3,650,000 common shares of the Company; and
- 2,238,674 common share options are outstanding under the Company's stock option plan to purchase common shares of the Company.

Subsequent to December 31, 2009, the Company completed a non-brokered private placement (the "Private Placement") of 5,639,241 common shares at prices ranging from \$0.09418 to \$0.1230 per common share in satisfaction of the payment of outstanding indebtedness of an aggregate of \$593,389. Muzzo Brothers subscribed for 2,777,437 common shares, pursuant to the Private Placement. Muzzo Brothers is an affiliate of Zuzum Acquisition Inc., an existing shareholder and an insider of the Corporation. Following the completion of the Private Placement, Zuzum Acquisition Inc., and its associates and affiliates together, are the registered and beneficial holders of 8,315,177 common shares of the Corporation, representing approximately 14.7% of the issued and outstanding common shares of the Corporation. Due to the participation by Muzzo Brothers in the Private Placement, the Private Placement is a "related party transaction" for the purposes of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Corporation is relying on the exemptions from the valuation and minority approval requirements of MI 61-101 contained in paragraph (a) of Section 5.5 and paragraph (a) of Section 5.7, respectively, of MI 61-101, as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the portion of the Private Placement subscribed for by Muzzo Brothers exceeded 25% of the Corporation's market capitalization.

Risk Factors

Many factors could cause the actual results of the Company to differ materially from the results, performance, achievements or developments expressed or implied by forward-looking statements including the risk factors listed in the “Risk Factors” section contained in the Company’s AIF and the risk factors described under “Liquidity and Capital Resources” in this MD&A.

Controls and Procedures

As required by Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers’ Annual and Interim Filings* issued by the Canadian Securities Administrators, the Company’s Interim Chief Executive Officer and Vice-President Finance have made certain certifications related to the information in the Company’s annual and interim filings (as defined by Multilateral Instrument 52-109) with the provincial securities regulators.

Evaluation of Disclosure Controls and Procedures

As part of the Form 52-109 certification, the Company’s Interim Chief Executive Officer and Vice-President Finance must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to provide reasonable assurance that material information with respect to the Company, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by these interim filings. Disclosure controls and procedures ensure that information required by the Company in the reports that it files or submits to the provincial securities regulators is recorded, processed, summarized and reported, within the time periods required. The Company has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and companies of similar size and senior management and review and oversight practices.

The Company’s Interim Chief Executive Officer and Vice-President Finance, after evaluating the effectiveness of the Company’s disclosure controls and procedures (as defined in Multilateral Instrument 52-109), have concluded that, as of December 31, 2009, the Company’s disclosure controls and procedures are ineffective.

Management's Report on Internal Control over Financial Reporting

As part of the Form 52-109 certification, the Company’s Interim Chief Executive Officer and Vice-President Finance must also certify that they are responsible for establishing and maintaining internal control over financial reporting and have designed such internal control over financial reporting (or caused such internal control over financial reporting to be designed under their supervision). The Company’s internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions with respect to the Company’s assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company’s receipts and expenditures are being made only in accordance with the authorizations of the Company’s management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the Company’s financial statements.

The Company’s Interim Chief Executive Officer and Vice-President Finance have concluded that, as at December 31, 2009, the Company has designed such internal control over financial reporting (as defined in Multilateral Instrument 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company has not completed testing of its controls in 2009 to adequately determine whether the operating effectiveness of its internal controls is satisfactory.

Management identified the following deficiencies in its control environment based on the criteria established in the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework:

Segregation of duties is a basic, key internal control and one of the most difficult to achieve relative to the limited resources for companies the size of or at the stage of development such as the Company. This control is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business.

Due to limited resources and number of staff, it is not feasible to achieve complete segregation of duties among its staff. This creates a risk that inaccurate recording of amounts could be made and not corrected on a timely basis. The result is that the Company is highly reliant on the performance of mitigating procedures and management oversight during its financial close process in order to ensure the financial statements present fairly in all material respects.

Further, due to limited resources and number of staff in common with companies this size, the Company does not have the optimum complement of personnel with all of the technical accounting and tax knowledge to address all complex and non-routine transactions that may arise, necessitating the hiring of external accounting firms and consultants to assist in advising on the completion of such transactions.

Management reviews the assignment of responsibilities on an ongoing basis. Management will continue to monitor the existing mitigating controls and implement changes where appropriate and feasible.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of internal controls and procedures is based, in part, upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Selected Consolidated Quarterly Financial Information

The following tables provide an analysis of the Company's unaudited operating results for each of the quarters ended on the date indicated.

Fiscal 2009 (in thousands of dollars, except per share data)	Three Months Ended			
	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Revenues	\$ 1,357	\$ 3,598	\$ 3,059	\$ 4,879
Direct cost of revenues	1,992	2,572	1,938	3,574
Operating expenses	3,092	2,717	2,197	1,759
Net loss	(6,782)	(2,173)	(1,620)	(945)
Basic and diluted loss per share	(\$0.17)	(0.04)	(0.05)	(0.03)
Total assets	\$ 7,773	\$ 14,664	\$ 15,574	\$ 16,139

Fiscal 2008				
(in thousands of dollars, except per share data)				
	Three Months Ended			
	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Revenues	\$ 4,452	\$ 5,302	\$ 3,826	\$ 7,682
Direct cost of revenues	2,829	3,634	2,658	5,400
Operating expenses	2,953	3,144	3,214	3,186
Net loss	(1,693)	(1,904)	(2,389)	(1,241)
Basic and diluted loss per share	(\$0.05)	(0.06)	(0.08)	(0.04)
Total assets	\$ 17,339	\$ 17,842	\$ 21,910	\$ 21,456

Genesis generates its revenues from both the licensing and the application of these technologies. The Company refers to the licensing of its technologies as the licensing division or licensing business, and the application of its technologies to build structural products as the structural products division. Revenues for the structural products division have been negatively affected by the current economic situation that has resulted in a general slowdown in the construction industry.

Direct cost of revenues for licensing revenues consists of the direct cost of the industrial manufacturing equipment and inventory obsolescence. The direct cost of revenues for licensing as a percentage of revenue is dependent upon the mix of software revenues, industrial equipment revenues, royalty revenues and other revenues recorded in any one quarter, as the only revenue components that have a direct cost are the industrial equipment and miscellaneous supplies sold to licensees. The direct cost of revenues for structural products consists of direct labour, direct material, certain plant overheads, and shipping and installation costs. In general, the direct cost of revenues for the structural products division has decreased in the last year due to the implementation of the MOT line and continuous manufacturing improvements.

The Company continues to evaluate operating costs in an effort to reduce costs.